PRIVATISATION PROGRAMME IN NIGERIA: VISION AND IMPERATIVES

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Abstract

The role of the government as investor should be reduced to the minimum. Free market economy, which is self- adjusting, allocates economic resources far more efficiently than the government. Since 1986, privatization has been meaningfully implemented in Nigeria. The main goal of privatisation is to open up the Nigerian economy to the operation of free forces of market demand and supply, and thereby attract investors internally and internationally. This paper maintains that the privatization programme can only be maximally beneficial to Nigeria in the long run if conducive socio-economic conditions are guaranteed on a sustainable basis.

Introduction

People earn income by engaging in different kinds of activities through which goods and services are produced, and in turn purchased by other people who need them. Income-yielding activities are usually performed by individuals, business organizations and government agencies. Business organisations or firms supply goods and services with the intention of maximizing profits. On the other hand, public corporations, which are government owned organizations do not exist primarily to maximize profits. They operate in the public sector or government sector of the economy. Firms operate in the private sector. The public sector of the economy is essentially employed by the government in its effort to fulfill its own side of the social contract. It is the obligation of citizens of a country to play the civic roles of tax payment, obedience to constituted authority, legitimate pursuit of means of livelihood, respect for the sanctity of human life, respect for the fundamental rights of other people, peaceful co-existence with members of other families, towns, tribes and nations. On the part of government, funds generated, loyalty offered, tolerance demonstrated and other forms of compliance with the norms of modern society should be reciprocated accordingly. This implies that it is incumbent on the government to provide basic social amenities, protect citizens from external aggression, ensure political stability internally and contribute to global peace initiatives, promote economic prosperity in ways which are sustainable, and promote the general welfare of its citizens. The roles of business organizations vis-a-vis government agencies are influenced mostly by the peculiar system of decision making concerning economic matters in a given economy. The determining factors relate to the ownership of means of production and method of taking decisions on economic issues. If the means of production are dominantly privately owned and managed, the economy will be capitalist oriented. Firms will be free to own property, buy and sell goods and services without government interference. Where the ownership of means of production and power of decision making lie with the government, then the public sector will predominate in the economic affairs of the country concerned. In practice however, there are various degrees of mixture of private sector and public sector activities in the economy, while pure capitalism may be illusive and absolute state control non-existent anywhere in the world today, mixed economies are rather in vogue.

The Need for Market Economy

Warner (1996) observes that, the 1960s, and 1970s witnessed widespread nationalization and state ownership of business enterprises. This was because of what was seen as various forms of market failure. Those nationalized industries, it was hoped, would work better than private firms in the areas of efficiency, productivity, growth, and industrial relations. However, the appropriate role of public sector vis -a -vis the private sector in national development raises crucial questions. Some of the main issues with regard to the proper position of the public sector in the economy are summarized by Ray (1983) in the following questions:

a) How far should the public sector be allowed to proliferate if private enterprise is not to be denied its rightful position in the economy?

b) How does the public sector compare vis - a-vis the private sector in the matter of efficiency and productivity?

c) Is the public sector a white elephant rather ceremoniously foisted on the economy in the name of public ownership though it may be detrimental to growth?

d) Is the public sector rather counter-productive to efficiency and productivity?

In reaction to crucial questions such as the above ones, some scholars argue that firms owned and operated in the private sector will be generally more efficient and more responsive to the needs of the public than government owned and government operated firms. This contention can be buttressed, as Ranson (1989) pointed out, by the fact that political pressure may force politicians to dip into the public treasury to sponsor such favours as subsidized low rates. Again, at the managerial level, costs will be higher than in the private sector mainly because, the discipline of competition is missing. In Nigeria, huge public sector investments in the 1960s, 1970s, and 1980s earned only paltry and uncompetitive returns. It is because of this that Chizea (2000) concludes that, "government is a bad businessman who should concentrate on governance and leave business alone".

In advanced countries like the USA and the UK, the era of "preferential treatment to the public sector is now being largely reversed" as Ray (1983) states. In Great Britain today, many nationalized sectors have again been denationalized whereas many public sector enterprises have been called upon to sustain themselves through open and fair competition with the private sector. The current trend towards privatization since the 1980s has been interpreted in terms of "government failure" or "public failure". Warner (1996) insists that "government failure" out-weighs the initial "market failure". Privatization and deregulation, Lipsey and Chrystal (1995) argues, reflect a new belief in the efficiency of a market oriented economy. There is a major role, however, for government to intervene to improve the operation of the free market. The widespread movement towards privatization and deregulation shows a growing belief that markets are more efficient allocators of resources than government. In developed and developing countries, this change of view is almost unanimous; that is, market determination is on balance superior. In support of this trend, Beardshaw (1989) argues that the market economy is essentially self-regulating and efficient. He demands that the role of the state as investor should be reduced so as to leave markets to allocate resources in the most efficient manner possible.

Privatisation in Nigeria

At a superficial level we may view privatization as a response to the supposed inefficiencies of nationalized industries (Beardshaw, 1989). In its purest form, Ranson (1989) defines it as selling off an entire government enterprise into unregulated private ownership. In line with section 14 of Decree No. 25, Chizea (2000) defines privatization as the relinquishing of part of or all the equity and other interests held by the federal government or its agencies in enterprises whether wholly or jointly owned by the federal government. Privatization commenced in 1987 when many companies were sold. In 1998, it received legal backing, therefore, it commenced in earnest. The first group of enterprises privatised comprised companies quoted on the stock exchange in which government had shares. They were mainly banks and oil marketing companies. Between 1987 and 2000, the programme did not make the sort of progress envisaged by government. The challenges which faced the programme included:

- Absence of adequate political will.
- Problem of how to have realistic valuation of the companies to be sold.
- Spread of ownership of divested holdings.
- The general question of transparency.

The National Council on Privatization and the Bureau of Public Enterprises were criticized for failing to demonstrate the required level of transparency in the programme. Chizea (2000) cites two contentious cases of the selection of investors. The first was the attempt to sell government shares in AP to Sadiq Petroleum. The second was the sale of government holdings in Benue Cement Company (BCC) to Dangote Industries Ltd.

There are three approaches usually adopted in the privatization programme. These approaches are outlined by Chizea (2000) as follows:

- Management -buy-out: This is the situation whereby the management of an enterprise mobilizes fund to purchase the business. This is often the case where the management has the necessary competence to run the organization. This acquisition is usually undertaken jointly with the staff of the organization.
- Build -operate and transfer: The public sector undertakes the investment with the stated intension to divest under agreed conditions and circumstances.
- Core investor: Government may prefer to sell an enterprise to an investor who has the necessary resources and technical expertise to drive the business. This is usually done in a case where the government is concerned with guaranteeing the continued existence of the business.

Non-divestment options can be applied in dealing with unproductive public sector investments. These options include:

- Commercialization: This entails that public enterprises are subjected to market discipline. In this case, the enterprise is expected to recover all its costs.
- Privatization of management: The management of the enterprises could be contracted out. This option was adopted as the first step towards the process of privatization of NITEL (El-Rufai, 2003). It was concluded in April, 2003 with the selection of Pentascope International B.V Private Ltd (a Dutch Company).

The privatization programme in Nigeria since 1986 has the following specific objectives, which can be deduced from El-Rufai (2003):

- To issue policy statements in the various sectors of the economy;
- To establish modalities for working out the relevant policy objectives in various sectors;
- To transfer ownership first in government companies quoted on the stock exchange to private investors;
- To privatize the management of some ailing public enterprises as the first step towards privatization;
- To restructure/unbundle major public corporations to attract private investors;
- To create the enabling environment for privatized businesses to thrive.

Vision And Imperatives of Privatization in Nigeria

The real essence of privatization may be grasped better by reference to its longrun goals for our national economy. With privatization, the Nigerian economy is opened up for private business activities of various kinds. Business dealings in a privatized economy are no longer influenced majorly by government. Private organizations deal freely with others in the supply of raw materials, capital, consultancy services, final goods and services. It is, therefore, the vision of privatization to boost independent business activities in the economy.

Through privatization, Nigerians are encouraged to buy shares in privatized companies. Shareholders of limited liability companies are actually the owners of the company because they contributed funds for the company's business operations. The owners of the company participate in decision making concerning the company's business matters and the nature of benefits which can accrue from successful business operations. Therefore privatization has the longrun goal of promoting the growth of indigeneous entrepreneurial skills.

Privatization opens up the economy to market forces. The allocation of resources according to the realities of free market forces is free from nepotism, red tapism, and bureaucratic processes of government. Privatization leaves out government as the dorminant force in economic matters. The economy does not depend on the vagaries of political transition programmes from one regime to the next. Government only works to improve free market operations by working out ways of establishing safe haven -or level playing field for private business organizations. It is no longer a dorminant player in business activities.

Another future oriented expectation of the privatization programme is the opening up of Nigerian economy to the international business community, for the mutual benefit of both parties. With privatization, among other reform programmes of the Federal Government, foreign investors are attracted to the Nigerian economy. Many expatriate companies have participated meaningfully in the Nigerian privatization programme, as oil marketing companies, telecommunication service providers, etc.

The maximum realization of the long run expectations of the privatization programmme has implications for sustained conducive social, economic and political environment where businesses can operate without undue inhibitions. The political system should be stable. Civilized political culture should ensure smooth movement from one regime to the next, and from one political programme to another. The financial system should not be ridden with distortions. Funds for business should be easily acquired and transferred locally and internationally. Again the security of lives and property should not be in doubt. Business activities should not be disrupted by riots, youth restiveness, ethnic uprising or any other form of civil unrest. It is also important to ensure that government regulatory mechanisms in the various sectors of the economy remain uninhibitive. Business organizations should operate freely within the limits of generally acceptable socio-economic conditions and circumstances. New entrants into business should be allowed some incentives in taxation, procurement of raw materials and capital, access to international markets, etc.

Recommendations

The following suggestions are proffered as means of reaping maximally the longrun gains of privatization in Nigeria.

1. Even spread of ownership of divested companies should be guaranteed. Government enterprises should not be transferred to predetermined persons or sectional interest groups.
2. There should be realistic valuation of companies to be sold off. The relevant government agencies must never be involved in complicity in the devaluation of companies so as to favour private investors. The interest of the nation must be protected in all aspects of the privatization programme.
3. Sensitization campaigns on the benefits of purchasing shares in limited liability companies should be continuous. Nigerians should recognize financial assets as viable means of investment. This is one way of turning the attention of our people away from the muck of corrupt acquisition of wealth.
4. As a means of ensuring political stability, inter-ethnic relationship should continue to be cordial. Ethnic organizations should maintain close contact with one another and with the government There should be permanent modalities for ensuring mutual understanding on major national issues.
5. All enterprises, private and public, should never lose sight of the inevitable need to meet satisfactorily particular wants/desires of the people being served. Any organization which defaults in this regard would usually lose its share of the market.
6. Since Privatisation encourages the participation of foreigners, fraudsters should not scare away expatriate businessmen. The activities of the Economic and Financial Crimes Commission and the Independent Corrupt Practices Commission should be intensified. These Commissions should always maintain close contact with local and international security organizations.
7. The Financial sector of the economy should be robust and reliable so as to facilitate local and international monetary and credit transactions. Public limited liability enterprises in the financial sector should live up to the statutory responsibility of publicizing relevant information on their performance.

Conclusion

The activities of government should not exclude the roles of profit-oriented organizations in the development of the economy. The shift of emphasis by economists from the public sector to the private sector affirms belief in the efficiency of free market forces of total demand and supply in the allocation of economic resources. Privatization is therefore the necessary step to take towards the installation of essential elements of the free market economy. Given conducive social, economic and political environment, privatization has great prospects for Nigeria in the long run.

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