

# VISION AND MISSION OF PRIVATISATION IN NIGERIA

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## **Abstract**

The National Council on Privatization defined full privatization as divestment by the Federal Government of all its ordinary share holding in public enterprises designated for privatization. The policy objective and motives of privatization in the country hinged on economic efficiency, arising from the disappointing performance of public enterprises. Since the first wave of privatization in 1988, how successful has it been from the point of view of Nigerians? What are its perceived ills and benefits? This paper discusses the crux, looks at the objectives, the ills, and the benefits and otherwise of this policy. Recommendations were also made.

## **Introduction**

Developed countries all over the world have in years past, embraced privatization as a way of gaining economic efficiency and cutting down on public spending by allowing the private sector to, as much as possible take over their government's controlling shares in their public enterprises. This has been due to these public enterprises inefficiency, and serving as drain pipes for government money. The situation is no different in Nigeria.

Olive (2003) wrote that Chile introduced privatization programmes in 1974. The United Kingdom implemented a rigorous privatization programme during the regime of Margaret Thatcher in [he 1980s. The 1990s witnessed the implementation of privatization programmes in many countries of the former eastern bloc like Russia, Romania, Czechoslovakia and so on. It has been documented that more than 8,500 state owned enterprises (SOEs) have been privatized in the past 12years.

In Nigeria, privatization was introduced in 1988 by the privatization and commercialization decree as part of the Structural Adjustment Programme (SAP) of the Ibrahim Babangida administration (1985-1993). One of the main objectives of SAP was to pursue deregulation and privatization leading to removal of subsidies, reduction in wage bills and the retrenchment of the public sector apparently seeming to trim the state down to size.

The privatization and commercialization decree of 1988 set up the Technical Committee on ' Privatization and Commercialization (TCPC) under the chairmanship of Dr Hamza Zayyad to privatize 111 public enterprises and commercialize 34 others. In 1993, the TCPC concluded its assignment and submitted a final report having privatized 88 out of the 111 enterprises listed in the decree. Based on the recommendation of the TCPC, the federal military government promulgated the Bureau for Public Enterprises (BPE) Act 1993 which repealed the 1988 Act and set up the Bureau for Public Enterprises (BPE) to implement the privatization programme in Nigeria. In 1990, the Federal Government enacted the Public Enterprise (Privatization and Commercialization) Act, 1990 which created (he National Council on Privatization under the chairmanship of the Vice President.

## **What Does Privatization Mean?**

There are numerous definitions of privatization, but only a few will be considered here.

Oyeji'de (2001) defined privatization as the transfer of the ownership and control of a stale owned enterprise (SOE) from the public to the private sector. The transfer may be full or partial and the transfer may be made to domestic or foreign private investors.

The Privatization and Commercialization Act of 1988 and the Bureau of Public Enterprises Act of 1993 defined privatization as the relinquishing of part or all of the equity and other interests held by the Federal Government or any of its agencies in enterprises whether wholly or partly owned by the Federal Government. El- Rufai, (2003), the Director General of Bureau of Public Enterprises defined it as the transfer of public or government owned companies to private persons or entities".

## **Methods of Privatization**

Bammeke (2003), in his write up noted that privatization does manifest in different forms. In addition to simple ownership transfer, countries can also benefit from the privatization of management without privatizing the ownership of assets (like the failed management contract Nigeria had with Pentascope International of Netherland concerning NITEL under the former Director General , Nasir ei Rufai. The company had to borrow from banks to pay staff salaries. At the end of the day, it was found that the

management contractor had up to N100 billion pass through its hands. Privatization can also be done through leases and outright concessioning through which private sector takes over responsibilities and service previously rendered by the public sector particularly in a sector where it is difficult to attract foreign investors. Other forms of privatization include the transfer of public assets via management buyouts, initial public offers, employees buyouts etc. A more concise analysis of the various routes to privatization is provided below.

- (a) Selling of national concerns to private shareholders.
- (b) Share placement with institutional investors.
- (c) Issue of stock traded on the stock exchange.
- (d) Joint venture with private sector having majority shares.
- (e) Sale of assets of the privatized company.
- (f) Relaxing the monopoly right to allow for competition (the type given to Television and Radio stations which brought AIT, DBN, MITV, Raypower, etc into existence).
- (g) Allowing private contractors to tender for the provision of goods and services hitherto reserved for government enterprise as witnessed in road construction sector, Intercellular, Multi-links, Mobitel, Rel-tel are now on board with NITEL
- (h) Selling majority share to core investors.
- (i) Setting up an enabling Act for enterprises to perform, produce and sell goods and services as well as licensing some organizations to subdue monopoly e.g. the Nigerian Telecommunications sector with the emergence GSM and other independent operators.
- (j) Private Universities and Polytechnics have also come on board under this arrangement, (j) Government has now called for tender for road construction and maintenance by private organizations for a fee to be paid by all users, (k) Collection of government revenue is also being contracted out to private consulting firms e.g. Adckanola and Co and others who are now empowered to assess and collect taxes on behalf of some state governments.

**Objectives of the Privatization and Commercialization Programme (Privatization Handbook, 2000 Page 49)**

The businesses mapped out for privatization /commercialization span through agriculture, aviation, commerce and tourism, communications, defence, employment, labour and productivity, finance, information and culture, industries, petroleum resources, power and steel, solid minerals, transport, water resources, works and housing, Africa investment.

In his executive order dated 6<sup>th</sup> July 1999, His Excellency President Olusegun Obasanjo directed that the three phased implementation of the second privatization programme of the Federal Government of Nigeria starts immediately. The phases were

- (i) Full Divestiture of Federal Government shares in Oil Marketing Companies, Banks and Cement plants - a total of 14 companies, most of which are already quoted on the Lagos Stock Exchange, (ii) Full Divestiture of Federal Government ownership in hotels, vehicles assembly plants and other industrial enterprises operating in competitive markets, (iii) Partial Divestiture of Federal Government interest in major public enterprises currently operating in non-competitive sectors like electric power, telecommunications, oil and gas and the like.

With regard to the objectives, the primary goal of the privatization and commercialization programme is to make the private sector the leading engine of growth of the Nigerian economy. The government intends to use the privatization programme to reintegrate Nigeria back into the global economy, as a platform to attract direct investment in an open, fair and transparent manner.

The other objectives of the privatization and commercialization programmes are: (Privatization Handbook, 2000 p. 49) (i) To send a clear message to the local and international community that a new transparent

Nigeria is now open for business; (ii) To restructure and rationalize the public sector in order to substantially reduce the dominance

of unproductive government investment in the sector; (iii) To change the orientation of all public enterprises engaged in economic activities towards a

new horizon of performance improvement, viability and overall efficiency; (iv) To raise funds for financing socially oriented programmes in such areas as poverty eradication, health, education and infrastructure; (v) To ensure positive returns on public sector investments in commercialized enterprises, through more efficient private sector-oriented management; (vi) To check the present absolute dependence on the Treasury for funding by otherwise commercially oriented parastatals and so, encourage their approach to the Nigerian and international capital markets to meet their funding needs; (vii) To initiate the process of gradual cession to the private sector of public enterprises which are better operated by the private sector; (ix) To create jobs, acquire new knowledge skills and technology and expose Nigeria to international competition.

In summary and theoretically, privatization is expected to yield the following results. Efficiency arising from competition, maximizing Government revenue arising first from deregulating and establishing adequate tariff regulation and then privatizing. Developing domestic capital markets and expansion of foreign investment. Has the vision and mission of these objectives been achieved so far? How are the general citizenry reacting?

### **Some Ills of Privatization as Perceived by Nigerians**

Nigerians holds divergent views on the performance and contributions of privatization in its-two decades of existence in Nigeria and it is important that these be reviewed..

Fakinlode (2003), likens Nigeria government's way of handling the privatization exercise to. the story he tells below. A man a spendthrift actually with thirty - six children and seven hundred and seventy six grand children if only he can manage them well. But because of his propensity to mismanagement, his huge family suffers. Locally, what he should do would be to gather all his: children and grand-children, divide the business among them, retire and let them run the businesses as they can and bring to him the proceeds that would be sufficient for him for sustenance. As a father and grandfather, all he would then have to do is control the behaviour of his offsprings, settle it among them and make sure that they do not misbehave generally, instead, he chooses to sell the business to another big businessman. His children and grandchildren now become employees of this person. The new employer uses them as he likes and gives them pittance for their labour.

When asked why the spendthrift acted the way he did, his answer is that since he tried to run. the business and failed; he could not trust any of his children or grand-children to run any part of his empire. He would rather see them enslaved because now they would live better. He concluded, what idiocy!

An Egyptian telecommunications expert, based in Geneva, Tarrefe Raswork, was once quoted as saying "Only Africa sells her public corporations sadly to foreigners" . More worrisome Nigerians feel, is the fact that, these "foreigners" include some Nigerians who would solely buy up such companies by hook or crook, using foreign firms as fronts but with money looted from the public treasury.

Fakindele (2003) continued; "Handing back all our utilities to the Americans and Europeans will no doubt produce instant benefits, but it will rob us of the more important advantage of learning to do things by ourselves and getting better at them" Obiajulu (2001), acting President General of Senior Staff Association of Statutory Corporations and Government owned companies (SSASCGOC) gave her association's views as regards the ill of privatization as follows.

First, on productive and managerial efficiency, going by workers' experience in the earlier privatization exercise, people ignored the fact that a higher profit need not necessarily be an indication of higher efficiency. The high profit could be a result of exploitation of several factors - workers, higher prices for goods sold.

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- (ii) To restructure and rationalize the public sector in order to substantially reduce the dominance of unproductive government investment in the sector;
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will be useful in prosecuting result-oriented obligations in such areas as the Judiciary, the nation's security, the police, law and order maintenance and governance in general, he explained.

Sonic other Nigerians feel that the privatization process and the mode of assets transfer may stimulate the development and strengthening of the capital market. But add that specific characteristics of the capital market may either enhance or hinder the privatization process.

El- Rufai. (2002). the BPE boss said that privatization would ensure that modern technological tools and skills are introduced to the industry, and this would ultimately ensure that the industry keeps up with technological advancement worldwide.

As regards injection of fresh capital into the industry. El- Rufai has also said that the private sector participation would imply than fresh capital is injected into the economy. This fresh capital according to him,

translates to new jobs and better products and services for the average Nigerians.

In relation to the above, Bammek (2003), said many people did not know that MTN and ECONET (V.Mobile), which came on board have created over 25,000 jobs and over one million mobile phones for Nigerians. Now that Globacorn and NITEL GSM have joined the race, people feel, expectations are higher.

It has been felt that another benefit of the privatization exercise is that, opening up the economy to foreign investors and allowing greater participation would bring more revenue into the coffers of the Federal Government of Nigeria. Examples were given with the telecom sector between 2001 and 2002 that brought in an inflow of foreign investment to the tune of about N150 billion of which 90% is from GSM.

If sincerely implemented, privatization will be a fruitful economic policy. Certainly privatization can open new opportunities, increase private sector participation in the economy, expand capital market's equity funding, bring about inflow of foreign investments, job creation and engender continued deregulation, low cost of doing business; provide modern infrastructure, new technology, improved efficiency, amongst others. The overall effect of this will definitely cut across every aspect of the economy and our national life (Bameke, 2003).

### **Recommendations**

I agree with the recommendations of Otiye (2003) as regards civil society organizations to among other things:

- Study the implications of privatization for the economy, ordinary people, and the future of the economy.

- Expose all the deals, corruptible transactions and inconsistencies in the conceptualization and implementation of the privatization programme in Nigeria.

- Promote consumer rights

- Promote workers' rights.

- Advocate for pro-poor reforms instead of this pathological fixation on privatization as the only solution to the country's economic problems.

- Join forces with democratic anti-globalisation and anti-privatization forces to rescue our nation from a rapacious, parasitic and rascally ruling elite.

If civil society organisations in Nigeria can rise up to the above challenges, they would have made enormous contribution to the protection of the poor and the development of Nigeria.

As regards recommendations to the Government, I also agree with those of Bammek (2003) which he stated as follows:

- Efforts should be geared towards ensuring a solid agreement with core investors to protect the interest of Nigerian workers and drive social ills like unemployment out of our society.

- To remove Nigerian citizenry suspicion, transparency, probity and accountability in public offices as they affect privatization and other policies must be pursued with vigour and erring public officers be made accountable and punishable.

- Proceeds of sold investments should be re-invested or used to address pressing needs and problems like food, unemployment, education, health, water, shelter and other top priority projects.

It is this presenter's candid recommendation that even if the Government has to get foreign investors involved in the privatization of Nigeria's industries, they should have only a small percentage of the controlling shares representing only their technical expertise.

### **Conclusion**

Privatization in Nigeria, indeed can serve as a pivotal towards achieving economic efficiency, relieving macro-economic burden of government, thereby putting a check on mounting fiscal imbalances, restriction of funds available for social services and crowding out of private sector borrowing and development. But the mode of implementation of this policy should not be made to appear suspicious in the eyes of Nigerians and proper accountability procedures, public enlightenment campaigns, should be put in place to enable the vision and mission of this privatization programme in Nigeria to be successful.

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