PRIVATISATION OF NIGERIAN PUBLIC ENTERPRISES: ITS PRACTICAL CHALLENGES AS A REFORMULATED POLICY OF THE FOURTH REPUBLIC

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There is no doubt in the fact that the privatisation of public (or state Owned) Enterprises is a current worldwide approach to economic transformation, one which Nigeria has adopted. However its overall success remains in doubt because of several challenges. This paper investigates the practical challenges affecting the success of the programme in Nigeria. These include lack of political will at the highest level; the difficulty in attracting genuine foreign investors; and inheritances by ways of large labour force, salary arrears, unfunded pension liabilities and cross, bank and non-bank debts. Others include corruption that is already a household word, lack of clear competition and anti-trust policy in Nigeria; the possibility in achieving the distributional goal; the emergence of the concept of “core investor”; and lastly the need to balance the expectations from the enterprises with the social expectations. The paper concludes by offering a number of recommendations to enable the programme achieve more concrete benefits to Nigerians

INTRODUCTION

In most of the developing countries of the third world, the involvement of governments in the planning and execution of social and economic policies is almost inevitable. Governments’ involvement in the economy in less developed countries of Africa has even become more relevant given the absence of viable indigenous entrepreneurial class especially shortly after independence and also the threat posed to their entire economic and political structures by neo-colonialism. Shortly after independence, it became clear to most African countries that neither the public service they inherited nor the few scattered private enterprises controlled by the alien investors could produce goods and services that would satisfy the aspiration of the then newly independent people. Besides, the desire of most African governments to control the strategic areas of their economy has made them to adopt policies that play down the orthodox laissez-faire economic doctrines which essentially restrict governments to their traditional role of maintaining law and order. Perhaps, this is why the Keynesian theoretical position was adopted by most of these African countries, Nigeria inclusive. In essence, the theory believes that Public Enterprises, otherwise

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known as State Owned Enterprises (SOEs), were needed to provide social services and to propel the vehicle of socio-economic development.

Admittedly, the role of public enterprises in Nigeria has not yet been properly grasped. This, perhaps, is largely due to a mix-bag of paradoxes, illusions, misgivings and misrepresentation about them. The confusion culminating in the strong campaign for their privatisation create the strong impression that these bodies have not had any substantial positive impact on the Nigerian economy. The ambiguities and contradictions in the advocacy of government intervention in the economy, notwithstanding, SOEs are clearly meant to build and strengthen free enterprises. Until recently, the dominant view was that developing countries, regardless of their ideological disposition, need to make fairly extensive use of public enterprises at least to get things going (Hansen, 1958). This contention also lends credence to Ajakaiye (1988) when he said that regardless of their level of development, developing countries need to make extensive use of SOEs at least to get things done. In the same vein Hemming and Mansoor (1988) viewed it as the interventionist development policy of the 1960s when the public sector was seen as a major contributor to economic growth.

With increasing faith in the SOEs approach to development in Nigeria and in most African countries, governments exceeded their traditional role of providing public goods, and services (utilities) (gas, water and electricity, transportation and communication). In general, economic theory recognises public ownership as a response to the failure of private markets to secure efficient and equitable outcomes as well as a host of economic and social objectives.

In the opinion of Obadan (2000), the case for public ownership has often been made on many grounds among which are:

(1) the persistence of monopoly power in many sectors, meaning that certain market have the tendency to move towards monopoly power, especially when technological factors imply that only one producer, a natural monopoly can fully exploit available economies of scale particularly in services requiring heavy investment in a network as in electricity grid. In this circumstances, direct government control may be required to ensure that prices are not set above the cost of producing the output (Todaro, 1989);

(2) freedom of government to pursue objectives relating to social equity which the competitive market would ignore, notable among which are, employment and easy access to essential goods and services;

(3) capital formation was a condition at the early stages of development when private savings were very low. Investment in infrastructure at this stage was crucial to lay the groundwork for further investment.

(4) lack of private incentives to engage in prospective economic ventures due to factors of uncertainty about the size of local markets, unreliable sources of supply and inadequate or absence of technology and skilled labour;

(5) certain goods that are of high social benefits are usually provided free or at
a price below their cost and the private sector has no incentives to produce such goods hence the government must be responsible for their privision;  
(6) the government may seek to achieve redistribution by locating enterprises in certain sectors (areas) especially where private initiatives are low; and 
(7) ideological motivation and the desire of some governments to gain national control over strategic sectors or over multi-national corporations whose interests may not coincide with those of the African countries or over key sectors for planning purposes (Todaro 1989).

**NIGERIAN PUBLIC ENTERPRISES**

In Nigeria, statutory corporations and State-Owned Enterprises, after independence in 1960, became an increasing tool of government intervention in the development process especially from the early 1970s. The Nigerian Second National Development Plan, 1970-7 (page 75) lends support to the above assertion when it says:

Their primary purpose is to stimulate and accelerate national economic development under condition of capital scarcity and structural defects in private business organizations. There are also basic considerations arising from the dangers of leaving vital sectors of the national economy to the whims of the private sector often under the direct and remote controls of foreign large-scale industrial combines.

In effect, the SOEs or Public Enterprises in Nigeria have played crucial roles in the Nigeria’s quest for national economic independence and self-reliance. So, most of the SOEs established then were to operate as a “quasi-commercial” organizations due to the following reasons:-

(1) the normal bureaucratic machine did not lend itself to the speedy decisions essential for commercial operations; 
(2) the government system of account was designed to facilitate close expenditure control by the legislature and not necessarily to promote operational efficiency; 
(3) commercial undertakings tend to generate an atmosphere of initiatives which bureaucratic rigidity may not allow, 
(4) it was necessary to minimise political pressures and partisan influence in some sensitive social institutions (e.g Nigerian Television Authority), in order to sustain public confidence in their policies and programmes; and 
(5) it is very doubtful whether private enterprises can sustain the magnitude of investment as in Ports Authority, Railways etc., which may not satisfy the canons of private profitability.

Arising from the above, the philosophy has been that, in the absence of high cadre traditional entrepreneurs needed to propel economic development, the public sector was to be used as the effective instrument of government intervention in the economy. Furthermore Adamolekun (1983) justified the establishment of Public Enterprises in Nigeria on the grounds of attainment of economic objectives. He said

To achieve economic objectives, it is obvious that governments in the Nigerian polity must assume the role of en-
entrepreneurs. Post-independence governments in African States have articulated economic objectives that assign more or less critical economic roles to the states.

Furthermore, in an attempt to legalise the establishment of the SOEs as a vehicle of economic and social development, the Nigeria government constitutionally enunciated unambiguously the state policy on socio-economic development in section 16 (1) of 1979 and 1999 constitutions respectively. It states:

The state shall, within the context of the ideals and objectives for which provisions are made in this constitution:

(a) harness the resources of the nation and promote national prosperity and an efficient, dynamic and self-reliant economy.
(b) control the national economy in such manner as to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice and equality of states and opportunity; and
(c) without prejudice to its right to operate or participate in areas of the economy other than the major sectors of the economy, manage and operate the major sectors of the economy.

The Performance of the State-Owned Enterprises in Nigeria

The actual performance of most of the SOEs in Nigeria have left much to be desired. Many of them were not responsive to the changing requirements of a growing and dynamic economy and do not seem to possess the necessary tools for translating into reality the hope of successful commercial operations. Perhaps this charge can be explained on the ground that the objectives of establishing them are at variance with expectation of the polity. An enterprise whose purpose is to meet social needs cannot be expected to serve profitable commercial end. A number of tribunals and commissions of enquiry, many of which were facts finding, have documented the difficulties and alleged inefficiencies of Nigerian SOEs.

In exceptional cases, some SOEs have performed and still performing well in terms of being run well, profitable and efficient. In general however they have performed below expectation and this is traceable to many factors. Paul (1985) and Samuel (1999) noted that SOEs are bedeviled by the following problems:

(i) economic in-efficiency in the production of goods and services by the public sector, with high cost of production, inability to innovate and unnecessary delays in delivery of the goods produced;
(ii) ineffectiveness in the provision of goods and services such as failure to meet intended objectives and diversions of benefits to elite groups.
(iii) rapid expansion of the bureaucracy, severely straining the public budget with huge deficit of public enterprises becoming massive drain on government resources and poor financial performance of SOE, reflecting a history of huge financial losses, over staffing and burden or excessive debt.

In Nigeria, like some other developing countries such as Korea, Bulgaria, Guinea Bissau and Niger Republic, SOEs have
been criticised for being economically inefficient and wasteful of resources. They make significant demands on government resources as well as domestic and foreign credits. Unfortunately the demands have been associated with low profitability and inefficiency while most of them failed to show a profit. Operating on a deficit, SOEs have proved to be a massive drain on government resources through transfers and subsidies. Thus, in most African countries, SOEs had steadily consumed a large share of public resources without corresponding beneficial results either in terms of physical output supply that match local demands.

In the light of the above, it is pertinent to grope for fundamental issues militating against the SOE performance in Nigeria. Could it be a hostile environment? Or faulty internal structure or lack of (or inadequate) technical expertise? Or could it be that it is culture of the Nigeria workers more so when similar organizations work efficiently and effectively somewhere else in the globe? This calls for a theoretical explanation of organisational behaviour.

**Theoretical Framework**

The theoretical explanation which this paper attempts to explain is the malfunctioning of the SOEs in Nigeria and its place on the concept of organisational climate. The concept of organisational climate is derived from the work of Lewin (1951) who perceived the importance of environmental impact in determining organisational behaviour. In the same vein, Taguiri (1968) in defining this term, states that:

“Organisational climate is a relatively enduring quality of internal environment of an organization that (a) is experienced by its members; (b) influences their behaviour; and (c) can be described in terms of the values of a particular set of characteristics of the organization.

Perhaps, this organizational influence also informed Olowu (1983) when he states that the constellation of environmental factors determines to a large extent the structure and functioning of a system. In line with the concept of organisational climate, the erudite scholars of Public Administration also recognise the need for an ecological approach to the study of Public Administration. Indeed, Weber’s typology of authority – administrative system draws heavily upon the influence of the environment on the character of public administrative system.

It should be noted that dynamism and complexity characterise the environment of most organizations (SOEs) in Nigeria and this is being illustrated by the studies of the relationship between organization’s external environment and its structure conducted by Emery and Trist (1965). They identified four types of environments. Thus:

(a) Placid, randomized environment;
(b) Placid, clustered environment;
(c) Disturbed, reactive environment; and
(d) Turbulent environment.

However, the concern of this paper seems to fall within the Turbulent environment where most Nigerian public enterprises operate. This environment is characterised by rapidly changing environment, with its political instability since 1966 in which the
military junta dominated the political terrain occasionally punctuated by a short civilian interregnum. Perhaps, the Nigeria Public Enterprises could have performed more effectively and efficiently by meeting their set objectives but for the hostile and turbulent environment where they operated for three decades.

However, notwithstanding the turbulent environment as partly explaining the inefficiency and ineffectiveness of the Nigerian SOEs, in line with the economic global trend, it is the opinion of the Nigerian policy makers that privatisation of these enterprises might bring, sanity of efficiency and effectiveness. However it is argued that notwithstanding the privatisation policy and its effects as long as the environment is hostile, privatisation policy may not bring margin of efficiency and effectiveness to the Nigerian SOEs. The paper will now consider the privatisation policy of the Nigerian SOE’s as reformulated under the fourth Republic and specifically its attendant practical challenges.

**PRIVATISATION PROGRAMME AND ITS ORIGIN**

The concept of privatisation is not new in the academic circle as it has been prominent in international economic and political circles since the 1970s. It crept into the Nigerian economic and political scene between mid and late 1980s. The subject has been defined in many ways by Nigerian scholars, but highlighting almost the same theme. Obadan and Kayode shall serve as guide for this work. According to Obadan (2000:14), privatisation is an economic policy which in a narrow perspective entails the transfer through the sale of public assets or enterprises to the private sector. It is an instrument for realising productive and allocative efficiency and higher economic growth. In the case of Kayode (1987:11), privatisation is defined as the process by which government equity interest or ownership in business enterprise is transferred, in whole or in part, to private investors. This restricts privatisation to “offer for sale” of share. From the same source, a broad concept of privatisation is given as the general reassignment of property right from the state to the individual, contracting out the delivery of public services to the private sector or cut back in state activities to allow greater room for private initiatives.

Privatisation is either full or partial. Full privatisation refers to “divestment by the government of all its ordinary shareholding in the designated (public) enterprises”. Partial privatisation on the other hand means “divestment by the government of part of its ordinary shareholding in the designated enterprises (Obadan; Ibid: 16).

Privatisation can take different forms which include: sale of shares, sales of assets, management or employee buy-outs, equity dilution, Joint ventures, liquidation, management contract, Lease, concession, transfer, and Building-Operate-Transfer (BOT) to mention a few.

Many reasons have been advanced for embarking on the programme, which Mukandala (1998:30) has summarised to be a solution to a state that had become too big in terms of its functions, too heavy in terms of its cost, and very ineffective in
terms of its performance, and all these at the expense of the private sector. Theoretically, privatisation is favoured for efficiency reasons (see Wellenius, et al 1989 and Ambrose, et al 1990); maximisation of government revenues; developing domestic capital markets; and lastly expansion of foreign investment. These apart, many other countries, Nigeria inclusive, embarked on the exercise in abiding by the directives of both the World Bank and the International Monetary Fund (IMF).

Before tracing the history of privatisation in Nigeria, it is of importance to touch the privatisation process as gathered from the BPE and presented in the box below:

The beginning of the privatisation of SOEs in the history of Nigeria was marked by the promulgation of the Commercialisation and Privatisation Decree No 25 of 1988 under the General Ibrahim Babangida regime. The major focus then was on Commercialisation and restructuring of the Public Enterprises. According to Obadan (Ibid: 49), the Decree aimed at:

- lessening the dominance of unproductive investment in the Public Enterprises (PEs) sector;
- reorientating PEs towards performance improvement, viability and overall efficiency;
- checking PEs’ absolute dependence on the treasury for funding; and
- disposing of PEs providing goods and services that the private sector can best provide.

The Technical Committee on Privatisation and Commercialisation (TCPC) was then charged with the management of the programme. This first-round privatisation programme was run between 1988 and 1993.

The passing into law, by the present democratic government of the Public Enterprises (Privatisation & Commercialisation) Act No 28 of May 1999 also marked a new phase in the programme. The new introductions included movement away from commercialization, emphasis on appointment of world-class advisers, the emergence of core investors, focus on encouragement of foreign investment, recognition of the importance of sector reforms and new institutional arrangements, to mention a few. The new institutional arrangements include the inauguration of the National Council on Privatisation (NCP), under the chairmanship of the Vice President, acting as the policy-making body in the course of implementing the privatisation programme. In the secretariat of the NCP is the Bureau of Public Enterprises (BPE), formerly TCPC, charged with the implementation of the Council’s policies on privatisation. That is, the BPE provides secretariat support to

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<th>Privatization Process</th>
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<tr>
<td>• Appointment of professional advisers—Financial, Legal, Technical, Valuation, PR, Accounting as required</td>
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<td>• Technical, Financial and Legal Due Diligence</td>
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<td>• Advertising of Company for partial sale of bloc of shares to qualified strategic/core investors.</td>
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<td>• Issue of Information Memorandum and Bidding Documents to prospective, pre-qualified core investors</td>
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<td>• Technical pre-qualification</td>
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<td>• Public opening of financial bids</td>
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*Source:* BPE, Abuja
the Council (NCP, 2000: 51).

The broad goal of the new privatisation programme under the present democratic government is to make the private sector the leading engine of growth of the Nigerian economy. The government intends to use the privatisation programme to reintegrate Nigeria back into the global economy, as a platform to attract foreign direct investment in an open, fair and transparent manner. The specific objectives are:

i. to send a clear message to the local and international communities that a new transparent Nigeria is now open for business;

ii. to restructure and rationalise 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 such 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 commercial 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; and

viii. to create jobs, acquire new knowledge, skills and technology, and expose Nigeria to international competition. (NCP, 2000:63-64).

The implementation has been divided into phases and the implementation status are as presented in the boxes provided overleaf:
Implementation Status

Phase I: Dec. 99 – Dec 01
- Banks, Oil Marketing, Cement – Target $ 150m
- All advisers local, core investors mostly foreign
- Now completed, $200m transferred to Treasury

Source: BPE, Abuja (July 2002)

Phase I Enterprises

- Enterprises involved in the cement production, petroleum marketing and banking sectors with already active participation from the private sector.
- FGN pre-scale equity holding typically under 45% (with the exception of NOLCHEM: 80%)
- Shares of Phase I Enterprises already listed and actively traded on the floor of the Nigerian Stock Exchange (NSE) prior to sale
- Phase I Enterprises: NAL Merchant Bank, IMB, Unipetrol, FSB, AshakaCem, AP, CCNN, NOLCHEM, WAPCO, BCC, NigerCem.
- Most enterprises sold typically through a combination of core investor and public offer sale; banks sold only by public offer
- Typically between 30-60% of equity in enterprise offered to core investors; rest offered to the general public and staff of the enterprises.

Source: BPE, Abuja (July 2002)

PHASE I Performance (Core Investors)

- Transparent and Internationally recognized selection process to ensure that only qualified core investor groups emerge successful.
- 3 enterprises sold to world-class foreign core investor groups: WAPCO and AshakaCem (Blue Circle Industries of the UK); CCNN (Scamcem of Norway)
- 4 enterprises sold to indigenous firms: Unipetrol (Ocean & Oil) Nolchem (Conpetrol), AP (Saliq Petroleum) and BCC (Dangote) Industries Ltd.
- Higher share prices across the board indicate confidence investors and the markets have placed in the abilities of the successful core investor groups.

Source: BPE, Abuja (July 2002)

IMPLEMENTATION STATUS (Phase II)

Phase IIa: July 00 – June 02
- Selected Banks, Insurance, Hotels, Media Companies, Transport and Aviation, NITEL
- "Diagnostic reviews" of Steel, Oil Palm, Fertilizer, Sugar, Paper Companies, Airports and Seaports
- Core Investors sales only, (about 51%) to be followed by IPO at a later date.

Phase IIb: Jan 02- June 03
- NIPOST, Mining and Solid Minerals; Tourism Sites, Stadia
- Remaining diagnostic review enterprises
- Core Investors sales only, (about 51%) to be followed by IPO at a later date

Source: BPE, Abuja (July, 2002)

IMPLEMENTATION STATUS (Phase III)

Phase III: Jan 02-Dec 03
- Power, Petrochemical Refineries and monopoly sector enterprises.
- Core Investors sales only, (about 51%) to be followed by IPO at a later date.
- IPO for other Hotels, Vehicle Assembly, Sugar, Paper, Steel, Media, Insurance companies for which strategic sales were made in Phase II.
- First tranche of cross-border IPOs will cover some of the suitable Phase II and Phase III enterprises.

Source: BPE, Abuja (July, 2002)
The time table for the sector reforms is also as given below:

### POWER SECTOR REFORM PROGRAMME

**The timetable for electric sector reform**

- Electric Power Policy Statement
- Legal/Regulatory Adviser
- Restructuring Adviser
- Unbundling of NEPA
- Power Sector Reform Act
- Privatization Adviser
- Privatization of Distribution Entities

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### PORTS CONCESSIONING PLAN

**The timetable for ports sub-sector reform**

- Ports Sub-Sector Diagnostic Review
- National Transport Sector Policy
- Ports Reform-Legal/Regulatory Adviser
- Draft Ports Reform Bill
- Ports Restructuring Adviser
- Ports Regulatory Commission
- Licensing of Greenfield Ports Operators
- Ports Privatization Adviser
- Diagnostic Concessioning of Port Operations

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### OIL AND GAS SECTOR REFORMS

**The timetable for downstream oil and gas sector reform**

- Downstream Oil & Gas Sector Diagnostic Review
- Downstream Deregulation Policy
- Oil & Gas Legal/Regulation Adviser
- Downstream Deregulation Reform Bill
- Petroleum Regulatory Commission
- Refineries/Petrochemicals Privatization Adviser
- Pipelines/Gas Company/Other Downstream
- Privatization of Downstream Subsidiaries

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To date, the implementation has resulted in the divestment of government holdings in some companies. These include NAL Merchant Bank Plc, IMB Plc; Unipetrol Plc, West African Portland Cement Plc., African Petroleum Plc, Benue Cement Company Plc., Negerdock Plc, Festac “77 Hotels, and Assurance Bank Plc. (Kekere-Ekun, 2002:78).

**The Challenges Arising from the Programme**

The objectives of the privatisation programme have been well stated by the present democratic government, as given above. In achieving the objectives, practical challenges are being envisaged because the program entails more than what many of us think it does. This is more so that the
present democratic government is blessed with self-centered political office holders, especially at the national level where the implementation is being coordinated.

The first challenge that a successful privatisation will have to contend with is its dependence on political will at the highest level. In other words, the success of privatization programme depends on the political leadership. The recent developments at the national level have shown that she is blessed with non-committed leaders, a situation which cannot ensure a successful privatisation programme. This is more so that transparency is of utmost importance in the privatization process. These may be impossible in a situation where political will is absent. The resultant effect of this is unbridled interference in the process for personal gains, inadequate monitoring of the programme especially as it affects bidding procedure, bids evaluation, and a lot more.

The second problem to contend with is how to attract genuine foreign investors. As stated emphatically in the NCP’s Privatisation Handbook (2000:63), the government intends to use the privatisation programme to re integrate Nigeria back into the global economy, as a platform to attract foreign direct investment in an open, fair and transparent manner. There is no doubt that it will improve Nigeria’s foreign exchange earnings. What readily comes to mind is whether the political and economic uncertainties being experienced in Nigeria can encourage the prospective foreign investors. Apart from this, such an invitation of foreign investors is being seen among the scholars as the second round of colonisation. The concern here is more in monopolistic industries like power, energy, water, telecommunications, etc. In this area, the stakes are higher, foreign investment issues more sensitive, and regulatory questions more salient (Kikeri, et.al, 1994:258).

Another problem is how to deal with the labour problems. Pre-privatisation exercise, employment in public enterprises is seen as employment in the mainstream of the civil service. Problem arises when privatised and the new owner could not reach agreement with the labour unions on the employee – employer relationship. This is often the case as the public remuneration is normally structured as “Social Safety Net” (SSN) and not based on productivity. More importantly, the new owners often inherit a large work force that most of the time calling for downsizing on purchase. Apart from the fact that, for those who are laid-off as a result of privatisation, the impact is often enormous on their social status, the unemployment market becomes saturated. Due to this fear of loss of job, and the attendant social effects, organised labour unions may do everything possible to prevent the sale of the major enterprises. The fear is not only in the loss of job but also in the fate of the retired workers as the design of SSN scheme for such people may end up in the pages of the dailies. These summed together caused the recent warning strike embarked upon the Oil workers in expressing their rejection of the move to privatise the Nigerian National Petroleum Company (NNPC) and its subsidiaries. The workers of some other major sectors like, energy/power and Tele-
communication have been threatening same in the dailies.

Closely related to this is the problem of salary arrears as well as the unfunded pension liabilities that can mar the implementation of the programme. Most of the enterprises are owing months of pension arrears. According to BPE (2002), the NITEL have unfunded liabilities of N43 billion while NEPA alone had about N50 billion. That of Nigerian Railway Corporation is far from these. The question is, how do we attract investors in this situation? Where this is possible, of what negative effect will it be on the valuation/pricing of such an enterprise? It will be unfair to the masses selling public properties to either a handful number of local caricature capitalists or foreign investors at give away prices because of the pending liabilities.

Cross, bank and non-bank debts crisis is yet another challenge that may not allow for a successful privatisation programme in Nigeria. By Cross-Debts, the BPE means the debts being owed other Public Enterprises by such public enterprises slated for privatisation as well as those owed the Federal Government, in form of both foreign and local loans by the enterprises. As gathered from the BPE, the debt under the first category is estimated to be N300 billion while those under the second category (owing the federal government) are estimated to be over 15 billion dollars (foreign loans) and N300 billion (local loans). Naturally, this is a problem that must be addressed before effective sale can be possible as any prospective buyer will always settle for a liability that is reduced to the bearest minimum. Although the NCP is midwifing in this by first reconciling such debts, the fact of the matter is that the Council may not be able to profer acceptable solution. This is so because if at the end of the day the debts are confirmed, will the Council approach the government to assist in settling the debts at this period when government itself is all out to reduce the burden on its annual budgets? In the alternative, will the interest of the masses be protected in the face of selling such enterprises at give away prices due to their liabilities?

Corruption is already a household word in Nigeria. It is usually described as a cankerworm that has eaten deep into the fabric of our society. According to Uneze (2002), corruption deepens inequalities and has been described as a crime against humanity, which rides roughshod on guaranteed constitutional rights and turns the rule of law to a rule of individuals pursuing their own self-interest. That is the exact situation in Nigeria. Under this condition, how can an effective privatization programme be assured? This is more so that, due process and transparency must be the watchwords to be able to enjoy public confidence. According to CockFort (1994:92), privatisation corruption amongst the divesting authority is likely to lead to:

(i) the sale of companies to less competent bidders;
(ii) a reduction in the total finance available for investment after the purchase (in view of the inflated purchase price);
(iii) a net reduction in potential total flows of investment for privatisation as investors’ perception of the process deteriorates.
Others, as listed by the BPE, are bid rigging, evaluation of assets, contract irregularities and violations of the BPE’s procurement guidelines, collusion between consultants or bidders to cheat BPE, fraudulent bids, fraud in contract performance, bribery and acceptance of gratuities, false statements or returns to BPE, theft and embezzlement, and so on. As can be gathered from the list, corruption in the process of privatisation goes beyond monetary fraud. It also goes beyond the privatisation process, but includes the effective utilization of the proceeds therefrom. In an ideal society, such proceeds are better used for reinvestments, for retiring outstanding debts, for improving government’s fiscal deficit, and lastly for financing tax cuts or expenditure increases as recommended by many scholars. Can the proceeds be so wisely spent and the leakages into private purses blocked if only for the sole aim of enjoying continuous public support for the programme?

The BPE’s identified challenge that can also mar effective privatisation programme is lack of clear competition and anti-trust policy in Nigeria. According to BPE, private monopoly and collusive practices by profiteers are greater evils than public monopolies, calling for legislative intervention.

Also worthy of mention is the problem of lopsidedness in class and geo-political shareholding distribution. By class, we mean the income groups in Nigeria, with the larger percentage living below the poverty line. What is the hope of such people, salary earners inclusive, in benefiting from the privatisation programme due to their inaccessibility to adequate funds and credits? This is despite the fact that these are the people normally claimed to be the owners of such enterprises. The second part of this point relates to the concern about the geopolitical spread of shareholding in the enterprises. This is more delicate because Nigeria is composed of over 400 ethnic groups with three dominant ones. A situation where the outcome of privatisation exercise shows that a section of the country dominates the shareholding pattern may breed disaffection and untold crisis may ensue. This is not avoidable in Nigeria since a section of the country has been dominating the political scene since independence with much alleged ill-gotten wealths in the course of governance. With the present situation and economic condition, it is sensible to conclude that the privatisation programme is meant for the past and present serving politicians, and in many cases military officers, leaving the poor salary earners and others below the line at the mercy of these politicians and military officers for life if public firms can be sold.

The emergence of the concept of Core Group/Strategic Investors is also something of concern to all. It is a new development fashioned out by the BPE under the Obasanjo regime and which has been surrounded by controversies, especially in its selection of the so-called core investors’. As defined by BPE, Core Investors are those who possess the experience and the capacities for turning the fortune of companies around. This group normally injects
funds into the business with a view to making it profitable in addition to the possession of the technical and managerial know-how to effectively manage the enterprises in which they invest. The sale to core investor is designed in such a way that he (or it) buys the controlling shares of the enterprise, usually 51% with the remaining shares sold to the general public and the workers of the enterprise, the BPE added. The choice of Core investors by the BPE has been attacked on many grounds, especially as lacking transparency, more so that the distributional or geopolitical spread goals will be undermined. Examples of the enterprises for which core-investors have been appointed and generated controversies are: Benue Cement Company (BCC) sold to Dangote Industries Limited (DIL), African Petroleum (AP) and National Oil and Chemical Company (NOLCHEM) sold to Sadiq Nigeria Limited and Conpetro (Linked to Petroleum India) respectively. This problem has to be addressed if we want to assure the public a transparent privatisation programme. The selection of Core investors is said to be a political tool to win political opponents as it was interpreted when DIL emerged the core investor in BCC.

Lastly, there is need for government to realise the fact that it must not be blindfolded by the reason of inefficiency on the part of the enterprises. There is need for it to realise the social role of the enterprises by subjecting their final buyers to legislations that will regulate their operations with the sole aim of protecting the poor masses. This is one of the reasons why many Nigerians are being sceptical about the programme. This has been expressed in many instances. Sani (2001;18) for instance said “only God will save Nigerians the very day we wake up and find our water boards, NEPA, road and communication systems in the hands of our local businessmen”. What will be the fate of the poor Nigerians after privatising the core sectors?

CONCLUDING REMARKS

As can be gathered from the discussions so far, it is obvious that privatisation is more complex than what we thought it was. Theoretically, at least from the point of view of its advocates, privatisation is inevitable and fully on track in Nigeria. Even if only to be in line with the worldwide approach to economic transformation, we will have no other choice than to support the advocates of the programme. Despite this, we have successfully raised some issues, tagged practical challenges, in the course of this work that must be addressed before a successful privatisation exercise can be assured. This is necessary especially due to peculiar situation of Nigeria. The peculiarity is in the fact that many programmes that have yielded positive results in other countries should not be taken for granted in Nigeria.

However, the following guidelines are being suggested so that the programme can bring forth benefits:

- Unalloyed political will and commitment, especially at the highest level, are necessary so as to be able to monitor and coordinate the programme effectively.
- There is need for political and economic stability, if only to attract genuine foreign investors;
• To solve the labour problems, there is the need to design and implement the conceived Social Safety Net Scheme effectively. This will even be a positive signal to the workers of the other companies already slated for privatisation, and thereby reducing their opposition to the programme;

• Transparency, accountability and due process must be well observed when implementing the programme. There is need for the BPE to improve on its anti-corruption strategies so as to be able to reduce the menace to zero-tolerance level. It will not even be too much outlawing by way of legislation any act that will not guarantee a successful implementation of the programme. This will be more specific rather than relying on Companies and Allied Matters Act (CAMA) and the Investment and Securities Act (ISA);

• There is need for fairness in class and geo-political shareholding distribution. This will build public confidence in the programme. The poor masses and the minority groups wallowing in abject poverty will feel more assured;

• The much celebrated Share Loan Scheme must be made a reality. For instance, the five billion Naira (N5billion) “Share Purchase Fund” planned to be disbursed as announced two years ago (The Guardian, October 27, 2000 p. 17) has not seen the light of the day. Let alone general doubt about its workability, nothing concrete has been heard also about the NCP’s approved ten billion Naira (N10 billion) Share Loan scheme billed to be implemented by 24 selected banks;

• The distributional or geopolitical spread goal must be of utmost importance in selecting core group/strategic investors if the invention is to remain relevant in Nigerian political system;

• Post-privatisation, there is need for continuous protection of the public interest. This can take the form of legislation to regulate the operations of the investors. What the fate of the poor class will be after privatisation has always been a source of worry to Nigerians;

• It is also desirable to put in place a mechanism to reduce the risk of foreign domination. This can be done by reserving a “golden share” for Nigerian core investors;

• Effectiveness in the exercise must not terminate with the transfer of ownership to private hands but must also include effective and wise use of the privatisation proceeds;

• All declared and confirmed debts summed together may be converted to equity for the creditors. This is otherwise known as Debt-equity swap, Debt securitisation or simply Debt Conversion Programme (DCP). This will assist the BPE in sourcing investors for companies that are of huge liabilities. The government may then decide to sell its own portion of the equity arising from the credit it has with the companies. This has been tested in Brazil, Chile, Turkey and Phillipines. Any hidden debt detected after privatisation should be treated as an offence punishable under the legislation suggested in point no 4 above as well as under CAMA and ISA. The Officer and the
Audit firm (consultant) implicated in the concealment must bear the brunt of the law;

- As per the salary arrears and unfunded pension liabilities, the suggestion here will be in two folds. First, the salary arrears and unfunded pension liabilities pre-privatisation must be converted to equity for the workers. Apart from the fact that the problem of inability to pay is solved, it gives the workers the sense of belonging in the enterprise. Second, there is need to open an office in the ministry of Labour and productivity to be saddled with the responsibility of paying subsequent pensions of the concerned former workers of the privatised enterprises and to be funded from public budget like the normal pensions. The transfer of the payment must be with effect from the day the sale is effectively made;

- Lastly, there is need for adequate communication and public enlightenment. This will be a way of correcting the bad impression being conceived by the public about the programme.

REFERENCES


Sani, Shehu. 2001 “Dangers of Capitalism” in *Sunday Punch*, July 8, p. 18

