

IMPLEMENTATION ISSUES IN- PRIVATIZATION IN NIGERIA: PROBLEMS AND PROSPECTS

Ukpai U, Igwe

Abstract

This paper treats the implementation issues in privatization in Nigeria. It employs descriptive method in examining the problems and prospects of the policy, with particular reference to Nigerian Educational System. It not only concludes that privatization policy holds better future for Nigerian Educational System but also recommends the way forward.

Introduction

These activities witnessed recently in this country seemed to mean that many things including privatization policy are being repositioned for top gear advanced development not only in education implementation. It may not be an over emphasis if we relate the involvement of government in_-business ownership as another colonial influence on the developing countries. In the words of: Kayode (1987:16), the Western World and in particular Britain, privatization has a very strong political/ideological undertone aimed at strengthening the belief in capitalism and to widen the" support for it. This objective is being advanced through the creation of large number of shareholders, mostly with small holdings. It is the belief that capitalism can be portrayed as an economic system" that can benefit everyone by emphasizing sale to the masses. According to Kayode, the profit making' enterprises are the first candidates for the numerous small shareholders. The spread of shareholding has become so wide in Britain and the estimate of the shareholders as at July 1987 was put at 384 million or almost 20% of the adult population, as well as so much in other developed countries. It has been observed that privatization responses are in real sense a restriction to the world made growth of government particularly, the three decades coinciding roughly with the period from 1960 to 1990. According to Kayode, indeed, some would see the growth as revolutionary, particularly in the developing countries. In that sense, Mexico's state owned enterprises grew from about 150 at the beginning of 1960s to not less than 400 by 1980; and Brazil's. parastatals grew from 150 in the 1960s to over 600 in 1980; while in Nigeria government ownership grew from 110 in 1983 to 600 up to 1990. This expansion of ownership in the public sector, trying political undertakings and many other social vices and economic problems in the developing world made it imperative that government should let go her ownership of enterprises and concentrate only on governance. However, there may be other reasons for privatization outside the economic reasons.

To Ezenma (2004:3), over the last three decades, statutory corporations and state owned companies have become increasing tool of public intervention in the development process. Their primary purpose is to stimulate and accelerate defects in economic development under conditions of capital security and structural defects in private business organizations. Another basic consideration came from the danger of leaving vital sectors or the national economy to the whims of the private sectors often under the direct and remote control of foreign large scale concubines. .This led to the nationalization of enterprises in 1972/74, which made for government's induced mass transfer of economic organization from foreigners to national (government) with the purpose of exerting influence on them. Another reason for government involvement in business is security and ventures that are risky or need huge capital outlay as well as to provide social welfare and protect the weak in a free market involving equity.

However, the paper considers implementation issues in privatization in Nigeria: problems and prospects in the following sub-headings:

- Problems of the public enterprises in Nigeria
- Historical development of privatization in Nigeria
- Meaning of privatization
- Objectives of privatization

- Implementation issues in privatization in Nigeria - problems and prospects.

Problems of the Public Enterprises in Nigeria

According to Kayode (1987:16), the 1970s witnessed rapid growth of public enterprises in Nigeria. With the determination to occupy the commanding heights of the economy, the government efforts were directed at acquiring and controlling on behalf of the Nigerian society, the greater proportion of the productive assets of the country. It is the general belief of most Nigerians that most public enterprises are inefficient and unproductive as their performances testify.

A survey of this situation by critics shows that several factors are responsible. Anugwom (2003:1), enumerated such factors as corruption and lack of integrity; unstable management and boards; power struggle within the public enterprises; the technological factor; poor capitalization/under utilization of Assets; improper location of such enterprises; wrongful civil service culture and mentality; and indiscipline among the citizenry. There is also the problem of management and ownership interest reconciliation.

Historical Development of Privatization in Nigeria

The need for privatization varies from country to country and certainly from the developed economies to the developing ones. The motive however, may range from political to economic or both. Kayode (1987:16) stated that governments everywhere are searching for new ways of mobilizing resources and for ways to use more effectively the resources available. However, to call back how privatization developed in Nigeria is not a task unsearchable as records abound to do that.

To President Babangida (1987:20) the Nigeria's battered economy has so persisted then, despite the fact that between 1979 and 1982, Nigeria earned a total sum of N44.77 billion from export. Continuing, the president added that the situation was aggravated by the difficulties encountered in refinancing about N2 billion insured trade arrears as our foreign creditors then had insisted on Nigeria's adoption of an IMF adjustment programme as a pre-condition for the refinancing. According to Ukpai (1987:10) the difficulties illustrated by the above pictures pushed the Nigerian economy out of gear and led the authorities to accelerate the negotiations which had earlier on begun with IMF, the World Bank and other international financial institutions and Nigeria's foreign creditors. These moves however, could yield no dividend as the IMF Loan was rejected. Adding, Ukpai noted that in order to turn around the Nigerian economy from its decline to the path of growth and development, the Federal Government put together Structural Adjustment Programme (SAP) early in 1986, According to Ogwuma (1987:17), the main pillars of the SAP consist of the , following macro-economic policies among others - redefinition of the role of government in a manner suitable to Nigeria's circumstances and the availability of public sector manpower and financial resources, culminating in the drastic reduction in the extent of public sector ownership and management in key sectors of the economy, popularly known as 'Privatization'. Therefore, privatization came on board from the need to evolve new ways of relating to public enterprises by government in line with the World/IMF recommendations of deregulation.

Meaning of Privatization: Decree' 25 of 1988 defines' privatization in section 14 as "the relinquishment of part or all of the equity and other interest held by the Federal Military Government or its agencies in enterprises whether wholly or partly owned by Federal Government". According to Ezenma (2004:3), privatization is defined as "the transfer of ownership by government or its investment in ordinary shares to private individuals and corporate bodies. Ukpai (1987:11) defined privatization as the redefinition of the role of government in a manner suitable to Nigeria's circumstances and the availability of public sector manpower and financial resources culminating in the drastic reduction in the extent of public sector ownership-end management in key sectors of the economy. It is part of a process of structural adjustment.

Objectives of Privatization in Nigeria

According to Ezenma (2004:4), the objectives of the Technical Committee on Privatization and Commercialization (TCPC) are stated as:

Restructuring/rationalizing the public sector in order to lessen dominance of unproductive investment in the sector.

Re-orientate public enterprises for privatization and commercialization, to a new horizon of

performance improvements, viability and over all efficiency;
 Checking the present absolute dependence on the treasury for funding by otherwise commercially oriented parastatals and so encourages their approach to the capital market
 The TCPC will achieve¹ the above objectives by public offer of shares of some of these public enterprises through the Nigeria Stock Exchange; and in others, sale of assets and yet other through private placement of shares due to the smallness of the enterprise.

Implementation Issues in Privatization in Nigeria - Problems

- (1) Lack of capacity to implement the policy, as the implementers (public office holders/politicians) are corruption and cultism ridden.
 - (2) Too much delay in execution of the policy - 17 years after the TCPC Decree in 1988 the concluding part of privatization is not yet in sight
 - (3) The policy is politically manipulated where it is not hijacked
 - (4) The policy is not implemented without corruption such as diversion of public objectives; under-value of assets of the enterprises being privatized for personal gains, etc.
 - (5) Sacrificing public objectives for personal enrichment
- Political instability has hampered the policy implementation - four heads of state after the promulgation of the Decree 25 of 1988 to date. It is noteworthy that the above problems have delayed the benefits realizable from full implementation of the policy of privatization.

Implementation Issues in Privatization in Nigeria- Prospects

According to Ezenma (2004:5), the deregulation accompanying Privatization provides opportunities for new capital formation and stimulates new productive investments and education. The positive aspects of privatization on the economy as stated by Kayode (1987:6) include:

- Public sale of shares, giving enterprises access to the capital market to finance their operations; and shares of quoted companies become marketable securities in the hands of the shareholders, which in turn could be used as collateral to raise funds for industrial technological and educational development of the economy.
- Higher productivity improves GDP, which creates opportunities for employment and generally increase the standard of living of the people. Nigeria becomes sanitized and free from official corruption and mismanagement.
- Shareholding gives right of participation in decision making of an enterprise and therefore, a say in the economic management of the nation.
- Government will be able to raise considerable financial resources from the dormant enterprises for improvement in education and support for other productive investments. The programme of privatization will greatly minimize the scope of political patronage in form of Board appointments.
- Government will derive more revenue through taxation of profits of the privatized companies, which can be invested into other areas of the economy including education. By reducing the reliance of public enterprises on government treasury.

Recommendations

To fully achieve the objectives of privatization and reflect in the national development[^], the following should be done:

- (i) **The Anti-Corruption Crusade:** The Anti-corruption Crusade should be pursued without fear or favour, under the provisions of the law.
- (ii) **Labour problem:** Government should solve the problems of labour once and for all so as not to frustrate the effort of government in implementing privatization and other nation building policies,
- (iii) **The Role of Experts/Professionals:** Experts/professionals should be engaged in all matters of privatization instead of politicians/political friends.

- (iv) **Judicious use of Benefits/Resources:** Benefits/resources due from the gradual divestiture should be subsequently tailored to areas of needs like education, agriculture, steel, etc.
- (v) **Publicize Modalities for Transparency:** The modalities for the proposed exercise should be made public to encourage transparency and public opinion assessment.

Conclusion

It is important to note here that there exist no economy without problems and there is also no policy without one or more adjustments to make, for it to achieve its goals. What is important is the ability of the operators of such an economy to adjust fast from the knowledge got from implementing the thrusts of the policy aimed at providing solutions to the problems identified. The implementers of this policy may have asked themselves such questions as to identify the problems of public enterprises in Nigeria before now: what has history for us from these countries that had privatized? What objectives are we to achieve? What benefits does the nation, Nigeria stand to gain? How can we identify and remedy the problems arising from implementing the policy? Finally, the answers to the above questions and the adjustments there from, will help to reposition privatization in Nigeria. Additionally, the above suggested recommendations will equally address the challenges confronting implementing privatization and education in Nigeria and when privatization is properly implemented, there will be a guaranteed quicker, easier and full repositioning of education in Nigeria.

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