PRIVATIZATION AS AN ALTERNATIVE DEVELOPMENT STRATEGY FOR NIGERIA 1986 – 2003

BY

ABUBAKAR MOHAMMED MAGAJI
MSC/SOC. SC./17461/98/99

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DECLARATION

I, Abubakar Mohammed Magaji; declare that this thesis is an outcome of my original research effort. The work embodied in this thesis is original and to the best of my knowledge has not been submitted in part or full for the award of a higher degree to this or any other institution of higher learning.

All materials not original to this work have been acknowledged by way of reference.

A.M. Magaji.

APPROVAL PAGE

The thesis entitled: "Privatisation as an Alternative Development Strategy for Nigeria: 1986 – 2003," by Abubakar Mohammed Magaji meets the regulations governing the award of Masters Degree in Economics of Ahmadu Bello University, and is approved for its contribution to knowledge and literary presentation.

Dr. G. D. Olowononi Chairman Supervisor Committee	……………….. (Signature)	……………… Date
Dr. (Mrs). P.S. Aku Member, Supervisory Committee	………………… (Signature)	…………….. Date
Dr. M. Duru Head of Department	………………. (Signature)	………..…. Date
Dean, Postgraduate School ..	……………. (Signature)	..…………. Date

DEDICATION

This thesis is dedicated to the Nigerian populace whose is consent neither sought or obtained to privatize public enterprises collectively owned by them.

ACKNOWLEDGEMENT

In every meaningful human endeavour, there are contributing factors to its success, hence this work is not an exception. I owe a particular debt to my Supervisors: Dr G.D. Olowononi, and Dr. (Mrs.) P. Aku who served as two important sources of knowledge to me in this work. First, their reservoir of knowledge were useful to me during the course-work where the theoretical skills were imparted to me. Secondly, they serve in practicalzing the theoretical skills i.e. the production of this work as it is today.

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ACRONYMS

ACCS	-	Advanced Capitalist Countries
AECL	-	Atomic Energyst Canada Limited
BPE	-	Bureau of Public Enterprises
CCPRA	-	Cabinet Committee on Privatization, Regulatory Affairs
EFF	-	Extended Fund Facility
GDP	-	Gross Domestic Product
IIR	-	Institution for Industrial Reconstruction
IMF	-	International Monetary Fund
INDEC	-	Industrial Development Corporation of Zambia
LDCS	-	Less Developed Countries
MSE	-	Ministry of State Enterprise
NEPA	-	National Electric Power Authority.
NNPC	-	Nigerian National Petroleum
NRC	-	Nigeria Railway Corporation
OPRA	-	Office of Privatization and Regulatory Affairs
PES	-	Public Enterprises
SOES	-	State-Owned Enterprises
TCPC	-	Technical Committee on Privatization and Commercialization.
ZIMCO	-	Zambian Industrial and Mining Corporation Limited.

ABSTRACT

This research work is aimed at determining whether privatization can be a good alternative development strategy for the country. The theoretical foundation of privatization is embodied in Kyenesian inability to solve the economic recession. This led to casting doubt on the ability of public enterprises to fulfill the propelled and enduring growth of the economy. Some of the problems of public enterprises in Nigeria include: poor human and materials management, lack of strategic management, poor debts management, etc. The Technical Committee on Privatization and Commercialization used various methods in privatizing the state owned enterprises. The methods include: public offer for sale of shares, through the Nigeria Stock Exchange, private placement and the sale of assets. These methods were evaluated in this study. Despite the upsurge literature on privatization, little empirical knowledge is available on the performance of privatized Companies. Can the privatized firms better than before privatization?. This thesis was carried out with broad objective of assessing and evaluating the challenges and the prospects of privatization exercise in Nigeria. Secondary data were obtained from BPEs Reports, TCPC Reports, First Bank of Nigeria Annual Reports, Journals and other sources. The difference of the two main means was used as the statistical tools to test the research hypothesis. The results shows that their has been significant improvement in the performance of the sampled companies after privatization then before privatization. This shows that privatization is a good alternative development strategy. The analysis of variance used in this study confirms the expectation that privatization enhance efficiency.

CHAPTER ONE

GENERAL INTRODUCTION

1.1 BACKGROUND INFORMATION

Government intervention in the running of the Nigerian economy was pervasive between 1960s and up till the 1980s when the Structural Adjustment Program (SAP) was introduced. The failure of the price-market mechanism to ensure that individual rationality approximates social rationality has often been used as the rationale for government intervention in the running of the economy. Besides, the shortage of capital and absence of a well-developed entrepreneurial class and huge oil revenue spurred government to be involved in almost all sectors of the economy.

This resulted in the passage of some legislations in the 1970s and 1980s restricting the participation of foreigners in certain sectors of the economy. Government also created parastatals which operated in the manufacturing, financial, transport and communication as well as other sectors of the economy. These interventions led to distortions in running of the economy, bred inefficiencies and resulted in misallocation of resources. All these resulted in the financial repression which inhibited intermediation.

The adoption of the policy of financial liberalization as part of SAP, was expected to improve financial intermediation and privatization process.

The transfer of government owned shareholding in designated enterprises to private shareholders was expected to bring some benefits to the nation. Certainly, revenues generated from this policy of government has improved the status of public finance. Besides, privatized enterprises are no longer funded using public finance. This has reduced their fiscal burden. Besides, public enterprises now operate with reduced budgetary allocations/subventions. This has significantly increased investment allocations to infrastructures because of the improved public finance position. In order to operationalize the policy effectively the affected PEs have been insulated from all bureaucratic ministerial controls. Besides, they are self-financing and self-reliant within the evolving Nigerian market-oriented environment. Thus, broadly viewed, the privatization programme is an umbrella term describing a variety of policies and actions which emphasize the role of market forces in place of statutory restrictions and monopoly power, in development process.

There is, thus, a growing consensus in Nigeria that privatization policy, can yield substantial benefits in term of efficiency, renewed investment, budgetary savings and the preservation of scarce resources for the improvement of public finance. The economic rationale for the privatization of public enterprises, derives from three major considerations all of which have been traced to the nature and structure of the precarious financial and monetary conditions in the country between 1981 and 1985.

The first, which is macroeconomic, centers on the need for the restoration of fiscal balance in light of negative impact of the country's excessive budget deficits which public enterprises were a major cause. In this respect the structural adjustment programme (SAP) in Nigeria placed a restrant on government expenditure such that budget deficits should not exceed 3 – 4 percent of the GDP. The privatization and commercialization programmes were expected to provide a concrete basis for attaining this goal through efficient resource allocation.

The second dimension, which is microeconomic, focuses on the improved efficiency of business enterprises derives from the conception, especially in Nigeria, that the private sector is more efficient than the public sector. This study is intended investigate empirically the assumption that private ownership is a significant determinant of economic growth. This is because privatization of public enterprises introduces a kind of reward system where physical/financial success/failure is rewarded/penalized. This development paves way for productive efficiency in an economy in general.

The third factor, which has international dimension, highlights the need to reduce the size of government's involvement in economic activities, especially in a country that is burdened by external debts as are found in Nigeria between 1989 and 2003. Domestic and external debts rose continuously. For example domestics debt rose from about N7.9 billion in 1980 to N28.5 billion in 1986 and N343 billion in 1995. While external debt for those same years were N1.9 billion, N31 billion and N647.5 billon.

The total investment in public enterprises, using the 1986 estimates, is about N36.465 billion, which is revalued, using the 1993 estimates, at about N500 billion (TCPC 1993).

Given the foregoing statistical information, it is obvious that public investment in the public enterprises was enormous. Besides, any change in the size of the investment could significantly influence the size and pattern of public finance from where it derives. In recognition of this problem government examined the various ways in which the commercialization and privatization of public enterprises would improve public finance in particular and the economy in Nigeria. All these were against the background of the legal operational framework of the Decrees/Legislative Acts established to operationalize the commercialization/privatization policy. The Obasanjo Administration has systematically implemented the privatization policy with great vigour. The approach adopted relates to institutional reforms through the shrinkage of the public sector economy via reduction of government budget deficit and insulation of strategic PEs from ministerial control: for improvement of operational efficiency.

In order to effect the privatization/ commercialization programme in Nigeria, the BPEs classified 125 PEs for full/partial commercialization/privatization. Given this classification, and also in order to fully realize the objectives of privatization, the BPEs employed the following strategies:

i. public floatation on the stock exchange for enterprises that qualified for stock exchange listing.

ii. Private placement for enterprises in which government holding was too small for a public offer or where enterprises did not meet the listing requirements of stock exchange;

iii. Sales of assets where enterprises had poor trade records and could, therefore, not be sold as going concerns;

iv. Management buy-out which was sparingly used; and

v. Deferred public offer where it was felt that enterprises required introduction of an investor/manager for a certain number of years to raise the value of their shares so that adequate revenue could be derived from the sale of such enterprises.

These approaches were adopted to generate revenue and also to reduce government financial commitments to these public enterprises in order to improve its financial status. Since the time the policy implementation started, the programme had been modified several times.

In order to allow for optimal pricing of utilities and social services and also allow such optimal tariffs to reflect cost recovery properties, government, by Decree No 104 of 1992, established the Utilities Charges Commssion (UCC) to regulate the tariffs of public enterprises. Although, most of the affected public enterprises did not process their tariffs through the Commission, they raised their tariffs to make up for what they lost through the elimination of subsidies to them. An example is the Nigerian National Corporation

(NNPC). Besides, most of these PEs also rescheduled their operations on purely economic principles to make for profitable operations.

It can therefore be said that the commercialization and privatization policy was due to the Nigerian government's precarious financial and fiscal posture. The objectives was broadly aimed at reducing the size of the public sector economy; restructuring government expenditure policies; and fostering financial discipline in the country. The pursuit of these objectives was expected to enhance the efficiency of public administration and the reduction of government's fiscal deficits to improve the overall fiscal position of government. With almost two decades into the programme this there is conducts an assessment of the extent to which the above objectives have been achieved. Accordingly, this thesis examines the economic impact of the privatization policy in Nigeria.

The size of the public sector has reduced by the number of the PEs privatized. Besides, the privatization process was expected toinvolve the sale of equity shares to private associations and interest groups – workers, trade unions, market women and other organizations (10-20 percent); the staff of affected enterprises (10 percent) and interested private individuals. These could be a fair geographical spread among varying income groups if were implemented.

In spite of the foregoing, it is important to note that there was opposition from highly placed public servants, particularly among the staff of affected PEs whose positions were threatened by privatization. There were some other socio-political problems couched under ideological disposition (e.g. socialism vis-à-vis capitalism) that delayed the implementation of the programme. Also the policy implementation has remained an open confrontation between the apostles of capitalism and those of socialism.

These challenges constrained immediate the institutional reforms through commercialization or privatization in Nigeria.

1.2 STATEMENT OF RESEARCH PROBLEMS

In the context of the current dispensation of liberalization and globalization of trade and commerce that is sweeping across the globe, the global economy is characterized by competition, rapid technological development, regional market integration and cross-border trading network. Nigeria has been trying to be a major player in the global market. No doubt, the Obasanjo administration has introduced various economic reform policies. According to President Olusegun Obasanjo during the fourth Pan-African privatization summit held at the International Conference Center, Abuja in November 2000 "Nigeria is a country of enormous potentials. It has a vibrant population of over 120 million people, vast arable land, minerals of every description and huge reserves of oil and gas. Since the quadrupling of oil prices in 1973, Nigeria has earned US $300 billion. Regrettably, this has not had the desired impact on the welfare of Nigeria. The per capita GDP was US $300 in 1999, ranking among the lowest in the world. This administration believes that they key to a prosperous future for our country is a democracy that endures and meaningful economic reforms exist. One of the major economic reform programmes of this administration is "**PRIVATIZATION".** The President, during the summit further stated "let me take this opportunity to assure you that this administration is committed to privatization and economic liberalization at the highest level of government. This is a course of action we are committed to and there is no going back. We intend to see it through". The question to ask is whether privatization is really a better development strategy. Empirical showing the superiority of privatize enterprises over the public enterprises are rare in Nigeria.

Nigeria's economy was among the largest in terms of Public Enterprises (PEs) in the Sub-Saharan Africa between 1970 and 1985. The process was hastened in the early 1970s when the economy experienced oil boom revenue following oil price increase in the world market. During the boom period, the government found it necessary to expend money on PEs (such as power, water supply, telecommunication, railway-shipping lines etc.) as these were considered fundamental to the country's development since there were not enough resources from the private sector that could make these essential services available effectively to the people. Public enterprises also provided jobs for many Nigerians.

But, in the 1980s, there was global depression as a result of the oil glut. Export volume and price of oil declined drastically. As a result, Organization of Petroleum Exporting Countries (OPEC) reduced quotas and prices follow in similar downward trend. Petroleum revenue which peaked at nearly N25 billion in 1980 was halved in 1982, and in 1986 petroleum netted less than N1 billion. This marked the turning point of the country's economy because petroleum constituted about 70 to 75 percent of government revenues. The country's GDP declined by an average of 3.4 percent per annum between 1980 and 1985 and by 3.3 percent in 1986. Also government realize that it could not meet up the demand of the PEs that had been draining public resources since due to the following reasons:

- Most of the enterprises were inefficient as a result of mismanagement
- Inflation had increased the expenditures of most of the enterprises
- Almost all the enterprises could not generate enough revenue for loan repayment
- Gross misconduct in the handling of those PEs assets by their various executives.

Sequel to the above, the Federal Government (F.G.) under the military president, General Ibrahim Babangida had by 1986 taken measures to adjust the adverse effect of

PEs on the economy without success.

In July 1988 government promulgated the Privatization and Commercialization Decree No 25 of 1988 as a legal framework for implementing the privatization and commercialization policy embodied in Structural Adjustment Programme (SAP). The Decree established the Technical Committee on Privatization and Commercialization (TCPC), which was inaugurated on 27th July, 1988, and vested with the responsibility of implementing the programme. This marked the beginning of privatization programme in Nigeria.

Under President Olusegun Obasanjo's administration, the Public enterprises Act of 1999 established the National Council on Privatization (NCP) with the Bureau of Public Enterprises (BPEs) as the secretariat. BPEs is charged with the responsibility of implementing the policies and decisions of NCP. The research questions are:

Have the privatized companies fared better after the privatization than before privatization? What has been the challenges of privatizing government companies? What are the prospects of privatization in Nigeria.

One central criticism of these PEs relates to large share of public finance that they had steadily absorbed for about three decades without much beneficial results either in physical output, profitability or resource transfer to government. In order to maintain and sustain the economic operations of these PEs, the federal government used to expend between 30 to 40 percent of its annual budget on these enterprises. The contribution of PEs to economic development in Nigeria was considered unsatisfactory. Against the backdrop of this unsatisfactory situation, various arguments were put forward for the ascendancy of the market-based economic orthodoxy via the privatization whose fundamental objective is to increase the efficiency and effectiveness of the PEs.

1.3 OBJECTIVES OF THE STUDY

The broad objective of this study is to examine and evaluate privatization as a development strategy in Nigeria. The specific objectives of this study include:

- To determine whether or not there has been improvement in the efficiency of PEs after privatization.
- To examine the unintended effects of privatization
- To make policy recommendations

1.4 JUSTIFICATION FOR THE STUDY.

This thesis study is of immense significance to the general populace of Nigeria with particular reference to those who want to participate in the ownership of some of the PEs that are to be privatized.

Information in this thesis will keep government officials, researchers, legal practitioners and academicians to make good policy decisions.

1.5 HYPOTHESIS

The main null hypothesis to be tested is that ownership is not a main determinant of economic performance. The alternative hypothesis is that ownership is a main determinant of economic performance. Put differently

Ho: productivity and profitability as measure of economic performance does not increase after privatization than before privatization.

H1: Productivity and profitability as a measure of economic performance increase after privatization than before privatization.

1.6 OUTLINE OF CHAPTERS

This thesis has five chapters. Chapter one which is on the general introduction contains background to the study, statement of research problems, objectives of the study, justification for the study, research hypothesis and outline of the study. Chapter two is devoted to the review of theoretical and empirical literature as well as definition of key concepts. Chapter three contains the methodology for the study, while Chapter four contains the presentation and analysis of data. In Chapter five, we present the summary, conclusion and recommendation of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

Immediately after World War II almost all countries considered development planning as the surest and most direct route to economic progress. It was believed that national planning offered the essential, and perhaps, the only effective mechanism for solving the major problems of development and for ensuring a sustained high rate of growth. Judging from the record of the past three decades, in Nigeria most development economists have realized that their belief in the efficacy and benefits of national planning and extensive public intervention has not been validated.

Government at all levels are criticized for inefficiency. Civil servants are often poorly tasked, badly motivated and less productive than they should be. There is too much corruption and too little innovation. Bureaucratic red tape and rigid procedures and processes sap originality and flexibility. Yet theses have assumed responsibilities for the future well-being of their people such as nation building, and rapid economic growth, which have been frustrated by problems of debt and fiscal deficits as well as poverty, unemployment, environmental degradation and inequality. To cope with difficulties, theses governments have been forging a new role. Central to this new role is institutional and structural reform in various areas.

Others are the organization and orientation of technological research and experimentation, the operation and privation of public sector enterprises and the machinery of government and planning itself. Within this context, the aim of this chapter is three-fold: first to provide a conceptual background for state intervention in economic activities; second, to provide empirical literature review which compares the performance of private with state-owned enterprises (SOEs); and third, to provide a suitable and easy method of evaluation.

2.2 RATIONALE FOR PUBLIC SECTOR

Neoclassical economic theory identifies market failure as the main justification for state intervention in the provision of goods and services (Bator 1958; Atkinson and Stiglitz 1980). Market failure refers to a situation in which the market mechanism fails to achieve Pareto efficiency. In this case, the marginal social costs of economic activities diverge from their marginal social benefits and government intervention is used to correct market failure. Among several types of market failure are the natural monopoly, public goods, externalities and information imperfection.

Although market failure is the main and common justification for state intervention, it is well documented in the literature that intervention has also become necessary for other reasons such as to achieve social and political objectives. For instance, an important social objective in many developing countries is the improvement of income distribution. It is hoped that state intervention would generate surplus which could be used to redress income inequalities. Many government policy makers hold the view that certain key sectors of national and strategic importance should be under state control for this reason. They argue that the generation and distribution of energy, transportation and communication, the output of which are vital inputs to other sectors, should be managed by the state to reduce inequality. Moreover, state security and defense should be controlled by the government. The public sector was also viewed as a means of creating employment. In Nigeria, the public sector was enlarged to reduce foreign domination of economic activity. Also, creation of public enterprises was seen by some governments as an opportunity to use their control of economic resources to consolidate political power.

But, government involvement in economic activities has increasingly come under attack on the grounds of inefficiency. Increased government intervention and subsequent state-owned enterprises are criticized for failing to accomplish the economic, social and political objectives for which they were created. Corruption and bureaucratic procedures have been identified as the major causes of the failure of these enterprises. Moreover, state interventions create room for state functionaries to reap personal rewards from the scarcities (Kruger 1974; DAG 1994). Neoclassical theory, therefore, argues for private markets because of their efficiency. It is argued that under perfect competition, markets maximize social welfare for a given set of resources and initial income distribution . Even with imperfect markets, the price mechanism can produce better outcomes than a well-implemented government. Although empirical studies are scanty to support this school of thought, privatization, and public sector reform has recently been implemented with vigour in many developing countries.

2.3 PRIVATIZATION OBJECTIVES

Since early 1970s public enterprises have been recognized as net capital users which were financially non-viable. They failed to accomplish the economic, social and political objectives for which they were created. As a result, economists started to think of a framework that could help to improve the efficiency of enterprises on the one hand, and also reduce the financial burden of government. (Kay and Thompson 1986; Cook and Kirkpatrick 1988; Hartley and Parker 1991; Adam et al. 1992). Therefore, in the late 1970s, the United Kingdom took the lead and privatized most of its industrial and commercial enterprises within ten years (Vickers and Yarrow 1988). Other European and developed countries followed suit in quick succession. Many developing countries also joined the race when the world recession of the late 2970s, falling commodities prices in the early 1980s, rising foreign debt services and mounting fiscal deficit forced them to critically re-examine of their development policies. Yet, in many developing countries, major industries and utilities remained in the public sector owing to their specific physical, technical, economic and social characteristics (Humplick 1993; World Bank 1994).

Another main reasons for adopting privatization in developing countries was the interest of donor agencies like the World Bank, the IMF, the USAID, the ODA, the Commonwealth and the United Nations (Cook and Kirkpatrick 1988). These agencies recommended privatization as an alternative solution to the development problems facing these countries. There were also some ideological objectives for adopting privatization which were particularly important to developed and transition economics (Cook and Kirkpatrick 1988). Capital market and private sector development were vital objectives. Even, Eastern European economies recently transformed centrally planned economies into market-driven ones through privatization (Schwartz and Lopes 1993). The argument behind this is that the sale of public enterprises would provide opportunities for private investment and strengthen the market mechanism which will in turn, provide an impetus for increased private investment (Shirley 1989).

Another factor which is very relevant to developing countries is the limited success of efforts to reform state-owned enterprises, which led to their being privatized. In the past, many political problems surrounded the reform of PEs which discouraged some governments to implement the privatization programme. Above all, privatization was thought to be the only solution to the inefficiency problem in PEs. Privatization was also argued to have some other advantages . Consumers would benefit from the introduction or extension of market forces, reflected in competition, more choice, greater efficiency and innovation, while government gains from the reduction in the size of its fiscal deficit and with greater guarantee for wider share ownership.

Some of these objectives, however, are likely to conflict with each other. For example, reducing the size of the public sector and/or maximizing treasury income from the sale of public assets are not compatible with the goal of efficiency since it involves transferring monopoly power from the public to the private sector without increasing competition and rivalry. Similarly, maximizing the number of shareholders, which might require under-pricing of shares, could conflict with efforts at maximizing treasury income.

There is also the likelihood of a trade-off between the political and economic objectives of privatization (Gouri 1991; Adam et al. 1002). It is often argued that the political objectives of transferring rents to particular interest groups is likely to undermine the achievement of the efficiency objective. The pursuit of political objectives can also reduce the revenue from privatization. For example, the underpricing of shares in order to promote widespread share ownership (and increase political support for the government) may reduce privatization proceeds.

There are two key trade-offs between the economic objectives of privatization. The first is between revenue and efficiency. The argument here is that governments in urgent need or revenue or those eager to sell off public enterprises due to pressure from funding agencies turn to privatization too quickly without given adequate attention to competition and efficiency. There is a major trade-off between revenue considerations and promoting private sector development objectives. The argument here is that revenue considerations may lead to transfer of monopolies to the private sector without introducing measures to promote competition. In this view, such transfers are likely to undermine the objective of private sector development since monopolies are likely to deter the entry of small firms (Adam et al 1992).

These considerations, however, may be as short-term problems. The long-term benefits of public sector reform and privatization are believed to outweigh the short-term costs. For further consideration of the theoretical rationale for privatization we move to the next section to shed more light on the issue.

2.4 THEORETICAL RATIONALE FOR PRIVATIZATION

The discussion of the poor performance of PEs has generally centered on the property right, the pubic choice and principal agency framework. These theoretical arguments and their relevance to the issue under consideration are briefly discussed by Jerome (1999).

Although competition is recognized as the key factor influencing enterprises' performance, property rights are linked with the decision-making behaviour of the enterprise which affects operational efficiency through cost minimization. It is argued that property rights affect incentives which, in turn, determine the behaviour of decision-makers. (Furubotn and Pejovich 1972). In other words, private managers face a lot of pressure from shareholders to maximize productive efficiency due to their direct interests in profit and easily transferable ownership rights.

The property rights theory explains the inefficiency in state-owned enterprises on the grounds that the property rights of the state-owners are much weaker and defused than the private shareholders. Since the owners of state-owned enterprises are the tax payers of the country who cannot transfer their ownership rights, they cannot easily sanction bad management. Moreover, high costs and the difficulties associated with monitoring managerial efficiency are other difficulties.

In effect, most tax payers have neither the incentives nor the means to pressurize the management of PEs to be efficient. This, combined with bureaucratic inefficiency produces an inefficient public enterprises.

There are several weaknesses associated with the property rights theory. First, the theory assumes the existence of an efficient and well-developed capital market. Unfortunately, this is not true for many developing countries. Consequently, there is very little or no chance to improve productive efficiency by the private sector. Even in countries where the capital market is efficient and well developed, the existence of a large number of small shareholders reduces the chance of effective monitoring of management by owners. For instance, if one shareholder performs the monitoring by bearing the full cost, he/she will receive a very small part of the total gain (Vickers and Yarrow 1988). Although the establishment of a board of directors may reduce this problem, there will still be opportunities for managers to pursue their own objectives which may not necessarily be compatible with profit maximization and productive efficiency. These problems weakened the property rights argument in favour of transfer of ownership from the public to the private sector.

The public choice theory is another theory which tries to explain the inherent behaviour of politicians and state bureaucrats. There are two basic assumptions under public choice theory, namely, (a) individuals seek to maximize their own utilities, and (b) utility is largely a function of self interest. Thus, it is argued that due to self-seeking behaviour, PEs managers tend to pursue their own interests rather than public interests which could only be served by increasing the efficiency of the firm (Tullock 1976; Buchanan 1978 and 1984; Mueller 1984). For instance, it has been argued that decisions in PEs are made to maximize votes for politicians and improve the salaries and prestige of state bureaucrats rather than to maximize efficiency. This self-seeking behaviour, coupled with the absence of incentives to improve efficiency, leads to inefficient PEs.

The public choice theory also concludes that PEs are less efficient than private enterprise. The existence of some efficient PEs indicates sthat self-seeking behaviour does not exist uniformly throughout the SOEs. There are some managers (bureaucrats) who act in the public interest, and this is an important variable in their utility function.

The principal-agent theory is another theory that is based on the relationship that exists between one party (the agent) which acts on behalf of another (the principal). This theory is characterized by asymmetric information between principal(s) and agent(s). For example, the principal (shareholder) may not have detailed and sufficient information on the market condition whereas the manager (agent) may have such information. In such a situation, the principal will not know whether the reduction in profit during a period is due to adverse market conditions or poor performance by the manager. In other words, as far as the principal is concerned, the efforts of the managers may be unobservable, and therefore, impossible to monitor. In such situations, managers may follow their own objectives which may not necessarily coincide with those of the owners. Since the principal cannot observe the efforts of the managers directly, he cannot influence their behaviour. Consequently, the principal is unable to define the reward which induces the agent to act in his interest (Jensen and Meckling 1976; Rees 1985; Vickers and Yarrow; 1988; Bos and Peters 1991; Adam et. al. 1992).

Asymmetric information and the consequent difficulty in motivating agents with the interests of principal at heart is a real problem for both state-owned and private enterprises. However, the case PEs is more complex than that of private enterprises. In private enterprise, the principals (shareholders) have direct links with the agents (managers), while the principal-agent relationship has multiple tiers in the case of the PEs. For instance, managers of the PEs are monitored by politicians and bureaucrats who themselves are agents acting on behalf of the citizens. Thus, the citizens are the ultimate principals in the PEs. Therefore, there are several agents acting on behalf of the millions of principals (Aharoni 1982; Vicckers and Yarrow1988; Bos and Peters 1991). This situation not only makes monitoring more difficult; it also increases its cost. As Vickers and Yarrow (1988:31) point out, the voters:

> **Will face an almost zero probability of influencing the outcome of the election ….., the election will be concerned with a wide range of issues, not just with the question of the stewardship of any one publicly owned firm. In these circumstances, the average voter has little incentive to acquire costly information about the performance of elected representatives in monitoring particular forms.**

Therefore, since the monitoring of management is very difficult in the case of PEs, there is a higher opportunity for agents to seek their own interests with the divergence leading to inefficiency in PEs. Consequently, the principal-agent theory suggests that privatization will not only simplify agency relationship but also allow for a more effective monitoring of management, which is expected to improve the efficiency of enterprises.

However, the principal-agent theory has some weaknesses similar to others discussed above. Availability of information through the existence of an efficient capital market is essential for arriving at the correct decisions. In the absence of an efficient capital market, information available to shareholders about management efficiency will be limited and the monitoring of private managers may not necessarily be easier for the principals. Moreover, the principal-agent theory assumes that the monitoring of the managers by shareholders will be more efficient than monitoring by citizens. This assumption may not necessarily hold for large firms with large numbers of shareholders, especially within the context of developing countries.

2.5 EMPIRICAL STUDY IN FAVOUR OF PRIVATIZATION

The arguments put forward so far seem to suggest that privatization of Public enterprises PEs likely to enhance the efficiency of the enterprises. For the most part, the debate on privatization has focused on enterprise performance or efficiency, which suggest that changes in ownership enhance efficiency. The general question to answer is whether ownership is an important determinant of economic performance ,. While some studies on the subject have concluded that productivity and profitability in newly-privatized companies tend to increase dramatically, the comparative analysis of four countries by Sanchez and Corona (1993) gives an ambivalent result. The analysis was based on tests of 11 hypothesis, relating to performance after privatization. The results of five of the most important hypotheses are summarized in Table 2.1. Without going into a detailed discussion about them, other studies show that enterprise performance depends not only on ownership, but also on competition and managerial freedom.

The external environment was found to have played a significant role in explaining the ownership-performance relationship. For instance, in the United Kingdom, the Thatcher policies, such as public sector budget and manpower cuts, departmental audits, efficiency programmes, cash limits and the withdrawal of subsidies, are believed to have had "shock effects" on the public and private sectors of the economy (Dunsire et al. 1988). In this situation, the ownership factor will be one of a number of factors influencing performance (others will include age, scale, technology, market structure and forms of external regulation). These complex and sometimes interdependent issues relating to a firm's performance are often simplified into a two-variable model showing the impact of ownership and market structure on the economic performance of an enterprise.

Table 2.1 Comparative testing of Hypothesis: Privatization Performance (% of cases in which hypothesis is rejected).

Hypothesis	Chile	Mexico	Colombia (4)	Argentina (5)
Concentration: With closed bidding rather than stock exchange flotation ownership becomes concentrated	17	20	0	0
Investment: Privatization has resulted in increased investment	33	20	75	20
Interest rates: Privatization has resulted in a major influx of capital and a reduction in interests rate and debt service.	50	80	75	40
Profitability: Privatization has promoted profitability sacrificing regulatory measures	100	80	100	0
Price adjustment: Higher profit after privatization are due more to price increase than to cost reduction.	83	60	100	0

Notes: *Number in brackets refer to case studies in each country.
Source: Sanchez and Corona (1993), Table 1.1

According to Jerome (1999) although the theoretical arguments and empirical evidence given above does not prove the superiority of private enterprises over public ones, one could argue that PEs may perform as well as private enterprises but not better than them. The profitability level, in this case, measures performance. Because of the conditions under which they operate, private enterprises are expected to, always and everywhere, perform better than PEs. Multiple and contradictory objectives set by the government, lack of managerial autonomy, inadequate managerial skill and prevalence of corruption and nepotism have worked against the efficiency of PEs. In such circumstances, it is difficult to specify the goals for PEs. If the goals cannot be specified, then "good" performance cannot be distinguished from "bad". Since managers are not rewarded on the basis of performance inefficiency is often the end result. Thus, when asked how efficiency could be improved, many PEs managers respond by saying "give us clear objectives, then give us the autonomy to pursue those objectives and judge us by results" (Jones 1991).

One of the most important factors that influence efficiency directly is autonomy. In a private enterprise, the power to set the level of working capital is almost delegated to the chief executive officer by the shareholders and the Board of Directors. It is assumed that the manager would keep as much working capital as necessary for efficient operation, but no more. Economists believe that the managers would acquire working capital only up to the point where the managerial cost equals managerial revenue product. The reason why this assumption is made is that the private manager is judged and rewarded on the basis of profit, which will rise or fall according to the level of working capital. The Board therefore, exercises its control by examining the outcome (profit), rather than the process by which the outcome is generated, and reward the manager accordingly. However, if managers are not rewarded on the basis of the outcome of their performance, there is no reason to believe that they will strive to raise the profitability of the enterprise. Instead, they might decide to divert funds from more productive use by keeping levels of inventory and cash beyond the level necessitated by prudent management, thereby reducing risks and avoiding taking difficult decisions. This is the case in many PEs where managers neither have any incentive nor power to decide the level of working capital. As a result, various PEs managers find it difficult to decide just what constitutes legitimate working capital. The problems encountered in cases like this is that the process is time consuming and the PEs often lack the information and the business expertise to know just what levels are reasonable. Considerations of these issues are likely to produce a different framework for analysis of public sector reform. This is likely to be more coherent and appropriate than the prevailing one of privatization versus PEs.

2.6 THE CONCEPTUAL DEFINITION OF PRIVATIZATION

Privatization has been defined in different ways by various scholars, policy makers and the rest. Some have a wholesale perception (Ibrahim et al 1992) of privatization which include:

i. Privatization means curtailment of over extended public enterprise and overhaul of loss making parastatals since they add to the budget deficits.

ii. Increasing the efficiency and profitability of state-owned enterprises by restructuring incentive for managers

iii. Allowing competition from private (including foreign) firms.

iv. Encouraging and allowing the private sector to perform the activities it does best, allowing the state to focus on managing the macro-economy, providing basic educational, scientific and health services and providing infrastructure.

i. Providing more appropriate price of the product and services produced by state enterprises e.g. electricity, which should reflect social marginal costs.

In general, therefore, privatization involves the reduction of public sector intervention in economic activity. The nature of privatization therefore, is going to vary according to the type of public sector intervention in (a) – (d) above. Usman (1987) opined that privatization could involve:

1. Reduction in state provision e.g. sale of government shares, expansion of privately provided education, health care, etc.

2. Reduction in State subsidy – e.g. the introduction of user charges where they did not exist (e.g. tolls on Federal and State highways); reduction on the existing subsidies (e.g. those on petroleum, fertilizers, etc., reduction in subsidies to

parastatals like NEPA, Nigeria Airways, NITEL, Nigerian Railway Corporation , etc.)

3. Combination of (1) – (2) above e.g. reduction of subsidy to Nigerian Airways as well as allowing more private airline operators, or

4. Selling of government shares in Banks, allowing new banks to operate as well as deregulating the environment under which banking is conducted.

Thus, there is an obvious need to consider privatization along lines of what functions the public enterprise performs. In other words, privatization is not always a substitution of public provision with private provision by profit maximizing, unregulated market operators. Sometimes it is simply provision by the same or another public enterprise, which, this time, is operating under less regulated, more competitive environment in the most recent time. Usman (1999d) conceptualized privatization to involve redefining the role of government by having it disengaged from those activities, which are best, handled by the private sector, with overall objective of achieving economic efficiency. But according to TCPC, (1989) " full privatization means disinvestments by the Federal Government of all its ordinary shareholding in the designated enterprises" and partial privatization means disinvestments by the Federal government of parts of its ordinary shareholding in the designated enterprises.

Other scholars with wholesale conception of privatization for instance, Cook and Kirk Patrick (1988), Jerome (1999) observed that privatization reflects new policy initiative geared to alter the balance between the private sector and public sector. For Nankani, (1990), privatization is the transfer of public sector activities to private sector. It takes various forms including management contract, management buy out, load shedding, deregulation, liberalization as well as outright liquidation of state-owned enterprise. Others quickly add divestiture to the conception of privatization. According to Nills,

(1991) divestiture involves the full range of mechanism including full; or partial sale, transfer of ownership, the sale of assets, leasing arrangement, or contracting out.

The wholesale privatization has two methods to its pursuance – the macro and micro institutional approach. The macro institutional approach is theoretically a sector-wide approach, which is predicated, on the stringent assumption that all public enterprises share common problems, many of which constitute the base of public enterprises failure to get the maximum possible output from the inputs it uses, and so requiring a common frame work to solve.

The approach provides a concrete base for the liquidation of non-viable enterprises, the sale of those with commercial orientation. Better managed by the private entrepreneur and the orientation of the operational objectives of several others couched under the efficiency theory of business enterprises.

The micro institutional approach concentrates on one enterprise at a time for some changes before moving to several others, one after another. Such changes are expected to emerge from the process of structure, size, functions and operations of affected enterprise. The experiences gathered from one could ease the problems in subsequent enterprises, [Ayodele (1999)]. Although Nigeria started its wholesale privatization programme, adoption the macro institutional framework has limited results. Perhaps this failure explains why government resorted to the adoption of micro institutional approach informed by guided privatization. Guided privatization in Nigeria according to Ani (1998) is a carefully planned and systematically implemented programme of government withdrawal from the control of business enterprises, which can be more effectively and efficiently run by private operators. The main features of the approach include:

a. Privatizing a few enterprises at a time so that the experience at each stage will be used to modify the process.

b. Reaching workable agreements with the privatized enterprises concerning some of the operating practices, product quality, pricing and contracts.

c. Monitoring the behaviour of the enterprises over some period of time to ensure compliance with the agreements.

The government conceived guided privatization in its 1998 budget speech as: "The privatization of public utilities starting with one enterprise at a time so that the lesson and experience will be used to improve upon the programme". Thus the elements of the guided privatization programme in the country include:

a. Limitation of share ownership to some investor with relevant expertise to participate in the ownership of the enterprise with specific share holding.

ii. The retention of at most 40 percent of the equity in the affected enterprise by government while 20 percent of the share would be sold to Nigerians, suggesting a 20 – 40 percent equity structure for government, foreign entrepreneur and Nigerian investors respectively.

iii. The insurance of widespread share ownership among Nigerian who are to be given financial assistance to acquire shares in affected enterprises.

iv. The setting up of a team of experts on privatization in order to ensure that the exercise achieved its desired objectives of job creation, acquisition of new knowledge, skills and technology and exposing the country to international competition..

v. The setting up of a Nigerian Trust Fund to manage the proceeds of privatization.

vi. the setting up of a high-powered National Committee on privatization to approve the sale of any venture. Although the process lays emphasis on one enterprise at a time, nonetheless all sectors are opened up for private investments, so as to promote competition and efficiency in the system. [Ayodele (1999)]

2.7 PROBLEMS OF PUBLIC ENTERPRISES IN NIGERIA

. **Management Problems**

a.. **Inadequate Or Conflicting Objectives**

Some of the more recently established enterprises did not seem to have any clearly defined objectives while many of the older ones were pursuing objectives that were either outmoded or even contradictory. For example, the Nigeria Airways management saw their mission less in terms of providing efficiency and commercial air service and more of providing a social service. A close examination of the objectives of many of the other public enterprises, like the Federal Housing Authority and Unipetrol, show similar contradictions and the lack of clearly defined roles.

b. Poor Human Resources Management

i. Poor Recruitment Practices – Where recruitment was based more on patronage than on clearly identified criteria and quality of the personnel recruited. The NTA sub-committees appointed by the TCPC, reported a serious problem of overstaffing and excess expenditure on staff costs and inefficient deployment and utilization of staff.

ii. Inadequate Training – Most of the enterprises did not have well designed training programmes, thus paying inadequate attention to staff training.

iii. Poor Record Keeping – Due to (ii) above, it is hardly surprising that staff performance and productivity were very low. For example, at the peak of its services in 1965, the NRC had staff strength of 30,267 with which it carried 10.6 million tones freight. In 1987, at the trough of itd activities it carried only 7.5 million passengers and 0.3 million tones of freight, but still with a staff strength of 32,667. Thus, productivity per man dropped from 351 passengers and 94 tones in 1965 to 228 passengers and 11 tones in 1987.

In addition, in spite of the general overstaffing , there was usually a dearth of certain critical manpower, especially well trained and experienced professional like engineers, accountants and auditors. For example, 80 percent of the staff of the National Provident Fund (NPF) had qualifications of only the West African School Certificate and its equivalent, yet they were charged with the responsibility, among other things, for managing an investment portfolio of over N1 billion at the end of December 1989. Moreover, the constant changes in boards and management, which led to a consequent instability of policies, programmes and procedures; like accounting and others were further aggravated by a lack of coordination by the same organization.

c. **Extreme Bureaucracy**

Bureaucracy, created mostly out of the civil service then later incorporated either under company law or by statute, most of the enterprises ended up as 'eunuch' organizations with systems and procedures that were neither civil service nor private sectors. Examples of areas of bureaucracy include – inefficient systems of decision making and funds acquisition and cumbersome tender procedures involving the supervising ministry; the existence of too many levels of authority leading to long chains of command and slow decision making of tedious processes and procedures regarding staff discipline and promotion; and civil service grade compensation structure not permitting results-based remuneration, and its encouragement of incentive.

d. **Lack Of Strategic Planning**

Many of the enterprises existed only on a day-to-day basis, with no forward planning. This is hardly surprising, given the tardiness in their accounting and auditing and the lack of proper systems.

e. **Lack Of Technical Management Expertise**

A common feature of many of the public enterprises is the lack of the necessary engineering and technical management expertise to undertake even simple routine maintenance of very costly and sensitive machinery and equipment that are critical to operational efficiency. For example, while NEPA's installed generating capacity was 5,988MW from January – October 1990, the actual plant availability during the same period was 3007MW and that is only 50.2 percent of the installed capacity. The reasons advanced for such is technical manpower service. The precarious nature of the situation is underlined by the fact that, as at the end of 1990, the rehabilitation of some generating plants had been overdue since 1986.

2. **Financial Problems**

Some of the more common problems in the area of finance were:

a. **Capital Structure**

Most of the public enterprises were suffering from eroded, and therefore weak, capital structures arising from the often huge and continuous losses they recorded over the years, which led them to rely exclusively on government subventions. Thus, many of them were in no position to approach the money or capital markets to finance short-term working capital loans, not to talk of any long-term investment funding.

b. Inadequate Systems

A number of the enterprises had very inadequate accounting and budgetary systems, which were more expenditure based, being carried over from their civil service origins.

Sometimes even such basic tools as accounting manuals were lacking or hopelessly out of date. Before 1990 for example, NEPA's accounting manual was last reviewed in 1966 and was showing transactions in pounds. Shillings and pence, a denomination that Nigeria discarded in 1973. even seemingly better organized institutions like the NNPC were suffering from the common systems problems of lack of proper assets registers, wrong entries and therefore, large numbers of un-reconciled balances, etc.

c. **Lack Of Adequately Trained Administration Staff**

One of the direct causes of weakness in the finance function is poorly trained accounting staff. Even as recently as 1990, NEPA with its country-wide network, totaled assets of about N40 billion and annual turnover of nearly N2.5 billion, had only 15 qualified accountants that you can find in a typically small to medium sized merchants bank. As with the accountants, so it was with the other necessary technical staff employed to undertake the accounting functions.

d. **Poor Debt Management**

Most of the enterprises had serious problems of huge debts owed to them, many of which were bad and/or doubtful of collection. As at 31st September, 1989, NEPA was owed a staggering sum of N1.2 billion (un-audited) by its consumers.

Out of this amount N430.5 billion was owed by the armed forces and other Federal and State Ministries and Parastatals. The figure itself is very unreliable as a large proportion of the debt is doubtful, arising from 'crazy' bills, late billing and dormant accounts.

As at 31st December, 1989, the total debtors figure from the NNPC was N4.7 billion, with the other Federal Government Parastatals and the FGN itself accounting for N2.8 billion and N1.9 billion of the amount respectively. At the end of its exercise, the Gross Debts Sub-Committee of the TCPC reported total gross debt of over N23 billion, as at 31st December, 1988. The cause was a clear lack of expertise in debt management, not only among the public enterprises but also within the relevant governmental agencies. With the statutory responsibility, debts were contracted from the government or with government guarantee without clear terms and conditions, and with no provision in the budgets for their servicing.

e. **Huge Losses**

It is hardly surprising, therefore. That most of the enterprises recorded huge losses, especially in recent years. Beside the huge debt recorded by Nigeria Airways, NITEL's losses climbed N430 million in 1985 to a peak of N1,427 million in 1986, only to drop to N586 million in 1988. NEPA's operating deficit rose from N11.9 million in 1984 to N711,7 million in 1988.

f. **Inappropriate Tariff Or Pricing Policy**

Most of the enterprises did not have explicit tariff policies, even when their financial losses could be directly linked to the tariffs they charged for their goods and services. For example, NEPA tariffs, once revised in August, 1979, remained and domestic inflation and naira exchange rate devaluation were such that operating costs were multiplied several fold, thus resulting in the operating deficits reported.

Another example, is the National Provident Fund (NPF) whose N4 each contribution rate by the employee and the employer has remained in force, since the creation of the scheme in 1961. The common excuse, that the government has resisted management's pressure to revise the tariff is a condemnation of both the government's policy thrust and the enterprises management's initiative. Generally, the tariffs were set without explicitly showing the necessary subsidy element, its impact and incidence and how it would be financed. Two interesting observations are appropriate here. First, each time the tariffs are reviewed, and for a few years thereafter, the enterprise turn from a loss making to a profit making one. This was true of the NEPA reviews in both 1979 and 1989. The review of NITEL's tariffs in 1989 turned its N586 million loss in 1988 to over N500 profit in 1989. Secondly, tariff policy is not simply the mechanics of increasing prices, especially where th ability to do so is derived from extensive monopoly powers, like those enjoyed by NITEL. It is the serious art of balancing a complicated set of variables, including market power, short and long term funding requirements, the quality of service delivered and how to finance any necessary level of subsidy determined as a deliberate act of government policy.

g. **Unaudited Accounts**

As a result of most of the problems outlined above, many of the enterprises were several years behind in their audit. For example, by December, 1990, Nigeria Airways, task Force and all, were still struggling to complete the audits of their 1988 and 1989 financial years. When the TCPC diagnostic sub-committee went to work on NITEL in 1989, it found that the organization had not been able to generate audited accounts since 1095. the internal audit in NITEL also, typical of those of most of the other enterprises, concentrated more on pre-expenditure auditing, with little attention paid to the review of systems and procedures, which would block loopholes and remove weakness. Because of this weakness, the enterprises exhibited very poor accountability where the boards and management were not made to be, and did not feel they needed to be accountable either in terms of the operational and financial performance of the enterprises or in their personal conduct. For example, the last annual report that they produced was in 1977, until the TCPC came on the scene of NRC, in 1989. As a result, the weaknesses in the system gave rise to serious fraud and other forms of leakage.

2.7.1 Privatization In Italy

State participation in the Italian economy originated in the early 1930s, at the start of the country's industrial development. In 1933, Institute for Industrial Reconstruction (IIR) was set up to prevent Italy's three main banks from failing. The task of (IIR) at this time was to acquire the losses held by these banks in various enterprises and thereby enabling the banks to regain their economic and financial balances. After the Second World War, the state further broadened its participation in economy, but the Institute for Industrial Reconstruction (IIR) is the largest company for state-owned enterprises in Italy. It controls over 500 Companies and holds a minority participation in another 500 [Nankani (1991)].

Following the major losses in 1970, which were attributed to:

i. The establishment in 1956 of the Ministry of State participation. This move is believed to have resulted in the introduction of political concerns into business decision.

ii. The removal of state controlled companies from the employers' association. This led to the differentiation between private and public sector employees and in the larger term to resistance by employees to privatization attempt.

iii. A 1959 law which required all state enterprises to make at least 40 percent of their total investments in the south of Italy. The above factors led the Institute for Industrial Reconstruction (IIR) to initiate a programme of economic and financial recovery. One of the strategies of the programme was privatization.

The administrative arrangement for privatization in Italy has been as follows: A sale committee composed of (IIR) officials have been responsible for the collection of data and the issuance of general guidelines. The sale, however has been given to two bodies. The (IIR) Executive Committee appointed by the government, and the (IIR) board of directors. The line of authority between these two bodies has not been clear. [Pera (1987)]. What seems clear is that although, the two bodies have been empowered to sale a company in practice (IIR) has preferred to obtain formal approval or authority from the Ministry of State Enterprises before proceeding with actual selling In effect, then, the Ministry of

State for Enterprises has had the right of approval with respect to IIR's selling decisions.

Two main methods or instruments were by IIR:

i. Total sale of the enterprise

ii. Partial through the sale of the shareholdings.

Total sale of enterprises has been a common phenomenon in Italy. It has been encouraged as an instrument of financial restructuring. Three kinds of enterprises were considered for total sale, money-losing enterprises, marginal enterprises, that were not integrated with the other public enterprises in the IIR system, and profitable enterprises that were not consistent with the basic aims of public enterprises system, i.e. enterprises although making profit under government ownership and control, but in a normal circumstances, such enterprises are supposed to be owned and controlled by private individuals.

In partial sales of shareholding, placement on the stock has been used for the sale of minority participation. They have taking the forms of: placement of new listing; and sale of shares previously in IIR's or its subsidiaries holding. The attempt at privatization within IIR gives credence to the political economy view of policy changes particularly with respect to privatization. In light of the origin and history of IIR as well as the overall role expected of public enterprises in Italy, privatization is seen as a mechanism for dealing with financial excesses of the public sector, rather than as a means of reducing its role or size. Within this framework, privatization has proceeded with many constraints being imposed by labour organization and sometimes by management.

In areas of reorganization and restructuring of enterprises, contrary to the belief that privatization improves management by introducing shareholders checks, IIR privatization has often been accompanied by guarantees of managerial tenure. In cases where managers have to be changed prior to sale or divestitures, they have been reassigned to the parent company, [Nankani (1993)]. The use of private sales for the privatization of enterprises and the choice of syndicated versus tender offers of shares, raise questions about the valuation of enterprises and their shares. The IIR's experience in this regard has not been evaluated.

Finally, privatization in Italy, although the odds are against it have recorded tremendous success. Most of the enterprises privatized overcome the problems that led to their privatization.

2.7.2 Privatization in Canada

The reasons for the creation of public enterprises in Canada have not been explicit. However, these include:

i. Commercial failure in private sector e.g. Canadian National de Havilland and Canadian were originally private sector companies but were nationalized having encountered financial difficulties.

ii. The desire to have national control over certain resources perceived as strategic to the country as petroleum controlled by Petrol Canada – the national petroleum company and atomic energy controlled by atomic Energyst Canada Limited (AECL), [Nankani (1993)]. As a result of this, the Canadian government owned and controlled many enterprises. After a time out, most of these enterprises owned and controlled by the government were infected with various problems resulting to a call for privatization.

The most favourite argument for privatization of public enterprises in Canada, like in most countries, is that of efficiency. According to State Minister responsible for privatization, the programme aims to manage crown-owned assets more efficiently, to make markets more competitive and fair, and to offer new opportunities for Canadians share in the growth of these companies, [(Public Accounts of Canada, 1986/87, Vol. III].

Canada used a variety of instruments for divestiture. These include: Sales of shares to individual buyer, floating of shares to public, bonus shares to residents, issues fo shares in installments to allow particular groups the opportunity to gain control of specific corporations. To enhance privatization process in Canada, in August 1986, a cabinet committee on privatization, Regulatory Affairs and Minister in December, 1986. An Office of Privatization and Regulatory Affairs (OPRA) was set up to provide essential support and cohesion for privatization effort. At the end of 1986, privatization procedures were put in place to cover all aspects of privatization.

The procedure for privatization in Canada has involved four main stages:

i. Initial Review and selection of targeted corporations: This stage involved the application of criteria to determine the privatization potentials of crown corporation i.e. PEs, including role in support of national and regional policy objectives, potential for commercial viability, company readiness for privatization compatibility with policies and effect on interested parties.

ii. In-depth review: Once an enterprise had been selected as likely to perform better under private sector ownership, an in-depth review of the enterprise was under taken. The objectives of this review were to examine all issues associated with privatization of each enterprise. The review Nankani (1993) was conducted by a team of government and crown corporation officials as well as advisors from private sector. On completion of this analysis recommendations were prepared and presented by the Minister to the Cabinet for discussion and approval.

iii. Preparation for sale: with the approval of the cabinet, the essential legal, financial and legislative steps were taken. These include: valuation of company, announcement of a sale, tabling of a bill in parliament and the selection of the winning bid or the issuance of public shares

iv. Post-sale monitoring: After sale , the government monitored the performance of the enterprise. Of all major federal Government privatization so far, about 9 have involved single buyer while 2 have relied on sales of shares to the public and/or employees.

It has been observed [Nankani (1993)] that privatization prior to the Cabinet Committee on Privatization Regulatory Affairs (CCPRA), Privatization had proceeded in an ad-hoc manner. The setting up of (CCPRA) led to more structured process, but does not result in a fast-paced privatization programme. The reasons are varied: the administrative layer set up in August 1986 may have militated against a flexible approach to privatization and also the current stage in the process is a more difficult one.

As in many other countries, there have been public oppositions in Canadian privatization. The public is sensitive to the sale of state enterprise to foreign, especially American owners. The Canadian privatization programme has been criticized for low selling prices and inclusion of corporations that had recently turned profitable,

[Nankani (1993)]. There is also lack of detailed information on the rational and terms of privatization deals. In fact a pre-sale campaign to explain each sale and its short-term and long-term benefits and/or otherwise could be useful to a successful privatization attempt. To sum up, most of the public enterprises privatized in Canada have overcome inefficiency problems.

2.7.3 Zambian's Privatisation

As in most African and Third World Countries in general, public enterprises exist in the Zambian economy. Although Zambia inherited some companies from the Central African Federation, which broke down in 1963, among the companies inherited are mining companies, which were privately owned. On the dismemberment of the Federation, the Zambian legislature enacted customs legislation to give protection to Zambian Industries. It also set up the institutions appropriate to a modern economy including a Central Bank (Gardner, 1993). By 1968 series of measures were initiated, Zambian government embarked on a process of nationalization. The Zambian Industrial and Mining Corporation Limited, (ZIMCO) was formed to oversee all government owned industries and enterprises. ZIMCO became the majority shareholder in the Mining Industry through the purchase of at least a 51 percent share in the existing mining group.

Zambian nationalization had some major consequences to the economy and public enterprises (PEs) in particular. First it acted as a disincentive to foreign companies to invest in the Zambia's Mineral Industry and imposed on the Zambian a burden arising from the compensation paid to the disposed mining groups. Secondly, it gave to the dominant political class the means to extend control from the political sphere over the country's mainstream economic activity (Gardner,1993). This was extended by a series of economic reforms known as "Mulungushi Reforms" to include the nationalization or partial nationalization of commercial and industrial enterprises predominantly owned by expatriates. Twenty-five forms operating in Zambia offered the government of Zambia 51 percent share holding and this pattern was employed by the state for later takeovers, [Gardner (1993)]. After the Mulungushi Reforms of 1968, a parastatal organization, the Industrial Development Corporation of Zambia (INDECO) was placed in charge of these partially nationalized companies and held the government shares in them. Although INDECO had existed prior to independence as a small state financing company established to give support to emerging small industries, its role was rapidly expanded following independence.

Events in Zambia's economy since the Mulungushi Reforms have not been favourable to the public sector of the Zambia's economy despite the advantages which accrued to the manufacturing sector following the nationalization in the form of high tariff protection and strict import licensing. The economy has been subjected to a range of stresses arising partly from mismanagement in the companies which were nationalized and partly from development in the world trade, particularly as they affect the price of mineral product (Copper) which is the main commodity of Zambia's economy. In addition, Zambia has suffered the disadvantages of its locational position as a land-locked state. It was adversely affected by the regional upheavals, which occurred throughout the 1970s including the Angolan Civil War, the Zimbabwean Civil War and Namibian struggle, all of which damaged the Zambian economy in various degrees (Gardner, 1993).

The failure of the parastatal in Zambia is not solely the result of mismanagement, it has much to do with the role assigned to it on the one hand, it was said that state-owned companies were to be run on business basis and be guided by commercial consideration and were expected to make profit. But on the other hand, ZIMCO and its subsidiaries were urged to pay attention to the achievement of "National Goals" to generate employment, to site plants in areas where the government wished without regard to market and facilitate the setting up of enterprises to utilize local raw materials, regardless of profitability of such activities, to avoid investment in plant which would have to purchase inputs from abroad involving the expenditure of the foreign exchange, and to keep prices down regardless of the cost of production. A commission of enquiry [Gardner (1993)] in 1974 noted that boards of companies had complained of the inadequate policy guidance, confusion between social and commercial objective, the lack of clear financing arrangements and excessive interference in the day-to-day affairs. This in turn impacted on the management of such enterprises. Apart from fiscal constraints, public enterprises in Zambia accounted for about 38.5 percent shares of the country's external debt (Swanson and Worlde, 1989). Zambia used various methods of privatization which include: management contract and under this arrangement the state pays managers for skills and hand over full management and operational control but retaining ownership and policy direction. In 1984 Zambian government negotiated (Gardner, 1993) management contract for a number of industries; Zambia

Breweries, Nitrogen chemical of Zambia, United Milling Company, Chilanga Cement, Indeni Petroleum Refinery Company and Zambian Airways.

The management contracts were made with overseas companies such as Heineken, Snamprogetti, Premier Milling Company of South Africa, Irish Cement and Agip Petrol. The result of the management contracts showed a limited value. The industries concerned benefited from professional management structure but the industries continued to suffer from poor principle mechanism over-manning and political control. The techniques used include sale of enterprise or the asset of an enterprise to private buyer. The final method is the sale of shares privately or by public offer.

So far, the public enterprises privatized in Zambian have benefited tremendously from the experiences of professional managers.

2.7.4 Privatization In Togo

Togo is one of the African States to turn to privatization as part of its effort to manage its public sector. Most enterprises incurred excessive cost and operating losses that constituted a drain of on national budget and also assume the foreign debts service. In addition, state owned enterprises accumulated substantial arrears with local commercial banks, [Nankani (1993)]. The government took steps to rationalize the sector. In late 1984, it established a Ministry of State Enterprises (MSE) to act as a focal point for monitoring the performance of state owned enterprises and to coordinate efforts for reforming the parastatals. After its establishment, the Ministry of State Enterprises, (MSE) carried out a preliminary classification of state owned enterprises, dividing them into three main groups: those to be retained in public sector, those to be liquidated and those to be privatized. Of the total of about 72 state-owned enterprises, 8 were to be liquidated and 24 were to be privatized, [Nankani (1993)].

Administratively, the MSE carried out the privatization according to guidelines it formulated. They provided for the preparation of a dossier describing the items to be addressed by interested parties and the dossier be widely distributed through all channels such as local and foreign banks. Chambers of commerce, foreign trade offices and embassies, [Nankani (1993)]. Interested parties were invited to make a field visit. Following initial contact; MSE authorized plant visits and the gathering of further data and information upon receipts of an offer from an interested investor, MSE verified if all the elements specified in the dossier with respect to investor qualifications and contact of the proposal were covered. An inter-ministerial commission then met to consider the investor's proposal. Methods of privatization in Togo: Togo have used three techniques of privatization:

i. Sale of Assets
ii. Lease of industrial facilities
iii. Sale of shares to private sector

The sale of assets of enterprises followed the enterprise liquidation, the technique was used in TOGOTEX (Textiles SODETO detergents) and vegetable oil. TOGOTEX was public/private company that was put into receivership, resulting in the sale of its assets to foreign group and retention of its liabilities by the government, [Nankani (1993)].

TOGOTEX Mil was built in 1980 with the financing guaranteed by government of Togo. The Mill was fully integrated and was designed to produce knitted and woven garments for export. However, it was closed down after start-up because of poor performance, inadequate management, lack of technical expertise, insufficient knowledge of the market, etc, [Nankani (1993)]. Due to these problems and after extensive review of a number of proposals, Togo government decided to sale TOGOTEX Mill to Pan African Company consisting of a group of American and Korean investors. The sale was negotiated when Togo signed the agreement to sell the textile mill to Pan African. Part of the privatization arrangement provided for a stable and favourable policy regime. This regime includes: free transfer of capital and earnings, customs and financial guarantees and an assurance that the government would not establish or encourage the establishment of other textile enterprises with the same product line (Nankani, 1993). These provisions raised a number of questions as to the government's intention with respect to competition in the sector. Finally the enterprises privatized in Togo have resumed operation as desired of privatization.

2.7.5 Privatization In Chile

The scope of privatization in Chile has been extensive. It has covered both nationalized properties as well as small and very large state-owned corporation and banks. Chilean privatization has been one of the largest in developing countries. It covers almost all sectors of the economy, from banks and automobiles to fishes and agro-industries.

Prior to 1974, there were about 46 enterprises in the public sector of Chile. During the Allende regime of 1970-1973 that sector grew rapidly. The government had operating control of about 600 enterprises accounting for almost one-half of GDP. [World Bank (1988)]. The bulk of these enterprises, numbering about 350 had been nationalized during the preceding three years under the Allende regime. By 1983, state-owned enterprises accounted for 40 percent of GDP and more than 80 percent of mining and financial services, [World Bank (1988).

The military government that took over in 1975 initiated a policy of drastic financial and trade liberalization, which relied to a large extent, on market to allocated resources. A policy of public sector retrenchment was undertaken as part of an effort to reduce the fiscal deficits, which at the time amounted to about 25 percent of GDP.

An administrative structure for privatization was set up within CORFO in the early 1970s, (CORFO is an entrepreneurial arm of government). As the entrepreneurial arm of government, CORFO was considered the appropriate institution to oversee the sale of all state enterprises, including those directly under the ministries and other government agencies.

The organizational structure set up within CORFO for carrying out privatization functioned as follows:

i. The central government set the goal of the divestiture programme as well as the state-owned enterprise targeted to be sold. On occasion, however, some proposals emerged from within CORFO. But whatever their origins, these proposals were submitted to the council of CORFO

ii. The council made final decision on privatization. CORFO council consisted of powerful members within the government; decisions made by the council were not ordinarily submitted to the executive branch for final approval except in very politically sensitive cases.

iii. The privatization committee essentially served as the link between the council and the Normalization Unit. It was in effect, the administrative arm of the council. It also supervised the implementation of privatization proposals approval by the council.

iv. The Normalization Unit was created specifically to rationalize all government owned assets i.e. those under

CORFO as well as those under various government bodies. It was the unit that carried out the policies approved by the council and oversaw the whole privatization process. Its functions included restructuring enterprises, choosing the investment banks, screening prospective purchasers, negotiating sales, and collecting payments from buyers after the sales. In addition, together with the enterprises, it provided technical support to the council. But one interesting thing about Chilean privatization procedures is that the institutional structures were not rigidly adhered to but were flexible enough to allow for variations based on the size and sensitivity of the enterprise to be divested.

In Chile, the procedure which followed the privatization of enterprise depended on a number of consideration

a. whether the enterprise was considered “Strategic” to national security of the country

b. whether the enterprise was perceived by the general public as providing a "public good" as in the case of utilities.

c. What legal constraints were faced by a corporation before privatization?

d. What the relative importance as measured by size market share, etc. of the enterprise in the specific industry and to the economy as a whole.

e. What the enterprise's past financial performance was.

One an enterprise was identified using the above criteria, the council and the privatization committee decided the percentage of its equity, whether in shares or assets, [World Bank (1988)]. Further, a decision had to be made whether the process should take the form of a bid and/or a negotiation with respect to enterprises, whose shares are to be traded on the stock market. The decision involved getting the percentage of equity to be sold.

There have been four distinct phases in Chile's privatization effort. The first phase, took place in 1974 – 75, involving the outright transfer or return of previous owners, of about 240 enterprises nationalized and did not involve any payment to or by the government. The return to original owners was on the condition absolving the government from any further obligations. During this phase of the regime that succeeded the Allende government were to:

i. De-nationalize a significant number of public enterprises, which total 600, and

ii. Stem runaway inflation and reduce the mounting fiscal deficit, presumed to be partially the result of the unwieldy number and inefficiency of public enterprises.

The second phase implemented during 1975 – 83, involved enterprises in which the previous government had bought shares, as well as SOES that had been created during the 1971 – 75 period. The total number of enterprises divested during this phase was estimated at 110, [World Bank (1988)]. The objective of the government in this phase was to further increase revenues and reduce fiscal deficit. To obtain its objectives of revenues, the government did not place limits on the proportion of equity to be purchased by each bidder so that CORFO would receive the highest possible bids at the auctions.

The most common mechanisms employed during this purchase were public auctions followed by negotiation of the terms of payment. This mechanism was used since the potential purchasers were generally large entities and few in number. They included large domestic and foreign corporations, some smaller domestic companies and employees' cooperatives. No individual investor was involved. The number of negotiations was therefore manageable. Once an agreed price was arrived at the purchaser had to make a down payment.

The third phase, 1985 – 86 involves the re-privatization of the enterprise divested during phase one and two. The government had to "rescue" several of these enterprises to prevent them from going bankrupt. This situation arose partly because of the 1982- 83 financial crisis in Chile. The government was compelled to intervene, and as a result, more than 50 enterprises and banks returned to direct government control. The third phase was the re-privatization of these enterprises privatized during first and second phase, and to promote economic democracy through broader participation in the ownership of national assets.

In an effort to avoid the mistakes of the past and ensure that the newly privatized enterprises would be established on a sound financial basis, the government decided not only to promote the broadest possible participation in the ownership of the privatized national assets, but potentially large investors were screened to ensure their ability to finance and manage these enterprises. The method used in the third phase involved sales of public auctions of shares to four types of investors:

i. Large number of private investors, known as "popular capitalism"
ii. Employees known as labour capitalism
iii. Pension funds and
iv. Large domestic or foreign investors (World Bank, 1988)

These sales followed relatively clear and concise qualifications' criteria. CORFO placed ceilings on individual investments to encourage widespread ownership and to foster "popular capitalism" specific mechanisms included share quotas set aside for employees', limits on individual ownership, and special financial incentives for small investors and employees. The fourth phase of privatization in Chile began in 1985 and it involved the divestiture of the last 40 large industrial corporations as well as public utilities. Most of these enterprises had performed well and in most cases, better than the private sector.

The objective and mechanism of the fourth phase of privatization continued to be essentially the same as those of the third phase. The government adhered to its policy of widespread equity ownership and continued to examine its public sector enterprises to see if they would be placed more properly or returned to the private sector.

As in other countries, the pitfalls of privatization in Chile include the share transaction prices, which were well below their economic values. Again by the end of 1983, it was estimated that about 70 percent of the divested enterprises failure were largely attributed to:

i. The lack of screening of potential buyer and consequent sale of enterprise to investors without adequate financial basis and technical and/or managerial expertise of the second phase.

. An excessively large scale of sale (divestiture) compared to the limited capacity of the domestic financial market.

ii. The heavy reliance on debt as an instrument of financing the sale of shares. Most of the enterprises that failed were in the textile and metallurgic industries.

Finally, privatization in Chile has recorded a minimal success. (World Bank 1988(

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

In this chapter, the methodology, which include sources of data, model specification and tool of analysis is presented.

3.1 SOURCE OF DATA AND LIMITATION

This study involves the use of secondary sources of information obtained from related text books,, journals, BPEs reports, TCPC reports, magazines, various dailies and internet websites. The major limitation of the study relate to the difficulty in obtaining accurate data as various sources give conflicting data. We had dramatic experience with data collection.

3.2 MODEL SPECIFICATION

This thesis has used descriptive statistics such as means ratios and difference of two means. The data collected was processed into ratios as the devise for measuring the performance of some enterprises before and after privatization. All ratios before privatization were represented by X_1 while all ratios after privatization were represented by X_2.

The means (averages) of pre and post privatization ratios were calculated and represented by $\overline{X}_1$ and $\overline{X}_2$ respectively. A higher mean rations in succeeding era suggests that there is an improvement in the performance of the enterprises.

The difference of two means was then used to establish whether or not there has been significance deference in the ratios (i.e. in terms of profitability and efficiency) before and after privatization. Since the population variances are not known and the sample size is small (i.e. less than 30), the t* test was applied. The t* equation is given as follows:

$$t^* = \frac{\overline{x}_1 - \overline{x}_2}{Sm}$$

and

$$Sm = \sqrt{\frac{S^2{}_1}{n_1} + \frac{S^2{}_2}{n_2}}$$

where:

X_1 is the mean of performance ratios before privatization

X_2 is the mean of performance ratios after privatization

S_m is the standard deviation where

$S^2{}_1$ is the variance for X_1

$S^2{}_2$ is the variance of X_2

n_1 is the sample size of X_1

n_2 is the sample size of X_2

The formula for finding $S^2{}_1$ and $S^2{}_2$ is given as follow:

$$S^2{}_1 = \sum(X_1 - \overline{X}_1)^2$$

$$S^2{}_2 = \sum(X_2 - \overline{X}_2)^2$$

The period of analysis covered some years before and some years after privatization. The average performance was calculated using various performance ratios. The ratios are divided into efficiency and profitability rations as follows:

EFFICIENCY RATIOS :

a. TAT = total asset turnover = $\frac{SA}{TA}$

b. FAT = fixed asset turnover = $\frac{SA}{TA}$

c. CR = current ratio = $\frac{CA}{CL}$

PROFITABILITY RATIOS:

a. NPM = net profit margin ratio = $\frac{NP}{SA}$

b. GPM = gross profit margin ratio = $\frac{GP}{SA}$

The following variables were used in calculating the ratios:

TA = total assets

FA = fixed assets

SA = Sales / gross earnings.

NP = net profit / profit after taxation.

GP = gross profit / profit before taxation.

CA = current assets.

CL = Current liabilities.

CHAPTER FOUR

DATA PRESENTATION AND DISCUSSION OF RESULTS

4.1 INTRODUCTION

Technical Committee on Privatization and Commercialization (TCPC) as at 1993, successfully privatized 73 out of 111enterprises slated for privatization.

Of the total 73 enterprises privatized, 35 were privatized through public offer of shares, 4 enterprise were privatized through deferred public offer, 8 were privatized through private placement, 1 enterprise was privatized through the management buy out and 18 enterprises were privatized by their supervising ministry.

For the remaining enterprises, 5 were stepped down for full commercialization, for 11 enterprises no further action was proposed, and 22 enterprises were to be privatized at a later date.

Table 4.1

SUMMARY OF STATE OWNED ENTERPRISES AFFECTED BY PRIVATIZATION PROGRAMME 1988 – 1993

METHODS	NUMBER OF ENTERPRISES
Privatized by TCPC	55
Public offer of shares	35
Deferred public offer	04
Private Placement	07
Sale of assets	08
Management buy out	01
Privatized by supervising ministry	18
No stepped down for commercialization	05
No of enterprises not requiring further privatization	11
Enterprises yet to be privatized	22
Total No of affected enterprises	111

SOURCE: Obtained from various TCPC Reports

In the rest of this chapter sampled (selected) privatized companies have been studied in detail to prove that privatization has indeed enhanced efficiency.

4.2 THE FIRST BANK OF NIGERIA PLC

First Bank of Nigerian Plc (FBN) was founded in 1894. The bank was incorporated as a limited liability company in that year. It started business under the corporate name of the bank for British West African (BBWA) with a paid up capital of 12,000 pounds sterling. To reposition and to take advantage of opportunities in the changing environment, the bank embarked on restructuring initiatives in 1957 and it changed its name from BBWA to Bank of West African. In 1969, the bank was incorporated as the standard Bank of Nigeria limited. A change in the name of the banks also occurred in 1979. The banks name was changed from First Bank of Nigeria limited to First Bank of Nigeria Plc in 1991. Following this development the bank was privatized in 1992 via public offer of shares. As at 2005, the bank had 330 branches and it had maintained the largest network in the industry.

FBN Plc had got listed on the Nigerian Stock Exchange (NSE) in march 1971. The bank has a strong and consistent earning records as well as a solid capital and liquidity positions.

Table 4.2 Performance Ratios of First Bank Nig Plc 1987 – 1997

BEFORE PRIVATIZATION							AFTER PRIVATIZATION					
MEASUREMENT YEAR	1987	1988	1989	1990	1991	Mean	1993	1994	1995	1996	1997	Mean
TAT	1.6	0.8	2.1	1.8	1.6	1.58	3.7	13.3	11.6	13.5	16.2	11.66
FAT	0.2	0.1	0.1	0.1	0.1	0.12	1.5	2.8	3.1	5.2	3.2	3.16
GPM	.11	.8	21	24	25	17.8	37	37	28	32	43	35.4
NPM	5	6	14	20	13	11.6	27	33	34	42	42	35.6
ROA	1.0	1.0	1.3	1.0	0.3	0.92	7.8	2.6	4.5	10.0	11.5	7.28
ROCE	1.0	1.0	1.3	1.0	0.3	0.92	7.8	2.6	45	10.0	11.5	7.28
ROSE	0.8	0.6	2	0.5	6.9	2.16	39	30	15	42	36	32.4

Note: figures are expressed in percentages and AV means average.
Source: Computed from extracts of FBN Annual Report 1986 – 1996.

In table 4.2 data are arranged and presented to cover two distinct periods of Five years before and Five years after privatization. The mean or Average of the two periods (that is, Pre-Privatization and Post-Privatization) are equally calculated for the purpose of comparison and test of hypothesis. The Average of Total Asset Turnover (TAT) which shows the efficiency of First bank of Nig. Plc in generating revenues given the size of its total assets increased from 1.58% before Privatization to 11.66% after Privatization. An incremental growth of 11.08%.

Also the mean of Fixed Asset Turnover (FAT) which results from replacement of assets or purchase of additional asset, and is used to show the efficiency level of the bank in the generation of Sales revenues given the size of its fixed assets increased from 0.12% before privatization to 3.16% after Privatization. An incremental rate of 3.04%

The tablealso shows a remarkable improvement in the level of profitability after Privatization: The mean Gross Profit Margin (GPM) which measures the bank's ability to generate gross profits given its sales (gross earnings) was 17.8% before Privatization and increased to 35.4% after Privatization. A growth rate of 17.6% within the short period studied.

The Net Profit Margin (NPM) which measures the bank's ability to generate net profits given its sales (Net earnings) shows a mean increased from 11.6% to 35.6% after privatization. An increase of about 24%.

Return on Asset (ROA) which measures the profit after tax per ₦ of assets shows a mean increase from 0.92% before Privatization to 7.28% after Privatization. A growth rate of 6.36%.

Similarly, Return on Capital Employed (ROCE) which determines the bank's profit after tax on Capital employed was on average 0.92% before Privatization and increases to 7.28% after Privatization.

Return on Shareholders Equity (ROSE), which measures how stockholders fared during the period under review, and true "bottom-line" measure of performance shows a mean increase from 2.16% before Privatization to 32.4% after Privatization. A returns rate of 30.2%

<u>Test of Hypothesis for all the performance Ratios of First Bank Nig Plc</u>

It has been hypothesized in this dissertation that:

H_o: There are no significant differences between the various means before and after Privatization. This implies that significant changes in organization performance after Privatization.

H_1: There are significant differences between the various means before and after privatization. There is significant impact on organization performance after privatization.

$$\left.\begin{aligned} \text{Thus: } H_o: \ x_1 - x_2 &= 0 \\ H_1: \ x_1 - x_2 &= \not{0} \end{aligned}\right\} \text{two tailed test}$$

The model in chapter three shows that:

$$S^2{}_1 = \frac{\sum(x_1 - \overline{x}_1)^2}{n-1} \qquad S^2{}_2 = \frac{\sum(x_2 - \overline{x}_2)^2}{n-1}$$

$$t^* = \frac{\overline{x}_1 - \overline{x}_2}{Sm}$$

$$Sm = \sqrt{\frac{S^2{}_1}{n_1} + \frac{S^2{}_2}{n_2}}$$

$\propto$ 0.05 df $= n_1 + n_2 - 2 = 5+5-2 = 8$

Critical or tab value = 2.306

$\propto$ = Level of Significance

For <u>FAT</u>

$$S^2{}_1 = (1.6\text{-}1.58)^2 + (0.8 - 1.58)^2 + (2.1 - 1.58)^2 + (1.8\text{-}1.58)^2 + (1.6 - 1.58)^2$$

$$= 0.0004+0.61+0.27+0.05+0.05 = \frac{0.9804}{4} = 0.246 \approx \underline{0.25}$$

S^2_2 = $(3.7 - 11.66)^2 + (13.3 - 11.66)^2 + (11.6 - 11.66)^2 + (13.5-11.66)^2 + (16.2-11.66)^2$

$63.4 + 2.69 + 0.0036 + 3.39 + 20.61 = 9\frac{0.0936}{4} = 22.52$

$$Sm = \sqrt{\frac{0.25}{5} + \frac{22.52}{5}} = 2.13$$

$$t^* = \frac{1.58 - 11.66}{2.13} = -4.7324$$

Decision: Ho is rejected Since cal. Value

$\pm 4.7324 >$ tab value ± 2.306. Therefore H_1 is accepted

For TAT:

$S^2_1 = (0.2 - 0.12)^2 + (0.1 - 0.12)^2 + (0.1 - 0.12)^2 + (0.1 - 0.12)^2 + (0.1-0.12)$
$0.0064 + 0.0004 + 0.0004 + 0.0004 + 0.0004$

$$= \frac{0.008}{4} = 0.002$$

S^2_2 = $(2.8 - 3.16)^2 + (3.1 - 3.16)^2 + (5.2 - 3.16)^2$

$(1.5 - 3.16)^2 + (3.2 - 3.16)^2$

$= 0.13 + 0.0036 + 4.16 + 2.76 + 0.0016$

$$= \frac{7.0552}{4} = 1.76$$

$$Sm = \sqrt{\frac{0.002}{3} + \frac{1.76}{3}} = 0.59$$

$$t^* = \frac{0.12 - 3.16}{0.59} = -5.1525$$

Decision: Ho is rejected @ 0.05 $\propto$ since cal value

$\pm 5.1525 >$ Tab value ± 2.306

Therefore H_1 is accepted at 0.05 $\propto$ significance level.

For $\underline{\text{GPM}}$

$$S^2_1 = (11 - 17.8)^2 + (8 - 17.8)^2 + (21 - 17.8)^2 + (24\text{-}17.8) + (25\text{-}17.8)^2$$

$$46.24 + 96.04 + 10.24 + 36.44 + 51.84 = \frac{240}{4} = 60.2$$

$$S^2_2 = (37 - 35.3)^2 + (37 - 35.4)^2 + (28 - 35.4)^2 + (32\text{-}35.4)^2 + 43\text{-}35.4)^2$$

$$= 2.56 + 2.56 + 54.76 + 11.56 + 57.76 = \frac{129}{4} = 32.3$$

$$Sm = \sqrt{\frac{60.2}{5} + \frac{33.3}{5}} = 4.3$$

$$t^* = \frac{17.8 - 35.4}{4.3} = -4.0930$$

Decision: Since Cal value ±4.0930 > Critical Value ±2.306, Ho is rejected @ 0.05∝; and

For NPM

$$S^2_1 = (5 - 11.6)^2 + (6 - 11.6)^2 + (14 - 11.6)^2 + (20\text{-}11.6)^2 + (13\text{-}11.6)^2$$

$$= 43.56 + 31.36 + 5.76 + 70.56 + 1.96$$

$$= \frac{153.2}{4} = 38.3$$

$$S^2_2 = (27 - 35.6)^2 + (33 - 35.6)^2 + (34 - 35.6)^2 + (42\text{-}35.6)^2 + (42 - 35.6)^2$$

$$= 73.96 + 6.76 + 2.56 + 40.96 + 40.96$$

$$\frac{165.2}{4} = 41.3$$

$$Sm = \sqrt{\frac{38.3}{5} + \frac{41.3}{5}} = 3.99$$

$$t^* = \frac{11.6 - 35.6}{3.99} = -\underline{6.0150}$$

Decision: Since Cal value ±6.0150 > Tab value ±2.306, Ho is rejected at 0.05 ∝

For ROA:

$S^2{}_1 = (1.0 – 0.92)^2 + (1.0 – 0.92)^2 + (1.3 - 0.92)^2 + (1.0 - 0.92)^2 +(0.3 - 0.92)^2$

$= 0.0064 + 0.0064 + 0.1444 + 0.0064 + 0.3844 = \frac{0.548}{4}$ $0.137 \cong$
$= 0.14$

$S^2{}_2 = (7.8 – 7.28)^2 + (2.6 – 7.28)^2 + (4.5 – 7.28)^2 + (10.0-7.28)^2+(11.5-7.28)^2$

$= 0.2704 + 21.9024 + 7.7284 + 7.3984 + 17.8084$

$= \frac{55.108}{4} = 13.777 = 13.78$

$$Sm = \sqrt{\frac{0.14}{5} + \frac{13.78}{5}} = 1.67$$

$$t^* = \frac{0.92– 7.28}{1.67} = \frac{-6.36}{1.67} = - 3 .8084$$

Decision: Ho is rejected since cal value t±3.8084 > critical value ±2.306. H1 is therefore accepted @ 0.05∝

ROCE: Same as ROA

ROSE:

$S^2{}_1 = (0.8 – 2.16)^2 + (0.6 – 2.16)^2 + (2 – 2.16)^2 + (6.9 - 2.16)^2 + (0.5 - 2.16)^2$

$= 1.85 + 2.43 + 0.026 + 22.47 + 2.76 \quad \frac{29.536}{4} \quad 7.38$

$S^2{}_2 = (39 – 32.4)^2 + (30 – 32.4)^2 + (15 – 32.4)^2 + (42 - 32.4)^2 + (36 - 32.4)^2$

$43.56 + 5.76 + 302.79 + 92.16 + 12.96 \quad \frac{457.2}{4} = 114.3$

$$Sm = \sqrt{\frac{7.38}{5} + \frac{114.3}{5}} = 4.93$$

$$t^* = \frac{2.16 – 32.4}{4.93} = -6.1339$$

Decision: Since Calculated t value $\pm 6.1339 >$ critical ± 2.306. Ho is rejected @ $0.05\propto$ and H_1 accepted

Decision Rule: The above test on each of the performance ratios clearly reveals that the performance of the bank is higher after Privatization than before Privatization. This shows that privatization has positive impact on the performance of the Fist Bank of Nigeria.

4.3 OANDO NIGERIA PLC (FORMERLY UNIPETROL).

In 1956, Oando Ple commenced business operations as a petroleum marketing company in Nigeria under the name "ESSO West African Incorporated", a subsidiary of EXXON Corporation of the USA. In 1969, the company was incorporated under a laws as "ESSOSTANDARD Nigeria Limited" In 1976, the Nigeria government bought ESSO's interest and thus became the 100% owner of the company. The company was then named "Unipetrol Nigeria Limited".

In March 1991, the Company became a Public Limited Company Unipetrol Nigeri PLC. In the same year, 60% of the Company's share holding was sold to Nigeria public under the first phase of privatization exercise. In February 1992, the company was quoted on the Nigeria Stock Exchange.

In the year 2000, under the second phase of the Federal Government of Nigeria's privatization programme. Ocean and Oil Services limited became a core investor by acquiring 30% of the Federal Government's 40% equity stakes in the company. The remaining 10% were sold to the Nigeria public.

In August 2002, the Company acquired Agip Petrols 60% Stakes. Following the acquisition of Agip Nigeria Plc the Company was renamed OANDO PLC in 2003.

In 2003 OANDO emerged as Nigeria 's Second largest company in the down stream Sector of the Oil Industry with 15.64% market share.

Table 4.3 Performance Ratios of OANDO

BEFORE PRIVATIZATION							AFTER PRIVATIZATION					
MEASUREMENT YEAR	1987	1988	1989	1990	1991	Mean	1993	1994	1995	1996	1997	Mean
FAT	2.0	1.5	2.6	2.0	5.2	2.66	6.5	10.0	7.9	12.9	14.3	10.32
TAT	1.5	2.0	2.9	2.0	4.0	2.48	5.5	8.2	6.4	9.3	10.1	7.9
GPM	3	2	5	6.5	6.5	4.6	7	9	10	9	12	9.4
NPM	2	1.5	3	5	5	3.3	7	8	7	6	7	7.0
ROA	12	10	18	20	20	16.0	30	40	46	58	72	49.2
ROCE	12	10	18	20	20	16.0	30	40	46	58	72	49.2
ROSE	0.5	0.2	1	6	20	5.54	20	32	50	60	45	41.4

Note: Figures are expressed in percentages
Source: Computed from various OANDO Annual Reports and Statement of Accounts.

Table 4.3 shows the Performance ratio of OANDO Nig. Plc, The data are arranged and presented to cover two distinct periods of Five years before and Five after privatization. It can be seen that the mean of FAT increased from 2.66% before privatization to 10.32% after privatization. This is an increase of 7.66% . The Average TAT grew from 2.48% before privatization to 7.9% after privatization, growth rate of 5.4%.

GPM of the Company for increased from 4.6% before privatization and 9.4% after privatization, a growth rate of 4.8%. NPM increased from 3.3% average before privatization to 7.0% average after privatization; with an increase of 3.7%.

For ROA the table shows a mean of 16.0% before privatization and 49.2% after privatization, a growth in returns of about 33.2%.

ROSE has an increase in return rate of 35.86% resulting from a mean rate of 5.54% before privatization and 41.4% after privatization. This practically means the shareholders fund was increased with over 40% after Privatization.

Test of Hypothesis for Performance Ratios of OANDO Nig. Plc.

It has been hypothesized before this thesis that:

H_o: There are no significant differences between the various means before and after privatization.

H_1: There are significant differences between the various means before and after privatization.

This hypothesis will now be tested.

$$\left.\begin{array}{lll} H_o: & \overline{x_1} - \overline{x_2} = & 0 \\ H_1: & \overline{x_1} - \overline{x_2} \neq & 0 \end{array}\right\} \text{two tailed test}$$

For FAT

$$S^2_1 = (2.0 - 2.66)^2 + (1.5 - 2.66)^2 + (2.6 - 2.66)^2 + (2.0 - 2.66)^2 + (5.2 - 2.66)^2$$

$$0.44 + 1.35 + 0.004 + 0.44 + 6.45$$

$$= \frac{8.684}{4} = 2.17$$

$$S^2_2 = (6.5 - 10.32)^2 + (10 - 10.32)^2 + (7.9 - 10.32)^2 + 12.9 - 10.32)^2 + (14.3 - 10.32)^2$$

$$= 14.59 + 0.10 + 5.86 + 6.66 + 15.84$$

$$= \frac{43.05}{4} = 10.76$$

$$Sm = \sqrt{\frac{2.17}{5} + \frac{10.76}{5}} = 1.608 = 1,61$$

$$t^* \quad \frac{2.66 - 10.32}{1.61} = -4.7578$$

Decision Rule: Since the calculated value $\pm$ 4.7578 is greater that the critical value $\pm$2.306, the Ho is rejected at 0.05$\propto$ significance level . Therefore, the H_1 is accepted that there is a significance difference between the means before and after privatization.

For TAT

$$S^2_1 = (1.5 - 2.48)^2 + (2.0 - 2.48)^2 + (2.9 - 2.48)^2 + (2.0 - 2.48)^2 + (4.0 - 2.48)^2$$

$$0.96 + 0.23 + 0.18 + 0.23 + 2.31 = \underline{3.91} = 0.98$$

$$\qquad\qquad\qquad\qquad\qquad 4$$

$S^2_2 = (5.5 – 7.9)^2 + (8.2 – 7.9)^2 + (6.4 – 7.9)^2 + (9.3 - 7.9)^2 + (10.1 - 7.9)^2$

$= 5.76 + 0.09 + 2.25 + 1.96 + 4.84$

$= \frac{14.9}{4} = 3.73$

$Sm = \sqrt{\frac{0.98}{5} + \frac{3.73}{5}} = 0.97$

$t^* = \frac{2.48 – 7.9}{0.97} = - 5.5876$

Decision Rule: Since the cal value ±5.5876 > critical value ±2.306, Ho is rejected at 0.05∝. Therefore H1 is accepted

For GPM

$S^2_1 = (3 – 4.6)^2 + (2 - 4.6)^2 + (5 – 4.6)^2 + (6.5 - 4.6)^2 + (6.5 - 4.6)^2$

$= 2.56 + 6.76 + 0.16 + 3.61 + 3.61 = \frac{16.7}{4} = 4.18$

$S^2_2 = (7 – 9.4)^2 + (9 - 9.4)^2 + (9 - 9.4)^2 + (10 - 9.4)^2 + (9 - 9.4)^2 + (12 - 9.4)^2$

$= 5.76 + 0.16 + 0.36 + 0.16 + 6.76 = \frac{13.2}{4} = 3.3$

$Sm = \sqrt{\frac{4.18}{5} + \frac{3.3}{5}} = 1.22$

$t^* = \frac{4.6 – 7.9}{1.22} = 2.7049$

Decision: Since the cal value ±2.7049 > critical value ±2.306, Ho is rejected @ 0.05∝. H_1 is accepted.

For NPM

$S^2_1 = (2 – 3.3)^2 + (1.5 – 3.3)^2 + (3 – 3.3)^2 + (5 - 3.3)^2 + (5 - 3.3)^2$

$1.69 + 3.24 + 0.09 + 2.89 + 2.89 = 10.8 = 2.7$

$$\overline{\quad 4 \quad}$$

$S^2_2 \quad = \quad (7 - 7.0)^2 + (8 - 7.0)^2 + (7 - 7.0)^2 + (6 - 7.0)^2 + (7 - 7.0)^2$

$0 + 1 + 0 + 1 + 0 = 2/4 = 0.5$

$$Sm = \sqrt{\frac{2.7}{5} + \frac{0.5}{5}} = 0.8$$

$$t^* = \frac{3.3 - 7}{0.8} = -4.625$$

Decision Rule: Since calculated value ±4.625> critical value ±2.306, Ho is rejected @ 0.05∝ and H1 accepted.

For ROA

$S^2_1 \quad = \quad (12 - 16)^2 + (10 - 16)^2 + (18 - 16)^2 + (20 - 16)^2 + (20 - 16)^2$

$16 + 36 + 4 + 16 + 16 = \frac{88}{4} = 22$

$S^2_2 \quad = \quad (30 - 49.2)^2 + (40 - 49.2)^2 + (46 - 49.2)^2 + (58 - 49.2)^2 + (72 - 49.2)^2$

$= 368.64 + 84.64 + 10.24 + 77.44 + 529 = \frac{1069.96}{4} = 267.49$

$$Sm = \sqrt{\frac{22}{5} + \frac{267.49}{5}} = 7.61$$

$$t^* = \frac{16 - 49.2}{7.61} = -4.3627$$

Decision Rule: Since the calculated value ±4.3627 > critical value ±2.306, Ho is rejected @ 0.05∝, H1 is therefore accepted.

For ROCE: Same as ROA

For ROSE

$S^2{}_1 \quad = \quad (0.5 - 5.54\ )^2 + (0.2 - 5.54)^2 + (1\ \ - 5.54)^2\ +\ (6 - 5.54)^2\ +\ (20 - 5.54)^2$

$$25.4 + 28.52 + 20.61 + 0.21 + 209.09 = \frac{283.83}{4} = 70.96$$

$S^2{}_2 \quad = \quad (20 - 41.4)^2 + (32 - 41.4)^2 + (50 - 41.4)^2 + (45 - 41.4)^2$

$$457.96 + 88.36 + 73.96 + 345.96 + 12.96 = \frac{979.2}{4} = 244.8$$

$$Sm = \sqrt{\frac{70}{5} + \frac{244.8}{5}} = 7.95$$

$$t^* \quad \frac{5.54 - 41.4}{7.95} = -4.5107$$

Decision Rule: Since calculated value ±4.5107 > Tab. Value ±2.306 H_o is rejected @ 0.05∝, H_1 is therefore accepted.

Decision Rule: Since the tests on each of the performance ratios clearly revealed that the performances of the company were higher after privatization, than before privatization; we concludes that privatization has a positive impact on the privatized Company.

4.4 UNITED BANK FOR AFRICA (UBA) NIGERIA PLC

The United Bank for Africa Plc has its antecedents in the British and French Bank Limited. UBA Plc was incorporated on February 23rd, 1961. In 1970, the B\bank undertook a voluntary public issue which was the first such public issue to be undertaken by a bank in Nigeria and in 1976 Federal Government acquired a stake in the bank. This was as the results of the introduction of the 60% Nigeria Equity participation in local banks.

UBA. Plc became a private entity in 1994 with the full divestment of the government's 46% shareholding. The bank has 220 branches in Nigeria.

Table 4.4 Performance Ratios of UBA Nig Plc 1987– 1997

BEFORE PRIVATIZATION							AFTER PRIVATIZATION					
MEASUREMENT YEAR	1987	1988	1989	1990	1991	Mean	1993	1994	1995	1996	1997	Mean
FAT	01	0.05	0.3	0.1	0.3	0.17	1.2	1.3	2.2	2.8	3.9	2.28
TAT	0.05	0.01	0.05	0.08	0.07	0.052	1.0	1.12	3.8	2.15	4.2	2.45
GPM	1.2	0.5	1.7	0.6	1.0	1.0	3.5	6	5	14	25	10.7
NPM	1.0	0.2	0.8	0.8	1.2	0.8	3.2	5	10	18	11	9.4
ROA	0.05	0.1	0.4	0.4	0.5	0.29	0.6	2.5	5.1	4.1	6.0	3.66
ROCE	0.05	0.1	0.1	0.2	0.2	0.13	0.6	3.5	7.5	5.1	5.1	4.36
ROSE	1.2	2.2	3.7	5.0	5.2	3.46	5.0	8.1	19	10	29	14.22

Note: Figures are expressed in percentages .
Source: Computed from UBA Plc Annual Reports and Statement of Accounts.

The above table represents Performance ratio of UBA Plc from 1987 – 1997. The data are equally arranged and presented to cover two periods of five years before and five years after privatization. This is also done for the purpose of uniformity with the other two hypothesized organizations.

The Average FAT before privatization was 0.17% and it increased to 2.28% after Privatization. A growth rate of 2.11%.

TAT increased from 0.052% before privatization to 2.45% after privatization, an incremental rate of about 2.40% depicting a steady growth rate on generation of sales revenues after privatization.

GPM equally increased from 1.0% before privatization to 10.7% after privatization, with a marvelous profitability growth rate of 9.7%.

NPM also increased from 0.80% before privatization to 9.4% after privatization. A profitability growth rate of 8.6%.

ROA on the other hand , grew from 0.29% before privatization to 3.66% after privatization, representing an increased return rate of 3.37%. While ROCE has an increased return rate of 4.23%, representing 0,13%, average returned rate before privatization and 4.36% average returned rate after privatization.

Test of Hypothesis for Performance Ratios of UBA Plc

It has been hypothesized in this dissertation that:

H_o: There are no significant differences between the various means before and after privatization.

H_1: There are significant differences between the various means before and after privatization.

This means there is significant impact on organization performance after privatization.`

$$\left.\begin{array}{lll} Ho: & x_1 - x_2 = & 0 \\ H1: & x_1 - x_2 \neq & 0 \end{array}\right\} \text{two tailed test}$$

For FAT

$$S^2_1 = (0.1 - 0.17)^2 + (0.05 - 0.17)^2 + (0.3 - 0.17)^2 + (0.1 - 0.17)^2 + (0.1 - 0.17)^2$$

$$0.005 + 0.014 + 0.17 + 0.005 + 0.017$$

$$= \frac{0.211}{4} = 0.053$$

$$S^2_2 = (1.2 - 2.28)^2 + (1.3 - 2.28)^2 + (2.2 - 2.28)^2 + (2.8 - 2.28)^2 + (3.9 - 2.28)^2$$
$$1.17 + 0.96 + 0.006 + 0.27 + 2.62$$

$$= \frac{5.026}{4} = 1.26$$

$$Sm = \sqrt{\frac{0.053}{5} + \frac{1.26}{5}} = 0.512 = 0.51$$

$$t^* = \frac{0.17 - 2.28}{0.51} = \frac{-2.11}{0.51} = -\ 4.1373$$

Decision Rule:Since calculated value±4.1373 > Critical value±2.306 and it falls under region of rejection. H_o is rejected @ 0.05∝. H_1 is therefore accepted.

For TAT

$$S^2_1 = (0.05 - 0.052)^2 + (0.01 - 0.052)^2 + (0.05 - 0.052)^2 + (0.08 - 0.052)^2 + (0.07 - 0.052)^2$$

$0.000 \quad + \quad 0.002 \quad + \quad 0.000 \quad + 0.008 + \quad 0.0003$

$= \quad \frac{0.0031}{4} = \quad 0.000775 = 0.0008$

$S^2{}_2 \quad = \quad (1.0 - 2.45)^2 + (3.8 - 2.45)^2 + (2.15 - 2.45)^2 + (1.12 - 2.45)^2 + (4.2 - 2.45)^2$

$= \quad 2.10 \quad + \quad 1.82 \quad + \quad 0.09 \quad + \quad 1.77 \quad + 3.06$

$= \quad \frac{8.84}{4} \quad 2.21$

$Sm \quad = \quad \sqrt{\frac{0.0008}{5} + \frac{2.21}{5}} \quad = \quad 0.66$

$t^* \quad = \quad \frac{0.052 - 2.45}{0.66} \quad = \quad -\ 3.3633$

Decision: H_o is rejected @ 0.05∝ since calculated value ±2.4129 > Tab value ±2.306 and H_1 is therefore accepted.

For GPM

$S^2{}_1 \quad = \quad (1.2 - 1.0)^2 + (0.5 - 1.0)^2 + (1.7 - 1.0)^2 + (0.6 - 1.0)^2 + (1.0 - 1.0)^2$

$= \quad 0.04 \quad + \quad 0.25 \quad + \quad 0.49 \ + \ 0.16 \ + 0 \quad \frac{0.94}{4} \quad = \underline{\underline{0.24}}$

$S^2{}_2 \quad = \quad (3.5 - 10.7)^2 + (6 - 10.7)^2 + (5 - 10.7)^2 + (14 - 10.7)^2 + (25 - 10.7)^2$

$51.84 \quad + 22.\ 09 \quad + \quad 32.49 \ + 10.89 \ + 204.89 \quad = \frac{321.8}{4} = \quad 80.45$

$Sm \quad = \quad \sqrt{\frac{0.24}{5} + \frac{80.45}{5}} = \quad 4.017 \quad = \quad \underline{\underline{4.02}}$

$t^* \quad = \quad \frac{1.0 - 10.7}{4.02} \quad = \quad \frac{-9.7}{4.02} \quad = \quad -2.4129$

Decision : H_o is rejected @ 0.05∝ since calculated value ±2.4129 > Tabulated value ±2.306. H_1 is therefore accepted.

For NPM

$S^2{}_1 \quad = \quad (1.0 - 0.8)^2 + (0.2 - 0.8)^2 + (0.8 - 0.8)^2 + (0.8 - 0.8)^2 + (1.2 - 0.8)^2$

$\qquad 0.04 + 0.36 + 0 + 0 + 0.16 = \frac{0.56}{4} = 0.14$

$S^2{}_2 \quad = \quad (3.2 - 9.4)^2 + (5 - 9.4)^2 + (10 - 9.4)^2 + (18 - 9.4)^2 + (11 - 9.4)^2$

$\quad = \quad 38.44 + 19.36 + 0.36 + 73 - 96 + 2.56 = \frac{134.68}{4} = 33.67$

$Sm \quad = \quad \sqrt{\frac{0.14}{5} + \frac{33.67}{5}} \qquad 2.6$

$t^* \quad = \quad \frac{0.8 - 9.4}{2.6} \quad = \quad -3.3077$

Decision: H_o is rejected @ 0.05$\propto$ since calculated value ±3.3077 > critical value ±2.306

H_1 is therefore accepted.

For ROA

$S^2{}_1 \quad = \quad (0.05 - 0.29)^2 + (0.1 - 0.29)^2 + (0.4 - 0.29)^2 + (0.4 - 0.29)^2 + (0.5 - 0.29)^2$

$\qquad 0.058 + 0.036 + 0.084 + 0.084 + 0.044$

$\quad = \quad \frac{0.306}{4} = 0.0765$

$S^2{}_2 \quad = \quad (0.6 - 3.66)^2 + (2.5 - 3.66)^2 + (5.1 - 3.66)^2 + (4.1 - 3.66)^2 + (6.0 - 3.66)^2$

$\qquad 9.36 + 1.35 + 2.07 + 0.19 + 5.48$

$\quad = \quad \frac{18.45}{4} = 4.61$

$Sm \quad = \quad \sqrt{\frac{0.0765}{5} + \frac{4.61}{5}} \quad = \quad 0.968 \quad 0.97$

$$t^* = \frac{0.29 - 3.66}{0.97} = \quad = -3.4742$$

Decision: Ho is rejected @ 0.05$\propto$ since calculated value ±3.4742 >Tab. value ±2.306
H1 is therefore accepted.

For ROCE:

$$S^2_1 = (0.05 - 0.13)^2 + (0.1 - 0.13)^2 + (0.1 - 0.13) + (0.2 - 0.13)^2 + (0.2 - 0.13)^2$$

$$= 0.0064 + 0.0009 + 0\ .0009 + 0.0049 + 0.0049$$

$$\frac{0.018}{4} = 0.0045$$

$$S^2_2 = (0.6 - 4.36)^2 + (3.5 - 4.36)^2 + (7.5 - 4.36)^2 + (5.1 - 4.36)^2 + (5.1 - 4.36)^2$$

$$= 14.14 + 0.74 + 9.86 + 0.55 + 0.55$$

$$= \frac{25.84}{4} = 6.46$$

$$Sm = \sqrt{\frac{0.0045}{5} + \frac{6.46}{5}} = 1.14$$

$$t^* = \frac{0.13 - 4.36}{1.14} = -3.7105$$

Decision : H_o is rejected @ 0.05$\propto$ since Calculated value ±3.7105 > Critical Value ±2.306. and

H_1 is therefore accepted.

For ROSE

$$S^2_1 = (1.2 - 3.46)^2 + (2.2 - 3.45)^2 + (3.7 - 3.46)^2 + (5.0 - 3.46)^2 + (5.2 - 3.46)^2$$

$$5.11 + 1.59 + 0.058 + 2.37 + 3.03$$

$$= \frac{12.16}{4} = 3.04$$

$$S^2_2 = (5.0 - 14.22)^2 + (8.1 - 14.22)^2 + (19 - 14.22)^2 + (10 - 14.22)^2 + (29 - 14.22)^2$$

$$= 85.01 + 37.45 + 22.85 + 17.81 + 218.45$$

$$= \frac{381.57}{4} = 95.39$$

$$Sm = \sqrt{\frac{3.04}{5} + \frac{95.39}{5}} = 4.43$$

$$t^* = \frac{3.46 - 14.22}{4.43} = -2.4289$$

Decision: H_o is rejected @ $0.05\propto$, since Calculated Value $\pm 2.4289 >$ Critical value ± 2.306

H_1 is therefore accepted.

Decision Rule: The tests on each of the Performance Ratios has clearly shown that the profitability and the efficiency of the Bank are higher after Privatization than before privatization. This therefore indicates strongly that Privatization had a significant positive impact on the efficiency and profitability of the organization.

4.5 KA CEMENT COMPANY PLC

The Company is located and commenced operation in Gombe State in July 1974 under the name "Ashaka Cement Company Limited". It was incorated as a private limited liability Company in 1981 and was converted into a public company in 1985. Prior to privatization exercise, the Company's shares were held as follow: Federal Government of Nigeria 48%; Bauchi state Government 10%; Gombe State Government 10%; Adamawa State Government 10%; Taraba State Government 10% and Blue Circle Industries PLC, UK (Foreign Technical Partner) 12%

The main activity of the Company is the manufacturing and marketing of cement product nationwide and outside the country.

Table 4.4 PERFORMANCE RATIONS OF ASHAKA CEMENT PLC.

BEFORE PRIVATIZATION							AFTER PRIVATIZATION					
MEASUREMENT YEAR	1994	1995	1996	1997	1998	AV	1999	2000	2001	2002	2003	AV
FAT	0.01	0.001	0.2	1.5	1.5	0.64	2.33	2.08	3.90	3.90	4.81	3.40
TAT	0.1	0.05	1.0	1.0	1.0	0.13	1.01	1.02	3.86	4.72	4.76	3.08
GPM	0.5	1.2	0.2	1.2	0.22	0.66	2.29	3.80	3.03	4.39	5.08	3.72
NPM	0.4	0.6	1.2	1.2	0.4	0.76	2.40	2.10	3.17	4.44	4.20	3.26
ROA	0.2	0.5	1.0	0.8	0.5	0.6	3.0	6.2	5.2	8.4	10.0	6.56
ROCE	0.2	0.5	1.0	0.8	0.5	0.6	3.0	6.2	5.2	8.4	10.0	6.56
ROSE	1.2	0.8	2.8	3.2	3.2	2.24	6.0	6.5	8.2	8.5	27.0	11.24

Source: Computed from various Ashaka Nig. Plc Annual Reports and Statement of Accounts.
Note: Figures are expressed in Percentages.

The above table equally represents the performance ratio of Ashaka Nig. Plc for two periods (Pre-Privatization and Post-Privatization) of five years each.

From the performance, the average FAT before Privatization measured 0.64% while after privatization it increased to 3.40% with a growth rate of 2.76% for the periods covered. TAT increased from the average of 0.13% to 3.08% Post privatization with an incremental rate of 2.95% depicting a remarkable improvement on revenue generation after privatization. GPM showed an increment in profitability growth rate from an average of 0.66% before privatization to 3.72% after privatization. A growth rate of 3.06% within the five year period measured. While NPM rose from an average of 0.76% before privatization to 3.26% after privatization, with 2.5% net profit incremental growth rate. ROA and ROCE equalized by moving from 0.6% before privatization to 6.56% after privatization thus made an increased returned rate of 5.96% to assets and capital employed. The shareholders equity went up by 9% from 2.24% before privatization to 11.24% after privatization.

Test of Hypothesis for Performance Ratios of Ashaka Nig. Plc.

It has been hypothesized in this dissertation that:

H_o: There are no significant differences between the various means before and after privatization.

H_1: There are significant differences between the various means before and after privatization. This means there is significant impact on organization performance after privatization.`

$$\left.\begin{array}{l} \text{Thus: } H_o: x_1 - x_2 = 0 \\ H_1: x_1 - x_2 \neq 0 \end{array}\right\} \text{two tailed test}$$

For FAT

$$S^2_1 = (0.01 - 0.64)^2 + (0.001 - 0.64)^2 + (0.2 - 0.64)^2 + (1.5 - 0.64)^2 + (1.5 - 0.64)^2$$

$$= 0.40 + 0.41 + 0.19 + 0.74 + 0.74$$

$$= \frac{2.48}{4} = 0.62$$

$$S^2_2 = (2.33 - 3.40)^2 + (2.08 - 3.40)^2 + (3.90 - 3.40)^2 + (3.90 - 3.40)^2 + (4.81 - 3.40)^2$$

$$= 1.14 + 1.74 + 0.25 + 0.25 + 2.0$$

$$= \frac{5.38}{4} = 1.35$$

$$Sm = \sqrt{\frac{0.62}{5} + \frac{1.35}{5}} = 0.63$$

$$t^* = \frac{0.64 - 3.40}{0.62} = 4.3809$$

Decision Rule: since the Calculated value ±4.3809 > Tabvalue ±2.306, H_o is rejected @ 0.05α.

For TAT

$$S^2_1 = (0.1 - 0.13)^2 + (0.05 - 0.13)^2 + (1.0 - 0.13)^2 + (1.0 - 0.13)^2 + (1.0 - 0.13)^2$$

$$0.09 + 0.0064 + 0.76 + 0.76 + 0.76$$

$$= \frac{2.3764}{4} = 0.59$$

$$S^2_2 = (1.01 - 3.08)^2 + (1.02 - 3.08)^2 + (3.86 - 3.08)^2 + (4.72 - 3.08)^2 + (4.76 - 3.08)$$

$$= 4.28 + 4.24 + 0.64 + 2.69 + 2.82$$

$$\frac{14.67}{4} = 3.67$$

$$Sm = \sqrt{\frac{0.59}{5} + \frac{3.67}{5}} = 0.92$$

$$t^* = \frac{0.13 - 3.08}{0.92} = 3.2065$$

Decision : H_o is rejected @ 0.05α, since Calvalue ±3.2065 > critical value ±2.306

For GPM

$$S^2_1 = (0.5 - 0.66)^2 + (1.2 - 0.\ 66)^2 + (0.2 - 0.66)^2 + (1.2 - 0.66)^2 + (0.22 - 0.66)^2$$

$$= 0.026 + 0.29 + 0.21 + 0.29 + 0.19$$

$$= \frac{10.06}{4} = 0.25$$

$$S^2_2 = (2.29 - 3.72)^2 + (3.80 - 3.72)^2 + (3.03 - 3.72)^2 + (4.39 - 3.72)^2 + (5.08 - 3.72)^2$$

$$= 2.04 + 0.0064 + 0.84 + 0.45 + 1.85$$

$$= \frac{4.8264}{4} = 1.21$$

$$Sm = \sqrt{\frac{0.25}{5} + \frac{1.21}{5}} = 0.54$$

$$t^* = \frac{0.66 - 3.72}{0.54} = -5.6667$$

Decision: Since calculated value ±5.6667 > critical value ±2.306, H_o is rejected @ 0.05α

For NPM

$$S^2_1 = (0.4 - 0.76)^2 + (0.6 - 0.76)^2 + (1.2 - 0.76)^2 + (1.2 - 0.76)^2 + (0.4 - 0.76)^2$$

$$= 0.13 + 0.026 + 0.19 + 0.19 + 0.13$$

$$= \frac{0.666}{4} = 0.167 = 0.17$$

$$S^2_2 = (2.40 - 3.26)^2 + (2.10 - 3.26)^2 + (3.17 - 3.26)^2 + (4.44 - 3.26)^2 + (4.20 - 3.26)$$

$$= 0.74 + 1.35 + 0/008 + 1.39 + 0.88$$

$$= \frac{4.368}{4} = 1.09$$

$$Sm = \sqrt{\frac{0.17}{5} + \frac{1.09}{5}} = 0.50$$

$$t^* = \frac{0.76 - 3.26}{0.50} \quad - 5.000$$

Decision: H_0 is rejected @ 0.05α since Calculated value ±5.000 > critical value ±2.306

For ROA

$$S^2_1 = (1.0 - 0.92)^2 + (1.0 - 0.92)^2 + (1.3 - 0.92)^2 + (1.0 - 0.92)^2 + (0.3 - 0.92)^2$$

$$= 0.0064 + 0.0064 + 0.14 + 0.0064 + 0.38$$

$$= \frac{0.5392}{4} = 0.13$$

$$S^2_2 = (7.8 - 7.28)^2 + (2.6 - 7.28)^2 + (4.5 - 7.28)^2 + (10 - 7.28)^2 + (11.5 - 7.28)^2$$

$$= 0.27 + 21.9 + 7.73 + 7.40 + 17.81$$

$$\frac{55.11}{4} = 13.78$$

$$Sm = \sqrt{\frac{0.13}{5} + \frac{13.78}{5}} = 1.67$$

$$t^* = \frac{0.92 - 7.28}{1.67} = -3.8083$$

Decision: H_o os rejected @ 0.05α since calculated value ±3.8083 > Tab value ±2.306.

For ROCE:

Same as above

For ROSE

$$S^2_1 = (0.8 - 2.16)^2 + (0.6 - 2.16)^2 +(2 - 2.16)^2 + (0.5 - 2.16)^2 + (6.9 - 2.16)^2$$

$$= 1.85 + 2.43 + 0.026 + 8.07 + 22.46$$

$$= \frac{34.84}{4} = 8.71$$

$$S^2_2 = (39 - 32.4\ )^2 + (30 - 32.4)^2 + (15 - 32.4)^2 + (43 - 32.4)^2 + (36 - 32.4)^2$$

$$= 43.56 + 5.\ 76 + 302.76 + 92.16 + 12.96$$

$$= \frac{457.2}{4} = 114.3$$

$$Sm = \sqrt{\frac{8.71}{5} + \frac{114.3}{5}} = 4.9$$

$$t^* = \frac{2.16 - 32.4}{4.9} = -6.1714$$

Decision: Since calculated .value $\pm 6.1714 >$ Tab-value ± 2.306 and it fell under the region or rejection . H_o is rejected @ 0.05 level.

Table 4.5 Performance Ratio of AIICO Nig. PLC from 1995 – 2004
Source: collected from the raw data of Company's annual report.

BEFORE PRIVATIZATION							AFTER PRIVATIZATION					
MEASUREMENT YEAR	1995	1996	1997	1998	1999	AV	2000	2001	2002	2003	2004	AV
FAT	0.27	1.72	1.20	0.53	1.17	0.98	2.27	3.72	4.20	4.17	4.53	3.78
TAT	0.03	0.23	0.24	1.29	0.20	0.40	2.29	3.03	2.23	4.20	5.24	3.40
GPM	0.83	0.02	1.05	0.39	0.51	0.55	3.83	4.20	4.21	4.21	5.39	4.37
NPM	0.02	0.51	0.83	1.21	1.21	0.76	2.85	3.21	4.50	3.37	4.80	3.75
ROA	0.1	0.60	0.8	0.73	1.02	0.65	3.7	4.12	5.83	5.0	6.12	4.95
ROCE	0.1	0.5	0.3	0.81	1.05	0.55	2.5	3.5	4.2	6.0	6.02	4.44
ROSE	1.2	0.05	1.2	1.3	1.3	1.01	3.5	4.6	6.0	5.82	9.25	5.83

Computed from various AIICO Nig. Plc Annual Reports and Statement of Accounts.
Note: Values are expressed in percentages.

This table also represent the performance ratio of AIICO Nig Plc from 1995 – 2004. These periods are equally divided into two – five years of Pre-Privatization and Post Privatization era each.

The performance shows that the average FAT of the Company was 1.17% before privatization, and it increased to 3.78% after privatization with a growth rate of 2.61%.

TAT equally grows from 0.40% average before privatization to a mean of 3.40% after privatization thus depicting an incremental rate of 3% earnings on total assets. GPM averages 0.55% before privatization and 4.37% after privatization, a profitability growth rate of 3.82% on gross earnings. NPM equally showed a mean net earnings of 0.76% before privatization and increased to 3.75% after privatization, a growth rate of 2.99%. ROA increased from 0.65% before privatization to 4.95% after privatization, an incremental rate of 4.3% returns rate. ROCE showed a return increase of about 3.89%, from a mean of 0.55% before Privatization and 4.44% after privatization within the periods covered.

Shareholders equity (ROSE) also rose from an average of 1.01% before privatization to 5.83% after privatization, thus giving the shareholders an increase in the return rate of 4.82%

Test of Hypothesis for Performance Ratio of AIICO Nig Plc.

It has been hypothesized in this thesis that:

H_o: There are no significant differences between the various means before and after privatization.

H_1: There are significant differences between the various means before and after privatization. This means there is significant impact on organization performance after privatization.`

$$\left.\begin{array}{l} \text{Thus: } H_o: x_1 - x_2 = 0 \\ H_1: x_1 - x_2 \neq 0 \end{array}\right\} \text{two tailed test}$$

For FAT

$$S^2{}_1 = (0.27 - 0.98)^2 + (1.72 - 0.98)^2 + (1.20 - 0.98)^2 + (0.53 - 0.98)^2 + (1.17 - 0.98)^2$$

$$= 0.50 + 0.55 + 0.05 + 0.20 + 0.04$$

$$= \frac{1.34}{4} = 0.34$$

$$S^2{}_2 = (2.27 - 3.78)^2 + (3.72 - 3.78)^2 + (4.20 - 3.78)^2 + (4.17 - 3.78)^2 + (4.53 - 3.78)^2$$

$$= 2.28 + 0.004 + 0.18 + 0.15 + 0.56$$

$$= \frac{3.174}{4} = 0.79$$

$$Sm = \sqrt{\frac{0.34}{5} \quad \frac{0.79}{5}} = 0.48$$

$$t^* = \frac{0.98 - 3.78}{0.48} = -5.833$$

Decision: H_o is rejected @ 0.05α since cal. value $\pm5.833 >$ Tab.value ± 2.306

For TAT

$$S^2_1 = (0.03 - 0.4)^2 + (0.23 - 0.4)^2 + (0.24 - 0.4)^2 + (1.29 - 0.4)^2 + (0.20 - 0.4)^2$$

$$= 0.14 + 0.03 + 0.026 + 0.79 + 0.04$$

$$= \frac{1.026}{4} = 0.26$$

$$S^2_2 = (3.03 - 3.40)^2 + (2.23 - 3.40)^2 + (4.2 - 3.40)^2 + (5.24 - 3.40)^2 + (2.29 - 3.40)^2$$

$$= 0.14 + 1.34 + 0.64 + 3.39 + 1.23$$

$$= \frac{6.74}{4} = 1.69$$

$$Sm = \sqrt{\frac{0.26}{5} + \frac{1.69}{5}} = 0.62$$

$$t^* = \frac{0.4 - 3.4}{0.62} = -4.8387$$

Decision: Since cal.value $\pm 4.8387 >$ Tab.Value ± 2.306, H_o is rejected @ 0.05α

For GPM

$$S^2_1 = (0.83 - 0.55)^2 + (0.02 - 0.55)^2 + (1.05 - 0.55)^2 + (0.39 - 0.55)^2 + (0.51 - 0.55)^2$$

$$= 0.08 + 0.28 + 0.25 + 0.026 + 0.0016$$

$$= \frac{0.6376}{4} = 0.16$$

$$S^2_2 = (3.83 - 4.37)^2 + (4.20 - 4.37)^2 + (4.21 - 4.37)^2 + (4.21 - 4.37)^2 + (5.39 - 4.37)^2$$

$$= 0.29 + 0.029 + 0.026 + 0.026 + 1.04$$

$$= \frac{1.411}{4} = 0.35$$

$$Sm = \sqrt{\frac{0.16}{5} + \frac{0.35}{5}} = 0.32$$

$$t^* = \frac{0.55 - 4.37}{0.32} = -11.9375$$

Decision = Calculated value ±11.9371 > Tabulated value ±2.306 therefore H_o is rejected @ 0.05α

For NPM

$$S^2_1 = (0.02 - 0.76)^2 + (0.51 - 0.76\ )^2 + (0.83 - 0.76^2 + (1.21 - 0.76)^2 + (1.21 - 0.76)^2$$

$$= 0.55 + 0.063 + 0.0049 + 0.20 + 0.20$$

$$= \frac{1.0179}{4} = 0.25$$

$$S^2_2 = (2.85 - 3.75)^2 + (3.21 - 3.75)^2 + (4.50 - 3.75)^2 + (3.37 - 3.75)^2 + (4.80 - 3{,}75)^2$$

$$= 0.81 + 0.29 + 0.56 + 0.14 + 1.10$$

$$= \frac{2.9}{4} = 0.73$$

$$Sm = \sqrt{\frac{0.25}{5} + \frac{0.73}{5}} = 0.44$$

$$t^* = \frac{0.76 - 3.75}{0.44} = -6.7954$$

Decision: H_o is rejected @ 0.05α, since Calculated value ±6.7954 > Tabulated value ±2.306

For ROA

$$S^2_1 = (0.1 - 0.65)^2 + (0.6 - 0.65)^2 + (0.8 - 0.65)^2 + (0.73 - 0.65)^2 + (1.02 - 0.65)^2$$

$$= 0.30 + 0.0025 + 0.023 + 0.0064 + 0.14$$

$$= \frac{0.4719}{4} = 0.12$$

$$S^2_2 = (3.7 - 4.95)^2 + (4.12 - 4.95)^2 + (5.83 - 4.95)^2 + (5.0 - 4.95^2 + (6.12 - 4.95)^2$$

$$= 1.56 + 0.69 + 0.77 + 0.0025 + 1.37$$

$$= \frac{4.3925}{4} = 1.1$$

$$Sm = \sqrt{\frac{0.12}{5} + \frac{1.1}{5}} = 0.49$$

$t^* = \dfrac{0.65 - 4.95}{0.49} = -8.7755$

Decision: H_o is rejected @ $0.05\propto$ since calculated .value ± 8.7755 > Tabulated .value ± 2.306

For ROCE

$S^2{}_1 = (0.1 - 0.55)^2 + (0.5 - 0.55)^2 + (0.3 - 0.55)^2 + (0.81 - 0.55)^2 + (11.05 - 0.55)^2$

$= 0.20 + 0.0025 + 0.063 + 0.068 + 0.25$

$= \dfrac{1.1955}{4} = 0.3$

$S^2{}_2 = (2.5 - 4.44)^2 + (3.5 - 4.44)^2 + (4.2 - 4.44)^2 + (6.0 - 4.44)^2 + (6.02 - 4.44)^2$

$= 3.76 + 0.88 + 0.058 + 2.43 + 2.5$

$= \dfrac{9.628}{4} = 2.41$

$Sm = \sqrt{\dfrac{0.3}{5} + \dfrac{2.41}{5}} = 0.74$

$t^* = \dfrac{0.55 - 4.44}{0.74} = -5.2568$

Decision: H_o is rejected @ $0.05\propto$, since Calculated value ± 5.2568 > Tabulated value ± 2.306.

For ROSE:

$S^2{}_1 = (1.2 - 1.01)^2 + (0.05 - 1.01)^2 + (1.2 - 1.01)^2 + (1.3 - 1.01)^2 + (1.3 - 1.01)^2$

$= 0.036 + 0.92 + 0.036 + 0.084 + 0.084$

$= \dfrac{1.16}{4} = 0.29$

$S^2{}_2 = (3.5 - 5.83)^2 + (4.6 - 5.83)^2 + (6.0 - 5.83)^2 + (5.82 - 5.83)^2 + (9.25 - 5.83)^2$

$= 5.43 + 1.52 + 0.029 + 0.0001 + 11.70$

$= \dfrac{18.6791}{4} = 4.67$

$Sm = \sqrt{\dfrac{0.29}{5} + \dfrac{4.67}{5}} = 0.995$

$$t^* = \frac{1.01 - 5.83}{0.995} = 4.8442$$

Decision: Since Calculated .value ±4.8442 > Tabulated .value ±2.306 and it fall under rejoin of rejection, H_o is rejected @ 0.05∝.

Decision Rule: The test on each of the above performance ratio of the Company shows that the calculated values are greater than the critical value thereby making them to fall under regions of rejection. Therefore, the H_o is rejected at 0.05 level of significance and H_1 accepted. This shows that the profitability and efficiency of the Company are higher after Privatization than before privatization. It can therefore be concluded that privatization has a significant positive impact on the performance of the organization.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY

It has been shown in this thesis that Nigeria had large public enterprise sector which expanded rapidly in the 1970s and 1980s. Therewere estimated 1500 such enterprises. The Federal Government had full ownership and control except in the oil, gas and financial sectors where the private sector was allowed to retain substantial share. The public enterprise sector in Nigeria was estimated to account for 30 – 35 percent of GDP and 20 percent of modern sector employment in 1990. This figure is above the Sub-Sahara African average estimated as below 10 percent. [World Bank (1981)].

Federal Government had a total equity investment in public enterprises of N28.83 billion at historical book value.

Most of the public enterprises were inefficient and poor in financial performance. Audited accounts either did not exist or were difficult to obtain. Concerns about inefficiency and poor performance of the state owned enterprises increased and the Federal Government began in 1983 to address issue of public enterprise reform. However, it was in 1988 that privatization programme was actualized by promulgating privatization and commercialization decree No. 25 of 1988. The decree established the Technical Committee on Privatization and Commercialization (TCPC) and provided the legal framework. Having received the various TCPC diagnostic reports, it used five methods in the process of privatization. The three main methods are: Public Offer of Shares through the Nigerian Stock Exchange Market, Private Placement of Shares and the Sale of Assets. Decree No.25 targeted 111 public enterprises for privatization, including 18 enterprises, which had already been privatized prior to the establishment of the TCPC. By end of

1993, TCPC had privatized 73 enterprises, which accounted for 22 percent of the original government equity in the 111 – targeted enterprises. The result obtained, indicated that performances of the three companies namely FBN, Oando and UBA in terms of efficiency, and profitability have remarkably improved after privatization.

The introduction of privatization programme in Nigeria has created fears in the minds of the general populace. Most of the fears of the privatization programme are genuine and well founded such as fears of job losses, exploitation of consumers via price hikes and low quality goods and services, concentration of public assets in the hands of small elite group and worsening of income and wealth distribution. There are also fears of subjugation of social objectives, monopolization of the privatization process by ethnic and other interest groups with easy access to capital, fear of lack of transparency, and hence corruption and nepotism in the process and fear of foreign domination.

This study was conducted to ascertain whether or not there was improvement in the performances of the public enterprises after privatization. The finding shows that privatization enhanced efficiency, profitability and productivity of the privatized companies. The methodology included the analysis of variance, and testing the differences between two means. The mean performance ratios before privatization were compared with mean performance ratios after privatization, and the results confirmed the alternative hypothesis.

5.2 CONCLUSION

After a careful study and analysis of the previous and existing structure of privatization in Nigeria, its problems and prospects, certain conclusions were reached.

Privatization is a remedy to the poor performance of PEs in the Nigerian. To prove this, this thesis has used various performance ratios which show that privatization has improved the efficiency and profitability of PEs and reduced the burden of public finance that they had steadily created over the years. This analysis has shown that under appropriate conditions and circumstances, privatization if implemented well, is a potentially useful means of promoting efficiency and general economic growth. In this regard, is an alternative to the perennial inefficient parastatals it has raised the quality of services and empowered public finance via fiscal deficit reduction and increased revenues by profit making enterprises. It has increased the inflow of foreign investment with the attendant benefits of enhanced transfer of technology and market skills.

Finally, the study has established the fact that privatization of PEs usually involves a number of economic, financial, and legal hurdles as well as conflicting goals and interests which impose constraints and make trade-offs inevitable including budgetary and policy trade-offs and constraints. Privatization has contributed to the achievement of some economic objectives but at the same time has created social problems. As not all objectives can be achieved at once, trade-offs and compromises are inevitable.

5.3 RECOMMENDATION

In order to combat the problems associated with the implementation of privatization programme in Nigeria, and to ensure that the privatization programme continues to make positive impact on the Nigeria economy, the following recommendations are made.

(a) There is a need for redefinement of the existing rules and the creation of a strong independent regulatory agency. Weak regulation characterized Nigeria's first-phase privatization (1988 – 1993). A post privatization regulatory framework will allow government to promote investment, protect consumers and investors, prevent abuse of market power as well as eliminating monopolistic abuse.

(b) There should be an effective mechanism to address the problem of lack of access to credit thereby ensuring widespread shares ownership. The Special Financing and Credit Scheme which was aimed at assisting small investors in the first phase privatization should be maintained in the on going privatization exercise. The directives from government to commercial banks to provide loans to prospective buyers of shares in the first phase was not enforced. The ongoing privatization exercise may suffer the same fate unless backed by appropriate sanctions.

(c) Government should ensure adequate communication and public information which are vital components of the privatization programme. Any act of omission or commission resulting in the failure to sensitize the people to the implications and processes of the privatization programme, may create doubts and real anxieties about the ultimate intentions behind the programme, and hence, strengthen opposition to it.

(d) Government should ensure transparency in the privatization process. The process must be seen to be fair, open, transparent and in the interest of all Nigerians. This will help a long way in achieving the stated objectives of the privatization programme.

(e) Long-term concession agreements have been found to be effective in countries such as Argentina for the management of utilities and services. Thus, in the ongoing privatization programme in Nigeria, concession agreement should be considered for utilities and services. Lease arrangement is another option for such utility and service enterprises.

(f) Government should ensure that there is improvement in the management of the remaining PEs that will not be privatized for national interest. One way of improving the performance of the PEs that remains in the public sector is to delegate more decision making to managers and demand accountability from them. Other ways include clear demarcation of the roles and responsibilities of government, board of directors, and managers to avoid power clash. Finally government should ensure total elimination of political interference in the affairs of PEs.

(g) Lastly, the privatization of PEs should not mean the end of state's interest in national economic development. The state still has its necessary and catalytic role to play in economic development because invisible hand may not direct investments into nationally desired areas either geographically or sectorally.

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APPENDIX 1

PART 1 – ENTERPRISES IN WHICH EQUITY HELD SHALL BE PARTIALLY PRIVATIZED.

ENTERPRISES	PRESENT FEDERAL	MAXIMUM FEDERAL GOVERNMENT PARTICIPATION
GOVERNMENT AS % OF EQUITY (AFTER HOLDING %		**PRIVATIZATION**
Savannah Bank of Nigeria Ltd	51.34	Present holding to Be maintained.
Union Bank of Nigeria Ltd	51.67	present holding
United Bank of African Ltd	45.76	Present holding to be Maintained.
International Bank for West Africa	50	Present holding to be Maintained.
Allied Bank of Nigeria ltd	51	Present holding to be Maintained.
Continental Merchant Bank Ltd	51	Present holding to be Maintained
International Merchant Bank Ltd	60	Present holding to be Maintained
Nigeria-Arab Bank Ltd	60	Present holding to be Maintained.
Nigeria Merchant Bank Ltd	60	Present holding to be Maintained.
First Bank of Niger Ltd	44.8	Present holding to be maintained.
NAL Merchant Bank Ltd	20	Present holding to be Maintained.
Merchant Bank of Africa	5	Present holding to be maintained.
Agricultural, Co-operative and Development Banks:		
Not more than 70% by the Federal		
Federal Mortgage Bank of Nigeria	100	government and its agencies
Nigerian Industrial Development Bank Ltd	100	Not more than 70%
Nigerian Bank for Commerce and Industry Ltd	100	Not more than 70%
Federal Saving Bank	100	Not more than 70% by the Federal government and its agencies.
Oil Marketing Companies		
Unipetrol	100	Not more than 40%
National Oil and Chemical Company Ltd	60	Not more than 40%
African Petroleum Ltd	80	Not more than 40%

Steel Rolling Mills		
Jos Steel Rolling Mills	100	Not more than 40%
Katsina Steel Rolling Mills	100	Not more than 40%
Oshogbo Rolling Mills	100	Not more than 40%
Air and Sea Travel Companies		
Nigeria Airways Ltd	100	Not more than 40%
Nigeria National Shipping Line Ltd	100	Not More than 40%
Fertilizer Companies		
Nigerian Fertilizer Company Ltd	100	Not more than 40%
Nigerian Super-phosphate Fertilizer Company Ltd	100	Not more than 40%
Paper Mills		
Nigerian National Paper Manufacturing Co. Ltd.	64.03	Not more than 40%
Nigerian Paper Mills Ltd	100	Not more than 40%
Nigerian News print Manufacturing Co. Ltd	100	Not more than 40%
Sugar Companies		
Savannah Sugar Company Ltd	75.4	Not more than 40%
Cement Companies		
Ashaka Cement Company Ltd	72	30%
Benue Cement Company Ltd	39	30%
Calabar Cement Company Ltd	68	30%
Cement Company of Northern Nigeria Ltd	31.53	30%
Nigeria Cement Company Ltd Nkalagu	10.72	10%
Motor Vehicles and Truck Assembly Co.		
Anambra Motor Manufacturing Co. Ltd	35	Present holding to be Maintained
Leyland Nigeria Ltd	35	Present holding to be maintained
Nigerian Truck Manufacturing Company Ltd	35	Present holding to be maintained
Peugeot Automobile of Nigeria Ltd	35	Present holding to be maintained
Volkswagen of Nigeria Ltd	35	Present holding to be maintained
Steyr Nigeria Ltd	35	Present holding to be maintained

PART II – ENTERPRISES IN WHICH 100% OF EQUITY HELD BY THE FEDERAL MILITARY GOVERNMENT SHALL BE FULLY PRIVATIZED

Nigerian Hotels Limited
Durbar Hotels Limited
Aba Textile Mills
Central Water Transportation Company Limited
National Cargo Handling Limited
Nigerian Diaries Company Limited
Nigerian National Fish Company Limited
Nigerian Food Company Limited.
National Grains Production Company Limited
National Poultry Production Company Limited
National Root Crops Production Company Limited and other such food production Companies.
Nigerian National Shrimps Company Limited
New Nigeria Salt Company Limited
National Fruit Company Limited
National Salt Company Limited, Ijoke
Specomill Nigeria limited
South-East Rumanian Wood Industries, Limited, Calabar
Nigerian Rumanian Wood Industries Limited, Ondo
Nigerian Yeast and Alcohol Company Limited, Bacita
Nigerian Film Corporation
National Freight Company Limited
National Animal Feed Company Limited, Port Harcourt
Opobo Boat Yard
Madara Diary Comp[any Limited, Vom
Ore/Irele Oil Palm Company Limited, Ondo
Okomu Oil Palm Company Limited, Bendel
National Livestock Production Limited
Road Construction Company Limited
National Film Distribution Company Limited
Nigerian Ranches Company Limited, Kaduna
Impresit Bakolori Nigeria Limited
North Breweries Limited, Kano
Nigerian Beverages Production Company Limited
West African Distilleries Limited
Nigerian Engineering Construction Company Limited.
Tourist Company of Nigeria (owners Federal Palace Hotels)
Electricity Metre Company Limited, Zaria
American International Insurance Company Limited
Guinea Insurance Company Limited
Sun Insurance Company Limited
United Nigeria Insurance Company Limited
United Nigeria Life Insurance Limited
Niger Insurance Company Limited
Mercury Assurance Company Limited
Crusader Insurance Company Limited
Royal Exchange Company Limited

NEM Insurance Company Limited.
Low Union and rock Insurance Company Limited
Prestige Assurance Company Limited
British American Insurance Company Limited
West African Insurance Provincial Company Limited
Manchok Cattle Ranch
Mokwa Cattle Ranch
Poultry Production units in Jos, Ilorin and Kaduna
Kaduna Abattoir and Kaduna Cold Meat Market
Bauchi Meat Factory and Galambi Cattle Ranch
Minna Pig Farm
Kano Abattoir Company Limited
Umuahia Pig Farm
Giant Cold Store, Kano
Ayip-Eku Oil Palm Company Limited
Ihechiowa Oil Palm Company Limited
Sokoto Integrated Livestock Company Limited
Motor Engineering Services Company Limited
Flour Mills of Nigeria Limited
Nigerian Yeast Alcohol Manufacturing Company Limited
Nichemtex Industries Limited.

APPENDIX II

Dr. Hamza R. Zayyad Chairman	Executive Chairman., Phoenix Investment Services Limited 11, wumo Close/Rabbah Road Kaduna.
Chief Omowale A. Kuye Secretary	Director-General (Special Duties) The Presidency, Cabinet Office, Tafawa Balewa Square, Lagos.
Chief Jacob Tilley-Gyaso	Managing Director Tilley-Gyaso Nigeria Limited 25, Naraguta Road, Jos.
Alhaji U.K. Bello	Director-General, Federal Ministry of Industries, Federal Govt. Secretariat, Abuja
Alhaji Ibrahim Aliyu	Managing Director Nigerian Industrial Development Bank NIDB House 63/71 Broad Street, Lagos.
Mr. George A. Alamiokhor	Director-General, The Securities and Exchange Commission 96/102, Broad Street, Lagos.

Alhaji Habibu M. Gwarzo	27/28 Hotoron Kudu P.O. Box 6085, Bompai, Kano.
Alhaji Inuwa Bakari	Chairman, Mibaco Nigerian Limited, 8, Mohammed Mustapha Way P.O. Box 36 Jimeta, Yola.
Chief Arthur C.I. Mbanefo, MFR	Managing Director Arthur Mbanefo & Associates Corporate and Financial Consultants Ebani House, 149/153, Broads Street. Lagos.
Nze F.O. Chukwu	Managing Director International Resources and Supply Ltd P.O. Box 2807, 37A Wetheral Road Owerri.
Chief S.O. Asabia, OFR	Chairman/Managing Director First Interstate Merchant Bank (Nig.) Ltd, Unity House 17, Marina, Lagos.
Mr. J.D. Edozien	Director-General Budget and Planning The Presidency Federal Government Secretariat Lagos.
Alhaji Aliyu Mohammed	Director-General Federal Ministry of Finance Federal Government Secretariat Ikoyi, Lagos.

APPENDIX III

SCHEDULE OF ISSUING HOUSES APPOINTED BY TCPC

	ISSUING HOUSE	COMPAINIES
1.	Centre Point Investment Ltd	Flour Mills of Nigerian Ltd
2.	NAL Merchant Bank Ltd	African Petroleum Ltd
3.	Continental Merchant Bank Ltd	National Oil & Chemical Marketing Co. Ltd.
4	First City Merchant Bank Lid	The United Nigeria Insurance Co. Ltd.
5.	Nigerian Merchant Bank Ltd	Ashaka Cement Company Ltd

6.	Nigerian International Merchant Bank Ltd	Nigerian Yeast & Alcohol Mfg.
7.	Farida Finance & Investment Ltd	Durbar Hotels Limited, Kaduna
8.	Finance Merchant Bank Limited	Nigerian Hotels Limited
9.	Citi Trust Merchant Bank Limited	Cement Company of Northern Nigeria.
10	Equity International Limited	Benue Cement Company Ltd
11.	NAL Merchant Bank Limited	National Fertilizer Company of Nigerian Ltd.
12.	Alibound Investment Limited	Aba Textile Limited
13.	LMB Securities Ltd	American International Insurance Co. Ltd., Prestige Assurance Co. Ltd., Royal Exchange Assurance Ltd.
		Sun Insurance Company Ltd
14.	Wintrust Limited	Niger Insurance Co. Ltd,
		NEM Insurance Co. Lrd
		West African Provincial Ins. Co. Ltd.
15.	Abacha Merchant Bank Ltd	Guinea Insurance Co. Ltd
		Law Union ^ Rock Ins. Co Ltd.
		British American Ins. Co. Ltd
		United Nigerian Life Ins. Co. Ltd.

SCHEDULE OF STOCKBROKERS APPOINTED BY TCPC

	STOCKBROKERS	**COMPANIES**
1.	Centre Point Investment Ltd	Flours Mills of Nigeria Ltd
2.	Nigerian Stockbrokers Ltd	African Petroleum Ltd
3.	Nigerian Int. Security Ltd	National Oil & Chemical Marketing
4.	C.S.L Stockbrokers	The United Nigeria Insurance Co. Ltd
5.	Merchant Securities Limited	Ashaka Cement Company Limited
6.	Summit Finance Co. Ltd	Nigerian Yeast & Alcohol Mfg. Co Ltd.
7.	Farida Investment & Finance	Durbar Hotels Limited, Kaduna.
8.	Financial Merchant Bank Ltd	Nigerian Hotels Limited
9.	Citi Trust Merchant Bank	Cement Company of Northern Nigeria
10.	Equity Security Services	Benue Cement Company Ltd
11.	Nigerian Stockbrokers Ltd	Royal Exchange assurance Co Ltd..
12.	Riv. Securities Ltd	American Int Insurance Co. Ltd.
		Sum Insurance Company Ltd
13.	A.M.H. Continuation Ltd	Niger Insurance Co. Ltd.
		NEM Insurance Company Ltd
		West African Provincial Co. Ltd.
14.	Investicon Nigerian Ltd	Guinea Insurance Co. Ltd.
		British American Ins. Co. Ltd
		United Nigeria Life Ins. Co. Ltd.

SCHEDULE OF REPORTING ACCOUNTANTS APPOINTED BY TCPC

	FIRM	COMPANY
1.	Peat Marwick Ani Ogunde & Co	Flour Mills of Nigeria Limited
2.	Akintola Williams & Co	Flour Mills of Nigeria Limited
3.	Coopers and Lybrand	African Petroleum Limited
4.	Arthur Abderson & Co.	National Oil & Chemical
5.	Price Waterhouse	The United Nigeria Insurance Co Ltd
6.	Spiropoulos Adiele Okpara & Co.	Aba Textile Limited
7.	Anthony Chikwendu & Co.	Ashaka Cement Company Ltd
8.	Moradeye Bukoye & Co.	Nigerian Yeast & Alcohol Mfg. Co.
9.	Ibrahim Jimoh & Co.	Durbar Hotels Limited, Kaduna
10.	Ayoade Salami & Co	Nigerian Hotels Limited
11.	Balogun Anyafulu Badejo & Co.	Cement Company of Northern Nigerian
12.	Awoyinfa Obafunso & Co.	Benue Cement Company Ltd
13.	S.S. Afemikhe & Co	National Fertilizer Co. of Nigeria
14.	Bola Sadipe & Co.	American International Insurance Co. Ltd Prestige Assurance Company Limited Royal Exchange Assurance Co. Limited Sun Insurance Company Limited
15.	Olukayode Akindele & Co.	Niger Insurance Co. Ltd NEM Insurance Co. (Nigeria) Ltd. West African Provincial Insurance Co. Ltd.
16.	Okechukwu Agu & Co.	British – American Insurance Co. Ltd Crusader Insurance Co. Ltd. Guinea Insurance Co. Ltd. Law Union & Rock Insurance Co. of Nig. Ltd. The United Nigeria Life Insurance Co. Ltd.

SCHEDULLE OF SOLICITORS APPOINTED BY TCPC

	FIRM	COMPANY
1.	Ibrahim Haruna & Co	Flour Mills of Nigeria Limited
2.	B.O. Nwabueze & Co.	Flour Mills of Nigeria Limited
3.	Udo Udoma & Co	African Petroleum Limited
4.	Abdullahi Ibrahim & Co.	National Oil & Chemical Marketing
5.	Paul R.V. Belabo & Co.	National Oil & Chemical Marketing Co. Ltd.
6.	Lateef Adegbite & Co.	The United Nigeria Insurance.
7.	G.N. Uwechue & Co.	Aba Textile Mills Ltd
8.	J.B. Majiyagbe & Co.	Aba Textile Mills Ltd
9.	B. Adbullahi & Co.	Ashaka Cement Company Ltd
10.	Femi Ibitoye & Co.	Nigerian Yeast & Alcohol Manufacturing Co.
11.	Sani Aminu & Co.	Durbar Hotel, Kasduna
12.	Felix Chuks Okoye & Co.	Nigeria Hotels Limited

13.	Umaru Dahiru & Co.	Cement Company of Northern Nigeria.
14.	Stephen Lar & Co.	Benue Cement Company Ltd.
15.	Wachuku and Wachuku	National fertilizer Co. of Nigeria.
16.	Messrs Mohammed & Co.	Royal Exchange Assurance Co. Ltd. America Int. Insurance Co. Ltd. Sun Insurance Co. Ltd.
17.	Alhaji Umaru A. Shinkafi & Co.	Prestige Insurance Co. Ltd. Niger Insurance Co. Ltd NEM Insurance Co. Ltd. West African provincial Insurance Co. Ltd.
18.	Lillian Esiri & Co.	Guinea Insurance Co. Ltd Law Union & Rock Co. Ltd. British American Insurance Co. Ltd United Nigeria Life Co. Ltd.

COMMUNICATION CONSULTANTS (PUBLICITY AGENTS)

	NAMES OF AGENTS	**COMPANIES FOR FLOATATION**
1.	PAL Nig. Ltd	Flour Mills of Nig. Ltd
2.	Promoserve Ltd	African Petroleum Ltd
3.	Customs Street Associates	National Oil & Chemical Marketing Co. Ltd.
4.	Concepts Unit Ltd	The United Nigeria Insurance Company Ltd.
5.	Reads & Marks Ltd	Aba Textile Mills Ltd.
6.	Standard Consulting Group	American International Insurance Co. Ltd. Prestige Assurance (Nigeria) Ltd. Royal Exchange Ass. (Nig) Ltd Sun Insurance Nig. Ltd.
7.	Program Promotions Ltd	The Niger Insurance Co. Ltd NEM Insurance Co. Ltd West African Provincial Insurance Co. Ltd. British American Insurance Co. (Nig) Ltd. Crusader Insurance Co. (Nig) Ltd Guinea Insurance Co. Ltd. The United Nigerian Life Insurance Co. Ltd.
8.	Seth Publicity Ltd	Benue Cement Co. Ltd.
9.	3C Promotions and Consulting Ltd.	Cement Company of Northern Nig. Ltd
10.	Norsmedia Ltd	Durbar Hotels Ltd
11.	Confoplan Ltd	Nigerian Yeast & Alcohol Mfg. Co. Ltd.
12.	Guy Saries Ltd	Ashaka Cement Company Ltd.

13.	Alfa Communications Ltd	Nigerian Hotels Ltd.
14.	Starchi & Nichi Co. Ltd	National Fertilizer Co. of Nigeria Ltd.

SCHEDULE OF ESTATE VALUERS APPOINTMENT BY TCPC

	CONSULTING FIRM	**PROJECT**
1.	Soni Udoma & Partners	Calabar river Projects
2.	University of Nigeria Enugu Campus	Lower Anambra Project Omor
3.	Joe Nwaorgu & Associates	Umuezeanam Crop Farm
4.	Chris Ifezue & Co	Nsugbe Fish Farm
5.	Agwaramgbo Out-Udofia & Partners	Abakaliki (Ezuda – Inyimagu) Project
6.	Chinwuba Odumodu & Co.	Odekpe Crop Farm.
7.	Messrs Dennis Okafor & Associates	Mgbakwu Integrated Project
8.	Iwuba Ifediora & Associates	Idim Ibom/Nkari Project
9.	Omo Idusogie & Co	Rutu Scheme in Mada River Basin Project.
10.	J.U. Iredia & Co.	Shemankar River Projects
11.	Elijjay Surveys Ltd	Shemankar River Projects
12.	Alausa, Tambou & Partners	Jos Poultry Projects, Jos
13.	C.O. Akpbor & Co	Egun Poultry Farm
14.	Uloho & Co, Imaro House, Benin City	Mada River Project, Tede Plateau State.
15.	Messrs N.O. Agbonson & Co	Egor Piggery Farm, Bendel
16.	Evbosa Associates Ltd.	Bunguma Fish, Farm, Bunguma
17.	Okotie & Co. 35 Sapele Road, Benin City	Bodo Fish Farm, Bodo, River State.
18.	Moble Hemuke & Co., Benin City.	Raphia-Palm Nursery, Krokosei.
19.	Ochonogbo & Co., Benin City	Ebun Oluwa Tomebeni Oil Palm Project, RV.
20.	Dan Odiete & Co., Benin City	Mambila Cattle Ranch
21.	Kuma & Partners, Markudi	Katsina Ala River Projects
22.	Winston Nakanda & Co., Calabar	Aya River Projects.
23.	Chukwuemeka Okoli & Associates, Yola	Poultry, Sheep & Cattle Projects.
24.	Wwosu & Partners, Owerri	Ntigba Crop Farm, Ntigba.
26.	P.C. Nwolokoro & Partners, Owerri	Lokpanta Umuchiezie Integrated Project, Imo
27.	Onukwugha & Co. Owerri	Ndimoko/Ndinuota Project.
28.	Onoun Group Consultant Estate, Owerri	Egbema/Ulasi Group Farm
29.	Chuku Ude & Partners	Agbala Farm Project
30.	Uma Uma& Co. Aba	Ikpa River Projects
31.	Egbeks Uma Associates, Owerri	Upper Quo Iboe Projects
32.	Felix Ogbonnah & Co, Aba	Lower Quo Iboe Projects
33.	Odudu & Co. Survey House, Ilorin	Amuro Poultry Scheme
34.	Toki & Co, Ilorin	Gwada Poultry Scheme
35.	Ado Chukeuma & Associates, Kaduna	Samaru – Kutaf Poultry Scheme
36.	Muhammed & Co, Kaduna	Share Poultry Scheme
37.	Chief E.O. Adesoye & Partners Kaduna	Gbughu Poultry Scheme
38.	A.B. Mosaku & Co. Kaduna	Minna Poultry Scheme
39.	Nnaji O.A. & Co. Kaduna	Bakori Ilorin Poultry Scheme
40.	Oladipo Atoyebi & Partners	Kadume Rice Mill, Kaduna
41.	Nwankwo & Partners, Kano	Garko Rice Mill, Garko

42.	Usman Achem & Co., Kano	Wudil Cattle Ranch
43.	Garba Kibiya & Co., Kano	Jama'are Livestock Center Mkji
44.	Kenechukwu Eruchie & Co., Kano	Kadawa Fish Pond.
45.	Uchegbu Okonkwo & Co. Ankpa	Ofu-Imabolo River Project
46.	RCO Okafor & Co., Lagos	Imabolo River project
47.	Olusola Balarinwa & Partners	Ofu-Ibabolo Project
48.	Dosu Fatokun & Co., Lagos	Nenue Fadama
49.	Ademakinwa Ademiluyi & Co., Lagos	Markurdi Headquarters
50.	Daniel Nwogbo & Partners, Lagos	Lower Benue Dep. Project
51.	Akinyode, Aja,aoye Tunde & Assoc. Lagos	Integrated Poultry
52.	Osagie Okeke Otegbola & Co. Lagos	Bokkos Farming Project
53.	Adetila Akinsomi Salako & Partners, Lagos	River Benue Fadama
54.	Quantity-Urban Economists, Lagos	Lokoja Fishery Development
55.	Jide Taiwo & Co., Lagos	Edozhighi Fish Farm
56.	Benora Nwokedi & Associates, Lagos	Itorkin Rice Mill, Lagos
57.	Kunle Olubode & Co. Abeokuta	Headquarters Farm Complex
58.	Dare Fasalojo & Co, Ilara Mokin	Aiyede Ogbese Poultry
59.	Dele Afolabi & Co., Ikere, Ekiti	Ikere Ekiti Poultry Project.
60.	M.A. Shittu & Co., Akure	Ikun Diary Farm
61.	Biola Olaseinde & Partners	Ita Ogbolu Co-op Poultry, Eporo Co-op Poultry
62.	Messrs Adewole & Associates, Akure	Aselewe Co-operative Poultry Farm Ijero-Ekiti Garri Factory.
63.	Akin Akinyemi & Associates, Ibadan	Area Office Farm Complex Sepecteri Poultry Farm.
64.	Akomayo, Kalajine & Associates, Jos	Katsina-Ala River Project
65.	Daniyan & Associates, Jos	Okomoa River Project
66.	Alaghe & Partners Minna	Birnin Gwari Poultry
67.	Achonu Associates, Jos	Okonoa River Poultry.
68.	Ige Rdaba & Co, Port Harcourt	Integrated Poultry
69.	Phil Anozia & Co, Port Harcount	Kpong Poultry
70.	Olowo Associates, Port Harcourt	Ebedebiri Poultry
71.	Dennis Jude Nworgo & Co, Port Harcourt	Perimabiri Fish Farm
72.	Ofoma Associates, Port Harcourt	Ovu Poultry
73.	B.S. Njibigbo & Associates, Sokoto	Argungu Feed Mill
74.	Messrs A.B. Mosaku & Co. Kaduna	Poultry Projects – Kutigi, Kagara and Rijau.

SCHEDULE OF FINANCIAL ADVISERS APPOINTED BY TCPC TO PREPARE INFORMATION MEMORANDUM ON AFFECTED ENTERPRISES.

	ADVISERS APPOINTED	ENTERPRISES
1.	M/S Francis Aghayere & Co.	Ore/Irele Palm Co. Ltd
2.	Messrs Obiora Monu & Co.	Ayp-Eku Oil Palm Co. Ltd
3.	Rims Securities Ltd	MOFI
4.	Messrs O.J. Udombang & Co.	S.E. Rumanian Wood Industries Ltd Calabar
5.	Messrs Price Waterhouse	The Nigeria Bank for Commerce &

		Industry Limited.
6.	Messrs Arthur Anderson & Co	The Nigeria Industrial Development Bank Ltd.
7.	Milestone Investment Services Ltd	Okomu Oil Co. Ltd
8.	M/S Farida Investment & Finance Ltd	Durbar Hostel Ltd.
9.	M/S Financial Merchant Bank Nig. Ltd.	Nigerian Hotels Ltd.
10.	Messrs F.A. Osekita & Co.	Nigerian – Rumanian Wood Industries Ltd.
11.	Messrs Akintola Williams & Co.	The Federal Saving Bank
12.	International Merchant Bank	Unipetrol Ltd.
13.	Grindlays Merchant Bank Nig. Ltd.	Nigerian National Shrimps Co. Ltd.
14.	Messrs Layiwola Oyeduntan & Co.	Opobo Boat Yard
15.	M/S Peat, Marwick, Ani, Ogunde & Co.	Federal Mortgage Bank
16.	Messrs Z.O. Ososanya & Co.	National Cargo Handling Co Ltd
17.	Messrs Financial Intermediaries Ltd	Ihechiowa Oil Palm Co. Ltd.
18.	Messrs Abdu Abdurahim & Co.	Nigerian Engineering & Construction Co. Ltd.
19.	Messrs Patrick Uwakwe & Co.	Road Construction Co. Ltd
20.	Messrs D.O. Dafinone & Co.	New Nigeria Salt Co. Ltd
21.	Alpha Merchant Bank Ltd	Tourist Co. of Nigeria (Federal Palace Hotel).
22.	Abacus Merchant Bank Ltd	West African Distillers Ltd
23.	Nigerian Merchant Bank Ltd	Ashaka Cement Co. Ltd.
24.	Messrs Equity International Ltd	Benue Cement Co. Ltd
25.	Messrs Lancaster Okoro & Co.	National Root Crops production Co Ltd
26.	Merchant Bank of Africa Ltd	Impresit Bakolori Nig. Ltd
27.	ICON Merchant Bank Nigeria Ltd.	Nigerian Super phosphate Fertilizer Co.
28.	International Bank for West Africa Ltd	Nigerian Newsprint Manufacturing Co. Ltd.
29.	Nigeria International Bank Ltd	Nigeria National Paper Manufacturing Co. Ltd.
30.	Centerpoint Investment Ltd	Calabar Cement Co. Ltd.
31.	Messrs Muhtar Dangana & Co.	Mercury Insurance Co. Ltd
32.	Messrs Dele Dina & Co.	Motor Engineering Services Co. Ltd.
33.	Manful International Ltd	Nigerian Fruit Co. Ltd.
34.	Messrs S. Amanze Izuogu & Co.	Nigerian Coal Corporation
35.	Messrs Molaton Consultants Ltd.	Tafawa Balewa Square Magt. Committee
36.	Messrs Arthur Young and Oshidero	Nigerian Security Printing & Minting Co. Ltd.
37.	Messrs Ademola Somorin & Co.	National Provident Fund (NPF)
38.	NAL Merchant Bankers Ltd.	National Fertilizer Co. Ltd.
39.	Continental Merchant Bankers Ltd	Nigerian Paper Mills Ltd
40.	Nigerian American Merchant Bank Ltd.	Savannah Sugar Co. Ltd.
41.	Messrs Sulaiman & Co.	North Breweries Ltd Kano
42.	Agunsoye, Dairo & Co.	National Salt Co. Ltd.
43.	Aminu Ibrahim & Co.	Nigerian Machine Tools Ltd.
44.	Douglas & Sotinwa & Co.	Nigerian Film Corporation Ltd.
45.	Labisi, Omidiora & Co.	Cross Debts Reconciliation

VETERINARY AND AGRICULTURAL ADVISERS

	ADVISERS	ENTERPRISES
1.	Livestock Planning Consultants Ltd.	Mambila Cattle Ranch

APPENDIX IV

PRIVATIZATION BY PUBLIC OFFER OF SHARES

		FEDERAL GOVERNMENT SHARE IN EQUITY (PERCENT)	FEDERAL GOVERNMENT EQUITY HOLDINGS (NAIRA THOUSANDS)
INSURANCE			13,742
1.	American International Insurance Co. Plc	49	588
2.	Prestige Assurance Company Plc	49	980
3.	Royal Exchange Assurance Company Plc	49	564
4.	Sun Insurance Nigeria Plc	48	292
5.	British American Insurance Company (Nigeria)	49	980
6.	Crusader Insurance Company (Nigeria) Plc	49	490
7.	Guinea Insurance Company Plc	25	627
8.	Law Union and Rock Insurance Plc	39	1,173
9.	NEM Insurance Company Ltd	49	392
10.	The Niger Insurance Company Plc	100	n.a.
11.	West African Provincial Insurance Co. Plc	49	334
12.	United Life Insurance Company Plc	n.a.	n.a.
13.	The United Nigeria Insurance Co. Plc	49	7,320
BANKING			150,917
14.	FSB International Bank Ltd	54	n.a
15.	Nigerian Airlines Merchant Bank Plc	21	3,150
16.	First Bank of Nigeria Plc	45	36,153
17.	Savannah Bank of Nigeria Plc	51	17,930
18.	Union Bank of Nigeria Plc	52	32,811
19.	International Merchant Bank (Nigeria) Plc	60	18,900
20.	Afribank Nigeria Plc	50	n.a
21.	United Bank for Africa	46	34,323
22.	Allied Bank	51	7,650
AGRO-PROCESSING			14,765
23.	Flour Mills of Nigeria Ltd	16	3,900
24.	Nigerian Yeast & Alcohol Mfg. Company Ltd	51	765
25.	National Salt Company of Nigeria Plc	100	9,500
26.	Okumo Oil Palm Company Plc	60	300
27.	Ayip Eku Oil Palm Inc.	60	300
CEMENT			78,820
28.	Ashaka Cement Company Plc	72	36,000

29.	Benue Cement Company Plc	39	20,680
30.	Cement Company of Northern Nigeria Plc	32	7,440
31.	Aba Textile Mills Plc	70	10,500
32.	Impresit Bakolori (Nigeria) Plc	60	4,200
PETROLEUM MARKETING			94,000
33.	African Petroleum Plc	80	28,000
34.	National Oil and Chemical Company Plc	60	25,200
35.	Unipetrol Nigeria Plc	100	40,000
TOTAL			352,244

Source: BEREAU OF PUBLIC ENTERPRISES.

APPENDIX Va

TCPC SUB-COMMITTEES FOR THE PRIVATIZATION OF CERTAIN ENTERPRISES THROUGH SALE OF ASSETS.

LIST OF MEMBERS

I. NATIONAL CARGO HANDLING COMPANY LTD.

Alhaji H.M. Gwarzo	Chairman
Mr. Sule A. Kuje	Member
Mr. Lanre Fisher	Member
Barrister Theo Nkire	Member
Mal. Mohammed Suleiman	Member
Mr. Funsho Talabi	Member

II. NATIONAL ROOT CROPS PRODUCTION CO. LTD

Nze F.O. Chukwu	Chairman
Mr. Samuel O. Utomakili	Member
Dr. James A. Zasha	Member
Mr. Steven Ugochukwu	Member
Alh. Yakubu Shehu	Member
Dr.Patrick Odey	Member
Mr. Chike Oduah	Member

III. NIGERIAN NATIONAL SHRIMPS

Mr. George A. Akaimiokhor	Chairman
Mr. Michael B. Taiwo	Member
Mr. Mohammed Sani Bello	Member
Alh. Abdullahi Ahmed	Member
Dr. Tokunbo Sofola	Member

V. CENTRAL WATER TRANSPORTATION COMPANY LTD.

Dr. Jack Tilley-Gyado	Chairman
Alhaji Ladan Zuru	Member
Dr. Dalhatu Araf	Member
Malam A.S. Bello	Member
Mr. Paul O. Mgbeze	Member
Mr. Chris Okoro	Member
Mal. Yusuf Aliyu	Member

VI. NIGERIAN GRAINS PRODUCTION CO. LTD

Alh. Mohammed I. Bakari	Chairman
Alh. Mohammed Alkali	Member
Mr. Peter Akintade	Member
Mr. M.A. Yazid	Member
Mr. O.A. Olapade	Member
Chief Mike Nosegbe	Member
Mal. Sani Aminu	Member

VII OPOBO BOAT YARD CO. LTD

Mal. A.S. Mohammed	Chairman
Mr. Edmond Ilogu	Member
Ms R.O. Bakare	Member
Mr. H. Momoh	Member
Alh. Mohd Mamman Saba	Member

IV NIGERIAN NATIONAL FISH CO. LTD.

Chief S.O. Asabia	Chairman
Mr. Miskom Puepet	Member
Mr. Williams O. K. Diabor	Member
Dr. Ivara Esu	Member
Ms. Veronica Okwoche	Member
Alh. Yelwa Azare	Member

VIII MOTOR ENGINEERING CO. LTD

Chief O.A. Kuye	Chairman
Mr. Peter Okaiyeto	Member
Mr. Enoch A. Anzaku	Member
Mr. O.M. Onwuchekwa	Member
Engr. Abba Gana	Member

IX SOKOTO INTEGRATED LIVESTOCK CO. (SILCO)

Alh. Ibrahim Aliyu	Chairman
Mal. Mohammed Sagagi	Member
Barrister P.N. Chagu	Member

APPENDIX Vb

ENTERPRISES PRIVATIZED BY OTHER MEANS

NAME OF ENTERPRISES		FEDERAL GOVERNMENT SHARE IN EQUITY (PERCENT)	FEDERAL GOVERNMENT EQUITY HOLDINGS (NAIRA THOUSANDS)
MANAGEMENT BUY-OUT			
1.	National Integrated Livestock Co. Plc	100	1,500
DEFERRED PUBLIC OFFER			45,285
1.	Tourist Company of Nigeria	100	27,620
2.	Festac 77 Hotel	n.a.	n.a.
3.	Durbar Hotels Plc, Kaduna	100	10,000
4.	Nigeria Hotel Plc	51	7,665
PRIVATE PLACEMENT			32,212
1.	Electricity Meter Company Ltd	60	2,700
2.	Merchant Bank of Africa	5	404
3.	Nichemtex Industries Ltd	9	108
4.	Nigerian Engineering Construction Co.	60	3,000
5.	New Nigeria Salt Company	100	16,500
6.	North Brewery	50	7,500
7.	West African Distilleries	100	2,000
SALES OF ASSETS			36,781
1.	National Grains Production Company	100	1,200
2.	Nigerian Grains Production Ltd	100	3,295
3.	Nigerian National Fish Company Ltd	66	4.620
4.	Nigerian National Shrimps Company Ltd	51	1,928
5.	Motor Engineering Services Ltd	100	147
6.	Opobo Boat Yard	60	90
7.	Central Water Transport Company Ltd	51	25,501
8.	Sokoto Intergrated Livestock Co. Ltd	0	0

COURCE: BUREA OF PUBLIC ENTERPRISES

ENTERPRISES PRIVATIZED BY THEIR SUPERVISING MINISTRIES

Nigerian Diaries Company Limited
National Poultry Production Company Limited
National Animal Feed Company Limited
Madara Diary Company Limited
National Livestock Production Limited
Manchok Cattle Ranch.
Poultry Production Unit in Jos, Ilorin and Kaduna
Kano Abattoir Company Limited
Nigerian Beverages Production Company
Mokwa Cattle Ranch
Bauchi Meat Factory and Galambi Cattle Ranch
Minna Pig Farm
Umuahia Pig Farm
Giant Cold Store, Kano
National Freight Company Limited, Kaduna
Nigerian Ranches Company Ltd, Kaduna.
Kaduna Abattoir and Cold store

COURCE: BUREA OF PUBLIC ENTERPRISES

APPENDIX Vc

SCHEDULE OF APPROVED TENDERS IN RESPECT OF NON-WATER ASSETS OF RBDA'S

PROJECT	SUCCESSFUL TENDERER	APPROVED TENDER (N)
ANAMBRA-IMO RIVER BASIN DEVELOPMENT AUTHORITY		
Ntigha Crop Farm	Chiik Investment Nig. Ltd., P.O. Box 54994 Falomo Ikoyi	1,150,000
Lokpanta Integrated Farm	Eze R.O. Okwale. P.O. Box 132, Awolowo Rd, Ikoyi 132, Awolowo Rd,, Ikoyi.	7,250.
Ndiomok/Ndinuoha	Chyzob Ent. Limited 168 Awolowo Road, Ikoyi	3,900,000
Agbala Crop farm	Seat of Wisdom Seminary P.O. Box 2124 Owerri	10,500,000
Abakaliki Crop Farm Ezuedu	Chris Nwankwo Cabinet Office Enugu	1,300,000
Egbema/Ulasi Crop Farm	Magil Agric, & Animal Health Products Limited P.M.B. 1187	1,400,000

	Owerri.	
Odekpe/Oba Crop Farm	Benhol Farms Limited P.O. Box 1049 Owerri	4,500,000
Uratta Fish Farm	Isuala Ngwa Local Govt. P.M.B. 1301 Owerri	1,500,000
Umunwanwa Fish Farm	Magnificent (Nig) Limited P.M.B. 1515 Owerri.	1,400,000

BENIN - OWENA RIVER BASIN DEVELOPMENT AUTHORITY

Egun Poultry Farm	Retrenched Staff of Benin-Owena RBDI	200,000
Garri Factory	A.A. Adeoye and A.B. Fakunle Amaroko Road, Ijero Ekiti, Omdo State. (Native of Ijero-Ekiti)	155,000

CHAD BASIN DEVELOPMENT AUTHORITY

Rice Mills – New Marte	Engr. Tukur & Maj. Gen. Waziri P.O. Box 161, Mubi Gongola State.	2.500,000
Sheep Rearing – Gumawa	Military Governor's Office Maiduguri – Borno State.	7,650,000
Cattle Feed Lot	Dikwa Development Association P.M.B. 1 Bama Borno State.	590,000
New Marte Poultry	Marte Development Association P.O.Box 1284 Maiduguri Borno State.	1,030,000

HADEJIA – JAMARE RIVER BASIN DEVELOPMENT AUTHORITY

Kadawa Fish Pond	Kura Local Government Kura – Kano State.	200,000
Garko Rice Mill	Kano State Foundation	REFUND
Wudi Cattle Ranch	Kano State Foundation	REDUND
Kudume Rice Mill	Dangarimu & Sons Nig. Ltd	41,500
Yimidi Fish Farm	ADP Kano	315,000
Tauna Rice Mill	Ahmadu Bello University Zaria	150,000

LOWER BENUE RIVER BASIN DEVELOPMENT AUTHORITY

Katsina Ala Farm	Mustapha Idris P.B.M. 2155 Kaduna	2,330,000

Oforachi Farm	Odris Local Government Council P.O Box 24 IDAH	8,280.000
Lessel Farm	Luksmayo Holding Int. Nig Ltd. P.O. Box 103 Makurdi	2,640.000
Okonoa River Nasarawa Farm	Mustapha Idris Nig. Agric & Coop Bank Ltd, P.M.B. 2155 Kaduna	2,980,000
Keffi Farm	Jaddi (Nig) Limited P.O. Box 202, Keffi Plateau State.	2,691,000

NIGER DELTA RIVER BASIN DEVELOPMENT AUTHORITY

Isiokpo Piggery Project	Atonefe Ventures Limited P.O. Box 1027 Port Harcourt	2,000,000
Kpong Poultry	Kpong Community Nyo – Khana District	2,477,000

NIGER RIVER BASIN DEVELOPMENT AUTHORITY

Share Piggery Project	Hassan Nig. Limited, Kaduna	1,611,000
Sumaru Kataf Poultry	Alhaji Ibrahim Matazu & Sons Ltd. Katsina	4,000,000
Birnin Gwari Poultry	Ditto	100,000
Yakwada Poultry Project	Ahmadu Bello University, Zaria	280,000
Maigana Poultry Scheme	Soba Local Government	280,000
Lokoja Fisheries Project	Ado Ibrahim Investment & Property Ltd, Lagos.	482,000
Gwada Poultry Scheme	National Animal Production Research Institute, Shika, Zaria	3,221,500
Kajare Poultry Scheme	Niger State Government	200.000
Rigau Poultry Scheme	Niger State Government	300,000
Kutiji Poultry Scheme	Niger State Government	350,000
Suleija Poultry Scheme	Niger State Government	250,000

OGUN – OSHUN RIVER BASIN DEVELOPMENT AUTHORITY

Various projects in Abeokuta	Ogun- Oshun RBDA Thrift & Credit Society and OORBDA Workers Cooperative Investment Society, Abeokuta Hdqrs & Ibrahim Area Office	6,607,801

SOKOTO RIMA RIVER BASIN DEVELOPMENT AUTHORITY

Bakolori Fish Ponds	Ahmadu Bello University, Zaria	774,780

UPPER BENUE RIVER BASIN DEDVELOPMENT AUTHORITY

Poultry Farm/Feedmill Yola	Gauni (Nig) 000 Ltd. 3 Bank Road Yola.	1,020,000
Yola Rice Mill	Woila Farms (Nig) Ltd. P.O. 121, Mubi Gongola State	1,500,000
Mabilla Cattle Ranch	Hamjad Nigeria Ltd 22/24 Calcuta Crescent Apapa, Lagos	5,302,000 5,302,000
TOTAL		₦98,596,581

APPENDIX VI

ENTERPRISES WHICH WERE ORIGINALLY TO BE PRIVATIZED BY TCPC BUT WERE NOT

	PERCENT SHARE	NAIRA THOUSAND
STEPPED DOWN TO COMMERCIALIZATION	…...	521,920
Federal Mortgage Bank of Nigeria Ltd	60.0	90,000
Nigeria Industrial Dev elopement Bank Ltd	59.0	236,000
Nigerian Bank for Commerce and Industry Ltd	60.0	120,000
Federal superphosphate Fertilizer Company Ltd	100.0	27,420
National Fertilizer Company of Nigeria	70.0	48,500
NO FUTTHER ACTION PROPOSED	…….	131,803
Sunti Sugar Company Ltd	90.0	3,169
Lafiaji Sugar Company Ltd	90.0	980
Nigerian Fruits Company Ltd	n.a.	n.a
Nigerian National Paper Manufacturing Company	640.0	121,191
Nigerian Cement Company Ltd	11.0	1,350
Roads Construction Company Ltd	60.0	1,200
Mercury Assurance Company Ltd	40.0	120
Specomills Textiles Ltd	60.0	2,400
Nigerian Film Distribution Company Ltd	100.0	1,393
Nigerian Film Corporation	100.0	n.a.
RO BE PRIVATIZED LATER	……	966,536
Jos Steel Rolling Mills	100.0	147,395
Katsina Steel Rolling Mills	100.0	239,645

Oshogbo Steel Rolling Mills	100.0	139,896
Calabar Cement Company	68.0	6,000
Savannah Sugar Company	75.0	47,120
Nigerian Paper Mills Ltd	100.0	97,000
Nigerian Newsprint Manufacturing Company Ltd.	85.0	126,000
South East Romanian Wood Industry Ltd.	20.0	2,440
Nigerian Romanian Industry Ltd.	29.0	3,000
Ore-Irele Palm Company Ltd.	60.0	300
Ihechiowa Oil Palm Company Ltd.	60.0	300
Anambra Motor Manufacturing Company	35.0	840
Leyland Nigeria	35.0	5,250
Nigerian Truck Manufacturing Ltd	35.0	7,000
Volkswagen of Nigeria	35.0	6,003
Steyr Nigeria	35.0	7,385
Peugeot Automobile of Nigeria	35.0	5,250
Nigerian Arab Bank	45.0	n.a.
Continental Merchant Bank	60.0	5,712
Nigeria Merchant Bank	20.0	n.a.
Nigerian Airways Ltd	100.0	120,000
Nigerian National Shipping Lines	100.0	100,000
TOTAL		**1.620,000**

NOTE: n.a. = data not available
SOURCE: ***BUREAU OF PUBLIC ENTERPRISES***.

APPENDIX VII

NATIONAL COUNCIL ON PRIVATIZATION

MEMBERSHIP OF THE NATIONAL COUNCIL ON PRIVATIZATION:

The Council shall consist of:

a. The Vice President
b. The Minister of Finance as Vice Chairman
c. The Attorney General of the Federation and Minister of justice
d. The Minister of Industries
e. The Minister of National Planning
f. The Secretary to the Government of the Federation
g. The Governor of the Central Bank of Nigeria
h. The Special Adviser to the head of State, Commander – in – Chief of the Armed Forces on Economic Affairs

i. Four other members to be appointed by the Head of State, Commander – in – Chief of the Armed Forces , and
j. The Director – General of the Bureau of Public Enterprises

STAFF OF THE BUREAU

Appointment of the Director-General and other staff .

A Director-General shall:

a. Be appointed as by the Head of State, Commander – in – Chief of the Armed Forces on the recommendation of the Chairman of the Council.

b. Not below the rank of a Permanent Secretary in the Civil Service of the Federation.
The Director – General shall be the chief Executive of the Bureau and the Secretary
To the Council and shall and shall hold office.

c. For a period of four years in the first instance and may be re-appointed for a further period of four years and

d. On such terms and conditions as may be specified in his letter of appointment

e. Three shall be for the Bureau the Management Committee comprising of the Director - General and the Department Heads who shall be responsible for the implementation of the policies of the Council and the day – to – day administration of the Bureau.
f. The Bureau may appoint such member of other persons to be employees of the Bureau in the performance of its functions under this act.
g. The employees of the Bureau may be appointed by way of transfer or secondments from any of the Public Services of the Federation.