

# REFOCUSING PRIVATIZATION POLICY FOR SUSTAINABLE DEVELOPMENT: NEGATING FACTORS AND IMPLICATION

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## **Abstract**

This paper is focused on privatization as one of the contemporary socio-economic instrument basically aimed at ensuring efficiency towards sustainable development. However, some nations tend to have some negating factors as in the case of Nigeria. Therefore, this paper is to examine some of those factors negating the policy and its attendant negative implication towards a sustainable development. As a point of departure, we shall examine the conceptual clarification of sustainable development, the negating factors and its implication as well as recommendations.

## **Introduction**

Privatization is one of the contemporary economic instruments of most countries. It is an economic reform programme that had gained currency in the last decade. Its introduction is basically aimed at involving the private sector in the economy of nations. This is with the aim of ensuring economic efficiency and effectiveness and in line with the demands of modern capitalist economy. However, emerging trends in some countries, national economy tends to negate this policy on privatization. This is where the case of Nigeria economy comes in handy. The focus of this paper therefore, is to examine some of those negating factors that are militating against the privatization policy and its attendant negative implication on sustainable development in Nigeria.

As a point of departure, we shall examine the concept of privatization. The paper shall also examine the conceptual clarification of sustainable development. The factors negating privatization policy and its implicating on sustainable development shall be discussed in detailed form. We shall conclude the paper by a way of recommendation as to how the privatization policy can best be implemented to wherein a viable sustainable development.

## **The Concept of Privatization**

According to EL-Rufai (2000), privatization connotes the transfer of assets ownership and control from the public sector to the private sector, often on the promise that the transfer will improve efficiency. It is a political choice designed to reduce the workload of the state and in turn increase private ownership and involvement in the management of public co-operation, otherwise known as state owned enterprises.

This does not mean that the government stays away from the economic sphere rather it changes its role from that of an operator in the market to that of a regulator. Privatization is a generic term often employed to describe a range of political initiatives designed to alter the mix in ownership or management away from government in favor of the private sector. Privatization covers a whole continuum of possibilities from decentralization at one end to market discipline at the other extreme.

This concept of privatization is not new in Nigeria; it dates back to 1981, when there was an economic recession accelerated by the collapse of oil prices. This consequently attracted more attention on the activities of public enterprises. In one of the rationals for privatization the federal government of Nigeria (1990), in cap 369, defined privatization as the relinquishment of all or part of - the equity and other interest had by the federal government or its agencies in enterprises whether wholly or partly owned by it.

Harvey and Jaffrey (1997), also view privatization to include any initiative that increase the role of the market in areas previously considered the province of the state (national or local). This includes not only the sale of state asset, but deregulation and contracting out of public services to private providers.

A privatization exercise or programme required clearly defined objectives. Where this is not done, there may be confusion as to why the exercise is being carried out such objectives include promotion of economic efficiency, stimulation of competition, attracting foreign investment, eliminating public subsidies etc.

With regards to the Nigeria programme, government has slated its objectives clearly in various policy statements. One of such is President Obasanjo's statement on the imperative of privatization on the occasion of the inauguration of the National Council on privatization on July 20, 1999. The statement read thus:

State enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence, mismanagement, blatant corruption and crippling complacency which monopoly engenders. Inevitably, these shortcomings take a heavy toll on the national economy p4.

The problems associated with state owned enterprises and monopolies are not peculiar to Nigeria. It is true; however, that many developing countries have overcome the problems through a well-designed and single-minded pursuit of privatization programme.

The rationale is that "privatization permits government to concentrate resources on the core functions and responsibilities, while enforcing the rules of the game so that the market can work efficiently, with provision of adequate security and basic infrastructure as well as ensuring access to key services like education, health and environmental protection. The objective is to assist in restructuring the public sector in a manner that will affect new synergy between a leaner and more efficient government and a revitalized efficient and service oriented private sector.

In the case of Nigeria there are overwhelming facts and figures in support of the absolute necessity to realign ourselves with this global trend. We are privatizing for the benefit of our economic recovery and social life and we need to remove the financial burden which the public faces, and release resources for the essential functions of government.

In the views of Fakinlede (2003) he sees privatization to mean that any institution that we know to be vital to our economy or our way of life that is government owned and therefore badly managed, should be relinquished by the government, and sold to the highest bidder, preferable an external entity. This must be done because we know that external entity will do a better job than our government.

### **Sustainable Development: Conceptual Clarifications**

Sustainable development is a form popularized in a 1987 report of the World Commission on Environment and Development called our 'common future'<sup>1</sup> (Cunningham, 2002).

In the words of the report, sustainable development simply means meeting the needs of the present without compromising the ability of the future generations to meet their own needs. In recent times, sustainability had become a central theme of environmental science and of human development and resource use. Though various conceptions of sustainable development exist, the central idea is that resources, that is, anything useful for creating wealth and improving the life of man, should be put to use without necessarily diminishing them. Each time we talk of development, our attention is drawn to improving the status or lives in the society. Thus sustainable development is a way of extending such improvement beyond the foreseeable future without exhausting the resources.

Sustainable development can also be said to be an approach to development in which the environment is protected while ensuring economic and social development based on common but differentiated needs and responsibilities to ensure a healthy future for the universe (planet earth). In specific terms, sustainable development brings out in terms the fact that there is the need to protect the environment since the environment is integral to all, economic and social goals cannot be achieved with an unprotected environment.

As an alternative approach, sustainable development replaces that of unconstrained economic growth and puts in place a development that would ensure economic well being for present and future generations while protecting the environment resources on which all developments depends.

### **The Decree on Privatization Policy**

According to the decree NO 25, 1988, all enterprise specified in the column of part I of schedule I of this decree shall be privatized to the extents specified in the third column therein and in accordance with the provisions of [his decree. All enterprises specified in part II of schedule I of this decree shall be fully privatized in accordance with the provision of this decree.

1. The president, commander-in- Chief of the Armed force may be ordered to publish in the Gazette at any time alter, modify, delete from or amend any of the enterprises listed in schedule I to this decree so as to alter the category to which any enterprises belongs.

2. Notwithstanding the provision of any enactment and without prejudice to the generality section I of the decree. The management, control and composition of the Boards of Directions of privatized enterprises shall from the date of privatization, reflect the ownership structure of the enterprises.
3. (a) There is hereby established a technical committee to be known as the technical committee on privatization and commercialization.  
(b) The technical committee shall consist of a chairman and seven other members to be appointed by the President, Commander-in-Chief of the Armed Forces.
4. The technical committee shall have the following functions that are to:
  - (a) Advise on the capital restructuring needs of enterprises to be privatized or assets to be sold under their decree in order to ensure a good reception in the stock exchange market for those to be privatized as well as to facilitate good management and independent access to the capital market.
  - (b) Carry out all activities required for the successful public issue of shares of the enterprises to be privatized, including the appointment of issuing houses, stock exchange and other experts to the issue.
  - (c) Approach through the appointed issuing houses the Securities and Exchange Commission for a fair price for each issue.
  - (d) Advise the federal military government after consultation with the Securities and Exchange Commission and the Nigerian Stock Exchange on the allotment pattern for the sale of the shares of the enterprises concerned in accordance with section of this decree.
  - (e) Oversee the actual sale of shares of the enterprises concerned by the issuing house in accordance with the guideline approved by the federal military government.
  - (f) Submit to the federal military government from time to time for the purpose of approval, proposal on sale of government shares in designated enterprises with a view to its ownership of the shares.
  - (g) Ensure the success of the privatization and commercialization exercise taking into account the need for balance and meaningful participation by Nigerians and foreign interest in accordance with the relevant laws of Nigeria.
  - (h) Ensure the updating of the accounts of all enterprises with a view to ensure financial discipline,
  - (i) The technical committee shall not later than 12 months after the commencement of this decree incorporate into limited liability companies all enterprises to be privatized under this decree where such enterprises are not already incorporated.
5. (a) All shares of enterprises to be privatized under this decree shall be offered for sale in the Nigeria capital market.  
(b) All offers for sale of shares under such section shall be by public issue except when the federal military government, on the advice of the technical committee decides that the shares of any affected enterprises should be sold by private placement.
6. (i) Subject to any direction of the federal military government the shares of the enterprises to be privatized under this decree shall be allocated in accordance with the provision of section of this section.  
(ii) Not less than 10 percent and not more than 20 percent of the shares on offer shall be allocated to associations and interest groups such as, but not limited to state investment agencies.

Workers trade union, market women organization, universities friendly societies, local and community association provided that in the case of an over subscription not more than 10 percent of the shares on offer shall be allocated to such state through its investment.

- (iii) The remainder of shares not distributed in accordance with subsection (2) of this section shall be sold to the public in such manner and such amount as may be determined by the allotment committee of the securities exchange commission and approved by the federal military government.
- (iv) The allotment of shares under subsection (2) of the section shall give priority to subscription by workers and management as well as non-management of the particular enterprises to be privatized.
- (v) Not more than 10 percent of the shares on offer shall be reserved for the staff of the company.

(vi) In the case of over subscription an individual shall be allowed to hold more than 1 percent equity in any enterprise. The methods adopted by the technical committee on privatization and commercialization (TCPC) for the privatization exercise.

(vii) a) Public offer of shares through the Nigerian your Exchange.

b) Private placement of the shares principally to institutional investors core groups with demonstrated management and or technical skills and workers at the specific enterprises are organized as co-operation or limited liability companies and:

c) Sale of assets, where the enterprises cannot be privatized by either of the two methods above.

### **Factors Negating Privatisation Policy**

Privatization is expected to bring in high efficiency of government parastatal and better services to citizens and the community/society in which they serve. However, privatization policy and its implementation in Nigeria is still distant from the redeeming edges of the above objectives. This simply means that there still exists a wide gap between privatization policy and the objectives for which it is meant. This state of affairs is traceable to some factors as analyze below. First and fore most it is believed that privatization reduces wastage of resource because over the years government enterprises have become inefficient leading to epileptic services. In spite of the privatization, services are still poor as compared to contemporary societies of the world. NEPA and NITEL are clear case of this point. Despite privatization their services are still epileptic. These cooperation or enterprises are. too large to be handled by Nigerians.

Another negating factor is corruption Nigerians are corrupt to the extent that the privatized enterprises are still handled by Nigerians who could not perform when these enterprises are in government.

It has been agreed that privatization reduces wastage of Economic Recession. But it is still apparent that the unemployment, excruciating foreign debt, food cries, poor infrastructure et c are still problems in the Nigerian economy. The present Niger Delta Crises today is stilled seen as a result of poor infrastructure, food, shelter. Privatization instead of creating employment, it has no its responsibility, there is the problem of unemployment. If the Niger Delta Youth are gainfully employed obviously the level of crises would have been at a point of control.

Anyawu (1993), argues that privatization will help restructure the Nigeria economy, reallocate public fund to efficient user's real self-sustaining cultures, and attract foreign investors, while goods and services will reflect real values. Instead of the above what we have is foreign investors running away because of insecurity of their lives. Unemployment has forced citizens into taking of arms violence has become the order of the day. The reflections of the real values are refracted.

### **Recommendations**

For a sustainable development, the government of the day should put up programmes and policies to address the issue of the burden of financial involvement so as to make for efficiency. Although government has tried in many ways to eradicate corruption, much is still needed to be done. Rather those embanking on selective anti-corrupt campaign like the E.F.C.C., I.C.P.C., there should be a wide or broad anti-corrupt campaign with some punitive measures attached to perpetrators, it is worth while also for government to ensure that the privatized corporation or enterprises make good use. of the citizens by involving them through employment. This will go a long way to erase the problem of unemployment associated with privatization policy.

Finally, strong security network and machinery should be put in place so as to attract both private and foreign investors and thus, make the country a very safe environment for economic growth and sustainable development.

### **Conclusion**

The foregoing analyses had shown that major feats and positive achievement have not been recorded in the policy particularly as it applies to the Nigerian economy. Reasons have also been adduce for the failure of the privatization policy in Nigeria. It therefore stands to reason that some committee efforts should be made towards addressing those negating factors if positive gains and achievements are to be recorded through the privatization policy with a consequent positive achievement in sustainable development.

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