THE PLACE OF PRIVATISATION IN DEVELOPING NIGERIA'S ECONOMY: A CRITICAL APPRAISAL

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Abstract

Privatisation is a too! of government economic policy. For over 20years, Nigerian government has been investing in projects, which could have been carried out by the private sectors. Instead, these projects are characterized by waste, inefficiency, corruption and '1 don't care' altitude. These problems have influenced the writing of this paper to identify how to free the economy from strong government control and intervention in direct production of goods and services for the people. People's opinions were sought and companies controlled by government, which are slated for partial or full privatization were listed through information from magazines, newspapers and news commentaries. The result shows that the engines for the growth of Nigeria's economy are the private sector. The paper also holds that gone is the era of isolation and ignorance of Nigeria in the spectrum of globalization and liberalization. The paper concludes that government must do away with wasteful public enterprises and allow Nigerians just like their counterparts in other countries to go into any business.

Introduction

The most current economic debate in Nigeria is on privatization. Yet, if there has been any programme the Nigerian government present or past have found too hard to crack, it is privatisation. In the last two decades of the 20th century, privatisation has become an accepted tool in economic policy and a concept of economic development. Its ascendancy is as a result of the globalization of the world economy and the liberalization of the economies of most nation states.

As a concept, globalization suggests that the world has shrunk so much that political and even cultural boundaries of countries and nations have to be treated as irrelevant in the transaction of business and in the movement of finance and investment capital. It was ushered in and nurtured by the information technology revolution which has made it possible for world trade, finance and investment to defy and transcend national political boundaries as well as thrive and prosper in competitively conducive environment.

Thus, to survive the fierce competition unleashed internationally by the factors of globalization, nations have to liberalise, deregulate and open their economies to the forces of market internationalism. One aspect of the response to, and the consequence of liberalization has been the privatization of government owned and/or controlled enterprises engaged in either the production of goods, commercial activities or delivery of services. Of course, we are aware that privatization involves the effective transfer of ownership, by sale, of such public enterprises to the private sector.

It is an issue still being debated in Nigeria today that privatization of economic activities hitherto controlled by government through the sale of the institutions that delivered them is *sine quo non* for the Nigerian economy to prosper and grow. The protagonists argue that public sector participation in economic ventures, especially those that are purely market - oriented and driven, is characterized by waste, inefficiency, corruption, 'I don't care' attitude, indifference, etc, in the government delivery vehicles and systems. They believe that private enterprise only, has the wherewithal to make such business attain and justify their purpose. However, the antagonists to the idea of privatization argue that selling government companies and parastalals engaged in market oriented business is either exchanging one monopoly with another, benefiting only a few, mainly moneybags, who are perceived as looters of the public treasury and economic parasites; or selling the country's wealth to multinational and transnational companies for peanuts, with the benefits accruing abroad.

The reality today is that privatization is a tool of government economic policy, especially the re-engineering of the system to produce more and better goods and services at more affordable prices. The aim of the paper is to identify how to free the economy from string government control and particularly from government intervention in direct production of goods and services for the market.

Reasons for Governments' Direct Involvement in Public Enterprises

For over 20years, government has been investing in projects that could have been carried out by the private sector. These investments were based on loans from multilateral institutions and the

International Capital Market (ICM), as well as internally generated revenue. Given the management and efficiency problems of key public enterprises such as National Electric Power Authority (NEPA), Nigeria National Petroleum Company (NNPC), Nigerian Telecommunication (NITEL), Nigeria Ports Authority (NPA), Nigerian Railway Corporation (NRC), Nigerian Airways (NA), etc, government in the 1998 budget resolved to commence the privatization of some of these public enterprises.

These public enterprises are regarded as corporations, companies or parastatals by statutory enactments, in which the government or agencies has ownership or overriding equity interest. These economic parastatals are generally limited liability companies incorporated under the then companies Act of 1968 and performing functions of a commercial nature. Decrees, Statues or Edicts, at times set up these organizations. They are seen as a tool of the patronage system, and government interference is prevalent both at the policy and operational level, by top executive officers of the government and the supervisory ministries. These public enterprises depend essentially on government for funding which takes the form of annual grants, subventions and loans.

So many reasons have been given as the rationale for the establishment of public enterprises. One of such is for national development. In 1960 when Nigeria got her independence, the country inherited a weak infrastructural basis for sustained and independent development. The indigenous private sector then was extremely weak. It could not be relied upon. Thus, the federal and regional governments had to establish a host of public enterprises. According to Babacar (1998) of the African Development Bank, 'African governments have to assume a greater role in the development of their economies in order to consolidate their political resources and foreign enterprises which tended to be monopolies and to rescue failing ones so as to preserve jobs and to ensure provision of essential services'. .

Another reason is to cater for the welfare of the people. Some government activities are undertaken with a view to ensuring the economic welfare of the poor people. For example, where income is unevenly distributed as we have been experiencing in this country, the government would apply its tax policies on the rich and use the money on projects that can benefit everyone.

Public enterprises are also set up to curtail the monopolistic excesses of the private sector and to guarantee employment opportunities in the economy. The aim of the private sector, of course, is maximization of profits. They thereby charge exorbitant prices at the expense of the masses, but, if public enterprises come into the scene, they could charge low prices in order to cover cost of production. The public enterprises are made to prepare grounds for economic integration and development through the provision of infrastructural facilities. Despite the above merits of public enterprises, they have performed below expectation in spite of huge funds flowing into their establishments annually and this has facilitated the need to await privatization of Nigeria's public enterprises.

Major Findings

It has been discovered through available data and field research that most public enterprises in Nigeria perform below expectations (Okigbo, 1998). This is because of lack of commitment or dedication of the public servants in the public sector, which is a bane to public enterprises. According tolbru(1998), there were over 300 federal government enterprises by 1985, with investment in excess of N23 billion. In real terms, Federal Government's returns on this investment were not more than two percent when the rate of returns in the private sector averaged 15 per cent.

It was observed that Nigeria is characterized by a mixed economic system enhancing the participation of government and the private sector in the production of goods and services for the society. The government's attitude towards increased public sector ownership and control of key sector of the economy was enhanced by the adoption of the national objectives of the 2nd National Development plan (1970 - 74) and the decision by the Federal Government to occupy the 'commanding heights' of the economy in the quest for purposeful national development.

The study also revealed that the remote causes of privatization in Nigeria were the policies of first, nationalization and then, indigenisation, of economic activities with their root in both colonial and post - independence government control of the system. It was also discovered that the externally generated pressures brought about by globalisation and liberalisation of the world economy has geared up the need for privatisation in Nigeria.

It was discovered that out of over 600 enterprises owned by government in the country, 135 were identified for either privatization or commercialization. Of this number, 101 were slated for full or partial privatization while 34 were earmarked for commercialisation.

The companies Slated **for Partial orFuIl** Privatisation

Sector	No. of companies	Slated for
Development Banking	4	Partial Privatisation
Commercial & Merchant Banking	12	Partial Privatisation
Oil Marketing	3	Partial Privatisation
Steel Rolling	3	Partial Privatisation
Air & Sea Travel	2	Partial Privatisation
Fertilizer Production	2	Partial Privatisation
Motor Vehicle Assembly	6	Partial Privatisation
Paper Milling	3	Partial Privatisation

Sugar Production	3	Partial Privatisation
Cement Making	5	Partial Privatisation
Hotel & Tourism	3	Full Privatisation
Textile Production	3	Full Privatisation
Transportation	4	Full Privatisation
Food & Beverages	6	Full Privatisation
Agric & Livestock Production	18	Full Privatisation
Salt Production	6	Full Privatisation
Wood & Furniture Making	2	Full Privatisation
Insurance	14	Full Privatisation
Film Production & Distribution	2	Full Privatisation

Source: Technical Committee on Privatisation and Commercialisation (TCPC) Document 1988

Recommendations

Based on the discussion in this paper and the findings, it is ideal for the government to embrace privatization and allow private sectors in the production of goods and services lor the society. It should restructure and rationalize public sector in order to lessen the dominance of unproductive investments in that sector.

The government should make an outright sale of all public corporations through private placement, tender or arrangement by which corporation or high net worth individuals are invited for the purchase of the business as a growing concern and the price is negotiated.

The government should make public sale of all public enterprises through the issuance of shares of the business at a predetermined price for public purchase through the capital market.

Leasing method could be adopted by which government negotiates terms with prospective operators of public corporations for short renewable periods or long periods and hand over the business to the lessee to run without interference.

The government should create a favourable investment climate for both local and foreign investors as well as provide institutional arrangements and operational guidelines that would ensure sustenance of the gains of privatization and commercialization,

Conclusion

Any privatization exercise especially in a country like Nigeria with diverse and sometimes irreconcilable interests must have social, political and economic implications. Socially, the structure of Nigerian economy is composed of a few who are rich and a majority who are poor with the latter so unempowered that unless care is taken when the enterprises are sold to protect their interests, they may end up experiencing double jeopardy. The political ramifications may arise if no restriction is placed on method of sale and market forces are allowed to determine who gets what, lest some interest groups become marginalized. The economic repercussions may appear when the system becomes unable to absorb the new set-up or is incapable of generating the funds required to make the new operations usable.

However, the government must go the whole hog and do away with wasteful public enterprises like the NEPA, The Nigerian Airways, Nigerian Telecommunications Ltd. (NITEL) and the Railway Corporations. In today's world, government has no business in running any enterprise. If citizens of other lands could be allowed to run giant enterprises like Microsoft Corporation and General Motors, the government of Nigerian should not hinder Nigerians from going into any business.

Lastly, the current government decision to hold 40per cent of the equity shares of privatized enterprise calls for a rethink given the need to allow Nigerian professionals and administrators lo contribute meaningfully to the management of privatized enterprises.

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