

VISION AND MISSION OF PRIVATIZING PUBLIC SECTOR ENTERPRISES IN NIGERIA: PROBLEMS AND PROSPECTS IN THE 21ST CENTURY

Osaseri Godfrey

Abstract

This paper examined the problems that have consistently plagued the Nigerian economy since independence, examined the concept of privatization as a panacea to the Nigerian economic problems and a sine-qua-non for the economic transformation of the Nigerian economy from the inefficient centralized system to a more efficient and market economy that can launch the country into a footpath of rapid economic growth in the 21st century. This paper attempts to examine the problems which privatization is expected to address, objectives of privatization, government policy on privatization, argument for and against privatization and possible solution to some of the problems,

Introduction

The topic "Vision and Mission of Privatizing Public Sector Enterprises in Nigeria: Problems and Prospects in the 21st century" could not have come up at a more appropriate time, bearing in mind the fact that public sector enterprises have failed to provide the needed solution to our crippling economic problems. Scholars and researchers acknowledge that some form of reforms are needed to move the nation forward in the right direction.

In line with the view of Adefuye (2003) a major component of these reforms is privatization with an emphasis on transformation of the Nigerian economy from the inefficient centralized system to a more efficient and dynamic market economy.

Rasheed (2004) stated that to privatize means "to transfer from state control or ownership to private ownership"; and the purpose of privatization is to lay solid foundation that can launch the country into the footpath of rapid economic growth in the 21st century.

Presently in Nigeria, the Bureau of Public Enterprises (BPE) is making effort to privatize some companies or statutory corporations in which the Federal Government has controlling interest. Some of the companies already privatized are either private companies or public companies. We have companies like National Electric Power Authority (NEPA), Nigeria Telecommunications Limited (MITEL), Nigerian Ports Authority (NPA), Nigerian National Petroleum Corporation (NNPC) and host of other private and public limited Companies in the area of air transportation, Vehicle Assembly Plants, Oil Palm Companies, Sugar Companies, Paper Mills and Fertilizer Plants etc are already scheduled for privatization. Others like Benue Cement Limited have been privatized etc (Daily Independent, 2004).

This paper attempts to examine the problems which privatization is expected to address, objectives of privatization, government policy on privatization, argument for and against privatization and possible solutions to some of the problems.

The Problem

Since independence, most African Countries including Nigeria have been bedeviled with the problem of poor domestic macroeconomic management. In the 1980s,, this internal problem was exacerbated by unfavourable external factors leading to an acute economic crisis on the continent characterized by persistent inflation, high unemployment, stagnation, rising fiscal deficit, mounting balance of payment deficit and escalating external debts (Iyoha, 1998).

In an attempt to deal with this crippling economic crisis, the Federal Government of Nigeria introduced the IMF or World Bank inspired Structural Adjustment Programme (SAP) in 1986.

According to Anyanwu (1993), one of the major players in the objectives of SAP is privatization of public sector. Structural Adjustment Programme was designed to restructure the economy for self-reliance and to put it on the path of sustainable development. It was a well thought out vision whose spirit is the reformation of the economy for better performance.

Today everybody acknowledge that some forms of reform are inevitable if the nation is ever to move forward. Visionary leaders are of the opinion that privatization is a sine-qua-non for this

reform, since the public sector has failed to provide the needed solution to the economic problem (Vanguard, 2005). It is important to note that most public sector enterprises are characterized by inefficiency, unproductiveness and unnecessary waste of resources due to inept management and other factors resulting in stagnation and depletion of the entire economy. It therefore becomes necessary that the Federal Government should embark on privatization of the public sector enterprises to move the nation's economy forward.

According to the Privatization and Commercialization Decree of 1988, privatization is the relinquishment of part or all of the equity and other interest held by the Federal Government or its agency in enterprises whether wholly or partly owned by the Federal Government.

From the definition above it is clear that privatization is the transfer of ownership and management of government owned enterprises and parastatals to the status of private ownership and management to make them more efficient and productive.

It is simply a change in ownership and management of public enterprises into private ownership and management by selling up completely all government shares and interests in those companies to core-investors and the general public through the Nigerian Stock Exchange market.

Anyanwu (1993) stated that, "the private sector is that part of economy not under direct government control. It entails all production that is in private hands".

Government Policy on Privatization

The Federal Government in July 1988 promulgated the Privatization and Commercialization Decree No.25 of 1988 as the legal framework for implementing its privatization and commercialization policy embodied in S.A.P. The Decree established the Technical Committee on Privatization and Commercialization (TCPC) which was inaugurated on 27th July 1988 and vested with the responsibility of implementing the programme. The functions of T.C.P.C. among others were to:

- (a) Advise on the capital restructuring needs of enterprises to be privatized,
- (b) Carry out all activities required for the successful public issue of shares of the enterprises to be privatized.
- (c) Approach through the appointed Issuing Houses, the Securities and Exchange Commission for a fair price for each issue.
- (d) Advise the Federal Government after consultation with the Securities and Exchange Commission and the Nigerian Stock Exchange on the allotment pattern for the sale of shares of the enterprises concerned in accordance with section 7 of the Decree.
- (e) Oversee the actual sale of Shares of the enterprises concerned by Issuing Houses in accordance with guidelines approved by the government.
- (f) Submit to the government from time to time, for the purpose of approving proposals on the sale of government shares in such designated enterprises with a view to ensuring a fair price and even spread in the ownership of the shares.
- (g) Ensure The Success Of The Privatization Exercise.

The enterprises affected by the Decree No. 25 of 1988 are spelt out in schedule 1, 25 enterprises are for partial privatization and 49 enterprises are for full privatization. (Anyanwu 1993).

In carrying out the above functions, the following objectives were earned in mind:

Objectives of Privatization

(a) Reduction of Public Waste

Through the privatization programme, government hopes to drastically reduce public sector waste when most of these enterprises are sold off. The enormous amount of money and other resources that go into these companies as yearly subventions and capital grants will then be diverted to other profitable sectors of the economy, like education, security, defence, infrastructural development among others.

(b) Attraction of Foreign Investments

The privatization programme will undoubtedly attract foreign investments and new technologies into the economy.

(c) Integration of the National Economy into the World Economy Coalition

The programme will bring rapid integration of the national economy into the world economy coalition as it will be fully deregulated to participate in the globalization of the world economy.

(d) Enhancement of Efficiency and Productivity among Competing Firms

Privatization will guarantee complete independence of these companies and hence make them more competitive and productive in their operations.

Arguments for Privatization

- (a) It is argued that economic efficiency results from privatization. Public enterprises are said to be inefficient because their services are offered at minimum cost and operate without a profit motive and accountability.
- (b) The second argument for privatization is that of equity, that is, the private market system will create a distribution of goods and services that closely reflects the market distribution of private income and wealth.
- (c) The other argument borders on ideology to its proponents, public provision interferes with the individual's freedom to choose while the taxation necessary to fund public provision is also seen as coercive.
- (d) It is also believed that privatization will reduce the burden on the dwindling resources of the government.
- (e) Privatization will result in better rewarding system, organization and management through incentives, communication, consultation, collective bargaining and creativity.
- (f) It will help reduce government regulation of the economy making room for greater deregulation and operation of market forces.
- (g) It will increase liberty and increase private initiatives in privatized industries thus enhancing competition.
- (h) It is also argued that privatization will help restructure the Nigerian economy, reallocate public fund to efficient users, create a self-sustaining culture, attract foreign investors, while goods and services will reflect real values.

Other arguments include a shift from consumptionist to productionist objective, motivations of the workforce and instilling of work ethics and greater discipline (Anyanwu, 1993).

Arguments Against Privatization

- (a) It is believed that government intervention influences the distribution of income and wealth in a desired fashion especially in the provision of such goods and services as education, health etc. In these instances, private provision may not only be inequitable but may also be subject to economic inefficiencies.
- (b) Privatization is undesirable because it would enthrone the pursuit of private (or selfish) interest.
- (c) Unemployment will aggravate following consequent retrenchment.
- (d) It is a threat to the commanding heights of the economy since most of these activities will now be in private hands.
- (e) It will result in concentration of wealth in a few rich hands hence widening the income gap between the rich and the poor. (Anyanwu, 1993).

Problems of Privatization in Nigeria

The privatization processes will no doubt create some problems. According to Rasheed (2004):

- (a) "It is clear from recent happenings that some of the companies already privatized or those to be privatized are owing huge sums of money and unable to settle their creditors — The investors who take over a privatized company may not be aware of the indebtedness of such company to its creditors".
- (b) "There is the fear that some elite groups or geographical section of the country will corner or hijack the sale of the companies to be privatized** (Anyanwu, 1993).
- (c) There is the serious problem of what will be the fate of those to be rendered unemployed as a fallout of privatization.
- (d) There is also the problem of how best to utilize the revenue generated from privatization exercise.

Recommendations

- a. In spite of the initial teething problems of privatization, this article is recommending privatization. This is because privatization is the hub around which the wheel of technological and economic advancement revolves.
- b. As a way of solving the problem of indebtedness, the accounts of enterprises to be privatized should first be audited, and once a company is unable to pay its creditors and there is no way by which the company can be revived, it is better for such a company to be wound up than transfer it to an unsuspecting investor thereby creating further problems for business environment.
- c. The Bureau of Public Enterprises (B.P.E) the agency charged with privatization should ensure that adequate provisions are made for workers who will be displaced as a result of the privatization exercise.
- d. The B. P. E. should understand that every product for sale needs to be properly packaged in order to attract the right buyer and also sell at the right price.
- e. The B.P.E. must prepare a business case on any enterprise to be privatized to contain sufficient information that a prospective buyer would need to make an informed initial decision. Such information should outline the strength, weakness, opportunities and threats of such enterprises as most business executives hate to make decision in a vacuum (Vanguard, 2005).

Conclusion

Attempt have been made to examine the topic "Vision and Mission of Privatizing Public Sector Enterprises in Nigeria: Problems and Prospects in the 21st Century". Arguments for and against privatization were discussed in this article, government policy on privatization were considered, some problems were identified and recommendations made.

Research studies and scholarly opinions however indicate that privatization is capable of moving the nation's economy forward in the right direction if properly implemented.

However caution must be exercised by all concerned to ensure that the objectives behind the decision to privatize are met. It would not be proper to attempt to solve problems by creating more problems in the process.

The overriding consideration must be the need to have a vibrant business environment in Nigeria.

References

- Adefuye, A. (2003). Leadership and Human Resource Management in Nigeria. *Journal of the Institute of Personnel Management in Nigeria*. Vol. III No. 1 Pp.\2. Anyanwu, J. C.(1993J. *Monetary Economics. Theory, Policy and Institutions*. Hybrid Publisher Ltd. Pp. 248-256.
- Daily Independent (2004). January 19. Pp. 9.
- Iyoha, (1998). *Macroeconomics for a Developing World*. Miyo Educational Publisher. Pp. 234. • Longman, (1995). *Dictionary of Contemporary English*, (Third Edition) Pp. 913 & 1597. Rasheed, I. (2004). Company Law & Practice. *Modern Practice Journal of Finance & Investment Law*. Vol.8, No. 1-2 Pp. 30-41. Vanguard (2005). January 27 & February 2. Pp. 31 - 33.