World Journal of Innovative Research (WJIR)
ISSN: 2454-8236, Volume-10, Issue-6, June 2021 Pages 33-38

Denouement of Privatization and Service Delivery on Enugu Electricity Distribution Company of Nigeria Bomb-Sighting AWKA and Its Environs

Obi Helen Obiageli , Chukwueloka Chioma S., Chukwurah Daniel Chi Junior

***Abstract*— This study examined the Denouement of Privatization and Service Delivery on Enugu Electricity Distribution Company of Nigeria Bomb-sighting Awka and Its Environs, 2013-2018.The theoretical framework adopted was the structural functionalism theory. The study made use of descriptive survey research design. The study adopted survey research design. The method for its data collection was through the primary and secondary sources. The data collected was analyzed using frequency tables and simple percentages statistical. The hypotheses were tested with the usage of chi-square. The study found out that; - Privatization of Enugu Electricity Distribution Company of Nigeria has enhanced the operational her efficiency in Awka. –Lack of transparency in aspects such as sticking to the rules in the privatization processes hinders service delivery. We recommended amongst others that; -The Nigeria government should always optimize privatization policy as it improves the reduction of cost of operations, improve and develop the quality services offered to customers. - An independent and effective regulatory framework that will not only monitor service delivery, but enforce credible sanctions on defaulting beneficiary companies of privatization.**

***Index Terms*— EEDC, Electricity Distribution, Privatization, Service Delivery.**

I. Introduction

Background to the Study

Privatization is most commonly defined as the transfer of companies from the public sectors to the private sector. Privatization of State-owned enterprises (SOE) has become a key component of the structural reform process and globalization strategy in many economics. Privatization has become a world-wide economic religion or as Mkandawire (1994) puts it, a magic wand in the brave new world of structural adjustment and stabilization programmes in Africa. The phenomenon of privatization as a component of the structural adjustment programme (SAP) is not new - it is one of the major means through which SAP seeks to roll back the frontiers of the state, deregulate the economy and enthrone the hegemony of the private sector and market forces in economic activities. Thus, with the inception of SAP, privatization has increasingly become an object of public policy. Although the pace and process of privatization has remained quite slow and stunted in most African states, nonetheless, virtually all these states have acquiesced to it However, what is new in the present conjuncture is that the privatization project hitherto confined to the areas of industry, manufacturing and agriculture, which the state participated in, is now being extended to the area of social welfare services and the state infrastructure sector. These include the areas of water supply, power generation, telecommunications, roads, education, housing and health.

In Nigeria, privatization was formally introduced by the privatization and commercialization Decree of 1988 as part of the structural adjustment programme (SAP) of the Ibrahim Badamosi Babangida administration (1985- 1993) and the decree of 1988 set up the technical committee on privatization and commercialization (TCPC) under the chairman of Dr.Hamza Zayyad to privatize two public enterprise and commercialize 34 others. Based on the recommendation of the TCPC, the federal military government promulgated the bureau for public enterprises Act 1993 which implemented the privatization programme in Nigeria.

Several developing and transition economies have embarked on extensive privatization and commercialization programmes in the last one and half decades as a means of fostering economic growth attaining macroeconomic stability and reducing public sector borrowing requirement arising from corruption, subsidies and subventions of unprofitable state owned enterprises (SOES).

Ajike&Nwakoby (2016) noted that, in 1990, when the Nigerian nation returned to democratic rule, the government embarked on various infrastructural rehabilitation and expansion programmes. Within these programmes was the move that involves the reforms of the power sector. The reforms in this sector was necessitated by noticeable myriads of challenges which led to operational inefficiency, limited access to infrastructure, inadequate generation and usage of capacity, inefficient regulation, high technical losses and vandalism, insufficient transmission and distribution facilities, high rate of corruption among workers, etc. In order to address this alarming situation, the government embarked on reforming power sector in two phases:

The Infrastructural and rehabilitation phase which took place from 1999 to 2004 (Lawal 2008). A major part of the infrastructural development programme of 2004 was the

Obi Helen Obiageli PhD, Public and Private Department, Faculty of Law, Nnamdi Azikiwe University, Awka - Nigeria
Chukwueloka Chioma S., Dept.of Public Administration, Faculty of Social Sciences, Chukwuemeka Odumegwu Ojukwu, University, Igbariam
Chukwurah Daniel Chi Junior PhD, Dept.of Public Administration, Faculty of Social Sciences, Chukwuemeka Odumegwu Ojukwu, University, Igbariam

National Integrated Power Project (NIPP); this was initiated to boost electricity generation through the opening of gas power stations across the country (Okolobah& Ismail 2013) by decentralizing and granting licenses to different independent power producers (IPPs) to generate and sell electricity privately to power generating stations and general public (Lawal 2008).

The Federal Government Act –Electric Power Sector Reform Act (2005) that brought the power sector reform into limelight outlined the framework of the reform as follows; to unbundle the state-owned power entity into generation, transmission and distribution companies; to provide for the transfer of assets, liabilities and staff of NEPA to PHCN; to migrate PHCN staff to successor generation, transmission and distribution companies; to create a competitive market for electricity services in Nigeria; and to set up an independent regulator.

The reform kick started with the unbundling of the state-owned NEPA into eleven (11) distribution companies, six (6) generation companies, a single transmission company and the incorporation of an initial holding company (Power Holding Company of Nigeria Plc). The reform proposed a single subsidiary for the control of the transmission sector leaving the generating companies and sale the eleven distribution companies to independent power producers. The distribution companies (DISCOs) will control the supply of electricity within a designated geographical area. The implementation of the 2005 Act has been frustrated due to the following identifiable shortcomings; thus, the maintenance of an inappropriate pricing regime; the failure to establish a bulk purchaser in line with the provisions of the Electric Power Sector Reform Act; the failure to address investor's concerns about the credit worthiness and financial viability of the distribution companies after investing in them; the operational and financial risks to potential acquirers of successor companies posed by the failure to reach an agreement with the labour unions on the settlement of outstanding arrears (of salaries, pensions and other benefits and to severance pay); the uncertainties generated by the delay in operationalizing the Nigerian Electricity Liability Management Company (NELMCO); the delay in contracting out the management of the Transmission Company of Nigeria (TCN); concern about the licensing regime for power generation and power distribution companies; and the lack of continuity and consistency in pursuing the enactment and commencement of the EPSRA, notwithstanding all these, the Act was passed and timelines established. At the completion of the first phase of the power sector privatization process, on November 1, 2013, the Federal Government handed over to the private investors the eleven (11) distribution companies (discos) and five generation companies (Gencos) who won the biddings. Despite the privatization of PHCN in 2013, Nigeria's electricity generation capacity has declined from the peak generation level of 4.5Mega Watts (MW) recorded in December 2012 to about 3.6Mega Watts (MW) in January 2014 (www.nigeriapowerreform.org).

Nevertheless, the provision of regular, affordable and efficient electricity is crucial for economic growth, national security as well as the rapid industrialization of the Nigerian nation. It is a true saying that any nation that desires to develop and grow its economy must first develop its power sector. Energy is an important input to production. Therefore, without electricity, mass production of goods becomes virtually impossible. Erratic electricity supply disrupts production, voltage fluctuations negatively affect the durability of machines, thereby making it extremely difficult to produce to global economy. Nigeria is described as a generator economy due to power situation. It is a known fact that when an organization is meeting its production target, its workforce enjoys the benefit which comes in form of financial rewards, incentives, etc. Privatization in the context of developing countries has different implications for the poor than the developed nations. This is because, in the developed nations, employees are prepared and trained for redundancy, whereas, in Africa, especially Nigeria, after privatization, employees are left at the mercy of the new owners. It is against this background that this study examines privatization of the Power holding Company of Nigeria and the impact of the privatization on the employees of Enugu Electricity Distribution Company (EEDC) specifically, with emphasis on service delivery.

II. Research Hypotheses

The following hypotheses were raised to guide the study

Ho: Privatization has not enhanced operational efficiency of Enugu Electricity Distribution Company,Awka.

Ho: Lack of transparency in the privatization process did not hinder service delivery in Awka South L.G.A.

Ho: Privatization of Power Holding Company of Nigeria has not enhanced steady power supply in Awka South L.G.A.

Privatization and Service Delivery in Nigeria

The term privatization is often loosely used to mean a number of related activities including any expansion of the scope of private sector activities in an economy and the adoption by the public sector of efficiency enhancing techniques commonly employed by the private sector. It involves the transfer of productive asset ownership and control from the public to the private sector. The transfer of assets can be total, partial or functionary, with the sale being implemented by methods such as private sales. Leasing arrangements, employee buy-outs and share issues. In Africa, many governments have embraced the idea of privatization, brought to the fore mainly as a part of the adjustment and stabilization programmes of the mid-eighties and the nineties. Privatization now frequently features in government policy statements and in conditionality from donors. The past decade has also seen the World Bank and other donors get increasingly involved in lending operators towards parastatal sector reforms that included privatization components.

African countries share a number of common features in relation to the drive towards privatization. For most of these countries, the first twenty (20) years of independence were characterized by rapid growth, driven by favorable terms of trade and high levels of public investments in infrastructure and services. The development of import substituting industries brought in the dramatic rise of parastatal corporations, which were also used as vehicles for increased local participation in the economies. Many governments moved to nationalize existing foreign interests in their counties and also to create new state enterprises to carry out the various production and trading functions. Parastatal corporations rapidly dominated the extractive industries, manufacturing and financial sectors of their economies, and acquired important economic and political status, becoming major sources of employment. The moderate growth experienced in the seventies (70's), the early eighties (80's) and associated inefficiencies made parastatal sector reform a major element in the reform efforts implemented by the countries.

Strategies for Implementing Privatization

Methods for carrying out the privatization of public enterprises include:

- Sale of shares to citizens through the stock exchange.
- Private placement by the public enterprises to preferred investors through the stock exchange.
- Management buy-out by distribution of shares to employees or Management of the firm free or at a small price.
- Asset sale by auction to a strategic investor.
- Voucher privatization by allotment of vouchers representing units of shares given to citizens free or at a small price.

As at date, the Nigerian government has successfully used sale of shares, private placement, asset sale to strategic investors and management buyout, to sell its shares in public enterprises.

At this point of discussing the problems and prospects of privatization in Nigeria, it is necessary to find out the main reasons that led government into privatization and commercialization of its public enterprises.

The Reasons for Privatization of Public Enterprises

Some of the reasons for privatization of public enterprises are as follows:

- To solve the problem of waste of its resources for financing operations of unproductive public enterprises.
- To solve the problem of preferential treatment in public enterprises.
- To stop the problem of large scale misuse of grants due to lack of sense of responsibility by public servants managing these firms.
- To stop the appointment of incompetent staff to handle vital positions.
- To break the monopoly by inefficient giant public enterprises
- To cut off bureaucracy in the operations of these public firms.
- To stop poor service delivery by employees.
- To stop corruption of public officials.
- To stop miserable performance due to lack of competition.
- To stop funding public firms which were not self-sustaining because of bad management and poor work ethics.
- To indirectly create more employment by sale of firms hoping they would be more efficient and profitable after sale.
- To deepen the capital market by ensuring sold firms list their shares in the stock market.
- To improve collection of Tax and grow government revenue.
- To stimulate the Nigerian economy and raise the gross domestic product by the increase of productivity in these sold public firms.

The reasons for privatization are numerous but the most critical reason was that government, wanted to stop the waste of very scarce resources used in funding unproductive public enterprises.

When you examine these reasons, you would readily agree that the privatization of unprofitable and wasteful public enterprises was a good policy, which citizens should approve. But how true is this statement?

Let us answer this question, by finding out the problems and prospects of privatization in Nigeria so that we can make a balanced judgment. First we will list the problems and follow it up with the prospects.

The Problems of Privatization

Some of the problems of privatization includes …

- Selling of national assets to cronies of government officials.
- Misuse of money derived from sale of public enterprises by government officials.
- Unintentionally creating monopoly and transferring the same to foreigners.
- Self-satisfaction and poor service delivery by employees due to monopoly.
- Initial loss of jobs as some private owners, would trim the workforce as part of measures, to reposition the business for profitability.
- Firms may require large capital to restart business, which the core investors may not have after buying the asset. An example is the sale of Nigerian Telecommunications Limited (NITEL), which failed several times due to the failure of buyers, to get working capital to restart company and settle staff terminal benefits.
- Industrial unrest due to high-handedness of private owners of firms.
- The possibility of core investors stripping the assets of the public enterprise, and selling the carcass to new buyers and then bailing out without reviving the company irrespective of terms of sale to them.
- Issues of settlement of terminal benefits of retrenched staff.

The prospects of privatization

Some of the prospects of privatization are as follows …

- Use of money from sale of public enterprises to develop and maintain infrastructure in the country is probable.
- Efficient management of privatized enterprises by

buyers may lead to expansion of business and the economy.

- Starting of additional businesses in different sectors to serve each privatized firm is very likely.
- Sale of public firms may influence the development of entrepreneurial spirit of Nigerians.
- Privatization may create more employment opportunities in the economy for citizens.
- It may lead to good service delivery to the citizens by these private firms who understand that customer is king.
- It would definitely increase government revenue by collection of corporate and value added tax from these privatized public firms.
- Misuse of resources by the new owners of the companies is not likely.
- It might provoke the Nigerian economy for massive growth.
- Raise gross domestic product due to productivity in sold public firms.
- Implementation of succession planning to carry on the companies.
- Institution of corporate governance thus making the firms more efficient than before.

Privatisationand Public Sector Growth in Nigeria

Many countries of the world have embarked on privatization programmes at different times. Chile introduced it in 1974. The United Kingdom implemented a rigorous privatization programmes during the regime of Margaret Thatcher in the 1980s (Iheme, 1997). The decision for Britain to embark on privatization programme was largely informed by the need to cut back on public spending rather than the need to promote efficiency and competition. Countries like Russia, Romania, Czechoslovakia among others witnessed the implementation of privatization in the 1990s. Privatization in Nigeria was introduced by the privatization and commercialization Decree of 1988 as part of the structural Adjustment Programme (SAP) of the Babangida regime (1985-1993). The vision of a "global market civilization" has been reinforced by the policies of the major institutions of global economic government named up to the mid-1990s. Underlying the SAP, has been a new-liberal development strategy referred to as the washing on consensus which prioritizes the opening up of national economics to global market forces and the requirement for limited government intervention in the management of the economy (Ayodele, 2002). One of the main objectives of SAP was therefore to pursue deregulation and privatization leading to removal of subsidies reduction in the wage bills and the retrenchment of the public sector ostensible to trim the State down to size (Egwu, 1998). The privatization and commercialization decree of 1988 set up the Technical Committee on Privatization and Commercialization (TCPC) under the chairmanship of Dr. Hamza Zayyad. He was mandated to privatize three public enterprises and commercialize 34 others, in 1993, the TCPC concluded its assignment and submitted a final report privatizing 88 out of the three enterprises listed in the Decree. Based on the recommendation of the TCPC, the Federal Military Government promulgated the Bureau for public enterprises Act of 1993 which repealed the 1988 Act and set up the Bureau of public enterprises (BPE) to implement the privatization programme in Nigeria. In 1999, the Federal government enacted the public enterprises (Privatization and Commercialization) Act which created the National Council on privatization under the chairmanship of the Vice President Alhaji Atiku Abubakar (Igbuzor, 2003).

The functions of the council were:

i. To make policies on privatization and commercialization.

ii. To determine the modalities of privatization and advising the government accordingly.

iii. To determine the timing of privatization for particular enterprises.

iv. To approve the prices for shares and appointment of privatization advisers.

v. To ensure that commercialized public enterprises are managed in accordance with sound commercial principles and prudent financial practices, and

vi. To interface with public enterprises, together with the supervising ministries, in order to ensure effective monitoring and safeguard of the managerial autonomy of the public enterprises. The act also established the Bureau of public enterprises BPE as the secretariat of the national council on privatization.

The function of the bureau includes:

i. Implementing of the councils policy on privatization and commercialization;

ii. Preparing public enterprises approved by the councils for privatization and commercialization;

iii. Advising the council on further public enterprises that may be privatized or commercialized;

iv. Ensuring the update of accounts of all commercialized enterprises for financial discipline;

v. Advising the council on capital restructuring needs of the public enterprises to be privatized;

vi. Making recommendations to the council in the appointment of consultants, advisers, investment bankers, issuing house, stockbrokers, solicitors, trustee, and other professionals required for the purpose of either privatization or commercialization;

vii. Ensuring the success of the privatization and commercialization exercise through effective post transactional performance monitoring the evaluation, and

viii. Providing secretarial support to the council. Underlying the move to privatize public assets appears to be a basic belief that government owned and managed enterprises are inherently less efficient than private enterprises. While there is a great deal of evidence to suggest that this is true, it does not appear to be a significant alternative push to increase the efficiency of government enterprises, except in those cases where the body politics has defined enterprises as a uniquely governmental function (Gauche, 2000). Thus, this definition is becoming increasingly narrow over time.

Consequently, privatization of public assets appears to stem from a desire to bring market discipline to bear on enterprises that were once sheltered by government ownership. This desire may stem from increasing realization that international trade of those nations and people who participate fully in the international economy. However, a country or an enterprise cannot participate fully in the international economy without being fully competitive. Thus, a basic thrust of privatization appears to be the promotion of economic growth. It is the objective which will be thwarted to a great extent if the privatizing governments fail to link up the privatized capital with those who will use the earnings from capital with those who will use earnings from that capital for consumption. If that capital goes primarily to those who reinvest rather than consume the income from the capital, total activity in the economy will be less than otherwise possible and economic growth will suffer as a result (Kelso and Hetter, 1982).

III. Findings

After the critical investigation of the study, the researcher came up with the following findings;

1. Privatization and service delivery has not impacted on the performance of staff in the Enugu electricity distribution company of Nigeria (EEDC) Awka.
2. Lack of transparency in the privatization processhindered service delivery in Awka South Local Government Area from 2013 -2018.
3. Privatization of Power Holding Company of Nigeria has not enhanced steady power supply in Awka South Local Government Area from 2013 – 2018.

IV. Conclusion

The purpose of this study is to “evaluate privatization and service delivery in EEDC in Awka Anambra state. Privatization system whether weak or strong has significant impact on the overall performance of Electricity Distribution Companies in Nigeria as well as their service delivery and revenue generation. Thus, it is concluded that Godfatherism, favouritism, corruption etc are the major cause of poor servicedelivery to the members of the public and as a result of this; the revenue they obtain from the services cannot sustain them. The management of every Electricity Distribution Company in Nigeria should create and establish a standard internal control system that is strong enough to enhance efficiency and effectiveness in the area oftheir service and to increase profitability. Thus, performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed.

A system of privatization is put in place to keep the organizations on course towards good customers’ service delivery, profitability, goals and achievement of their missions and to minimize losses and inefficiencies to the lowestalong the way. The privatization provides reasonable assurance to the management and the board of directors that an organization is achieving its objectives. But this assurance does not mean that privatization cannot fail.

Privatization leads to efficient service delivery in EEDC and increase in productivity of privatized enterprises and the work force of private enterprises had more experience and were committed to the goals of their organization despite changes in ownership during the post privatization period.

V. Recommendations

1. The Nigeria government should always optimize privatization policy as it improves the reduction of cost of operations, improve and develop the quality of products and services offered to customers.
2. An independent and effective regulatory framework that will not only monitor service delivery, but enforce credible sanctions on defaulting beneficiary companies of privatization. This will reduce the issue of corruption, Godfatherism, favouritism, employment of unqualified staff etc.

References

[1] Agba, N. (2011). Privatization in Nigeria: Guidelines for the foreign investor. Retrieved from*http://www.globalizacija.com/doc-en/e0062pri.htm.*

[2] Ajike, O.A & Nwakoby (2016), Privatisation in Nigeria, A Paper Presented at the *Nigerian Economic Summit at the Netherlands Congress Centre, 2007, Netherlands.*

[3] Anya, A.I. (2004). Commercialisation and privatisation on public enterprises; The Case of

[4] Communication Sector, Presented at *Sectoral Policy Analysis and management Course. National Center for Economic, Management, and Administration, Ibadan. 2004.*

[5] Bello-Imam T., &Roberts G. (2014).Deregulation of the Nigerian economy : The Theoretical Milieu, *Proceedings of the 1st International Technology, Education and Environment Conference (c) African Society forScientific Research (ASSR).*

[6] Anyanwu E.O. (2005). *Fundamentals of public administration*, Enugu: Zik-Chuks Publishers Snaap Press Ltd.

[7] Cook and Kirkpatrick, A. (2000). ‘Sustainable Globalization: The global politics of development and exclusion in the New World Order’ in Allen, T. and Thomas, A. (Eds) *Poverty and Development into the 21st Century. Oxford University Press Inc, New York.*

[8] Efoagui. K (2011). *Assessment of democratic trends in Nigeria.* Gyan Publishing House.

[9] Egwu, S., Kifordu A.A and Ukpere W. (2016). Project control as a technique for organizational efficiency: A Case study of selected firms in Delta State: *Corporate Ownership and Control. Volume 13(4) 242-247.*

[10] Etieyibo, E. (2011). The Ethics of government privatization in Nigeria, Theorists ad Practice. *Journal of the philosophical Association of Kenya (PAK) New Series, 3*, (1).

[11] Gbadebo D. O. & Adeleke S. (2008).A Review of privatization and public enterprises reform in

[12] Nigeria. *Contemporary Management Research, 4* (4), 401-418.

[13] Gberevbie, D.S, Oni, S, Oyeyemi, A, Abasilim, U.D, (2015). Privatization of public enterprises: which way Nigeria? *Ecoforum*, 4, (1), 33-45.

[14] Ibie, M.I. (1993).*Wither Structural Adjustment in Nigeria*. NCEMA Monograph Series No.3, Ibadan.

[15] Igbuzor, O. (2003). Privatization in Nigeria: Critical issues of concern to civil society, *A Paper Presented at a Power Mapping Roundtable Discussion on the Privatization Programme in Nigeria. Abuja, 3rd September.*

[16] Iheme, E. (1997*). The incubus: The story of public enterprises in Nigeria*. Abuja. The Helmsman Associates.

[17] Jerome, A. (2008). Privatization and enterprise performance in Nigeria: A case study of some privatized Enterprises. *African Economic Research Consortium, Nairobi*.

[18] Kayode C. O. (2014). Analysis of the performance of public enterprises in Nigeria. *European Journal of Business and Management*, 6 (25), 39-47.

[19] Lawal D. (2008). "The State, bureaucracy and corruption in Nigeria", *Academic Leadership Journal, Vol. 8No.3,pp. 1-8.*

[20] Mkandawire, A. (2002). Privatization and deregulation in Nigeria. *A Paper Presented at the*

[21] *Workshop Organized for the Occasion of the Visit of the Canadian Minister of International Trade. 21st September, Lagos*.

[22] Nworgu, O. I. (2013). Privatization of public enterprises in Nigeria. *Developing Country Studies,* 3(3), 48-56.

[23] Nwoye, I. (2007).*"Privatization of public enterprises in Nigeria: The views and counterviews*",Nigerian Institute of Management, Nigeria.

[24] Nwoye, M. I. (2011). Privatization of public enterprises in Nigeria: The views and Counter views. *Journal for Political theory and research on Globalization, Development, and Gender Issues. Vol 11. No. 6*

[25] Obadan, M.I., (2000). Privatization of public enterprises in Nigeria, issues and conditions for success in the second round. *NCEMA Monograph Series No.1. Ibadan, Nigeria*.

[26] Obadan, M.O. (2010). Privatization of public enterprises and Nigeria sustainable development (A Review Article).*Current Research Journal of Social Sciences 2*(3), 204-208.

[27] Obadan, M. & S. Ayodele (1998). Commercialization and privatization policy in Nigeria. Ibadan: *National Centre for Economic Management and Administration. Vol. 03. No. 08.*

[28] Obasanjo, O. (1999). "Imperative of privatization". Except for Inauguration address of the *National Council on Privatization at Presidential Villa, Abuja.*

[29] Odukoya, A. O. (2007). Theoretical and empirical issues in privatization. A Comparative study of British and Nigeria experience. *Journal of Social Science, Vol. 14, No.1.*

[30] Okafor, H. (2014). Public private partnership and port efficiency. *The Nigerian Experience, in 12thIntermodal Africa Conference & Exhibition. 2014: Lagos, Nigeria.*

[31] Okolobah & Ismail (2013). "Structural adjustment, agrarian change and rural ethnicity in Nigeria", *Research Report, No103. Uppsala, The Nordic Africa Institute, Sweden*.

[32] World Bank. (2008). Scope of $700 Billion bailout bill Continues to Widen. *The Christian Science Monitor, Washington.*