PRIVATISATION AND COMMERCIALISATION IN NIGERIA

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Introduction

Today, we are witness to sweeping changes that are taking place in the economies of both developed and developing countries. These changes relate to efforts to move away from government ownership, control or participation in the economy towards free enterprise and increased operation of market forces. On the whole, the changes are making for a reduction in the role of government in the economy, with a corresponding expansion in private sector ownership, control and participation. We are thus observers of the evolution of a New World Economic Order which is characterised by the liberalisation or deregulation of economic activities, with the aim of achieving efficiency and effectiveness in resource allocation and utilisation. The economic reforms of the New World Economic Order are being implemented in more than 70 countries around the world, including the USSR, China, Vietnam and Eastern Europe countries where such reforms were virtually unthinkable less than a decade ago.

The Development of the Public Sector and Public Enterprise Reform in Nigeria

Since independence in 1960 (and especially during the 1970s), Nigeria, like most developing countries, developed a particularly large parastatal sector. The parastatal sector is composed of such economic activities as banking and insurance; oil prospecting, exploration, refining and marketing; cement, paper and steel mills; hotels and tourism; sugar estates; etc. A survey undertaken by the Technical Committee on Privatisation and Commercialisation (TCPC) shows that there are nearly 600 public enterprises at the federal (national) level alone, and an estimated 900 at the state (regional) and local government levels. The estimated 1,500 public enterprises in Nigeria account for between 30 and 40 per cent of fixed capital investments and the same proportion of formal sector employment. Table 1 gives the summary of the Federal Government's investments as of 30 November, 1990. These investments were valued at over N.36 billion at their historical book values. The returns from these investments had never exceeded two per cent per annum, which is less than 25 per cent of the annual subventions from the government to the public enterprise sector.

While the boom in the world market for oil and petroleum products lasted, no one complained about the wastes and inefficiencies of the public enterprise sector in Nigeria. In fact, a lot more public enterprises of questionable commercial financial viability were established. It was the fall in the world market for oil, and the economic recessions which began in the early 1980s that seriously focused attention on the problems of public enterprises. The report of a Study Group on Public Enterprises revealed that they were infested with problems such as:

•misuse of monopoly powers;

•defective capital structure, resulting in heavy dependence on the Government Treasury;

•bureaucratic red tape in their relations with supervising ministries;

•mis-management, corruption and nepotism.

Privatisation and Commercialisation in Nigeria

As government could no longer continue to support the monumental waste and inefficiency of the public enterprise sector, the programme of privatisation and commercialisation was developed to address the peculiar socio-economic and political conditions in Nigeria, being part of the Structural Adjustment Programme. The legal framework for the Nigerian programme is the Privatisation and Commercialisation Decree No. 25 of 1988, and the implementation agency is the Technical Committee on Privatisation and Commercialisation – an eleven-member body drawn from both the public and private sectors. It was vested with wide powers to monitor and supervise the implementation of the programme. The full functions of the Technical Committee are to:

•advise on the capital restructuring needs of enterprises to be privatised or commercialised under this Decree in order to ensure a good reception in the Stock Exchange Market for those to be privatised, as well as to facilitate good management and independent access to the capital market;

•carry out all activities required for the successful public issues of shares of the enterprises to be privatised including the appointment of issuing houses, stockbrokers, solicitors, trustees, accountants and other experts to the issues;

•approach, through the appointed issuing houses, the Securities and Exchange Commission for a fair price for each issue;

- advise the Federal Military Government, after consultation with the Securities and Exchange Commission and the Nigeria Stock Exchange, on the allotment pattern for the sale of the shares of the enterprises concerned in accordance with Section 7 of this Decree;

- oversee the actual sale of shares of the enterprises concerned by the issuing houses in accordance with the guidelines approved by the Federal Military Government;

- submit to the Federal Military Government from time to time, for the purpose of approval, proposals on 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;

- ensure the success of the privatisation and commercialisation exercise taking into account the need for balanced and meaningful participation by Nigerians and foreign interests in accordance with the relevant laws of Nigeria;

- ensure the updating of the accounts of all commercialised enterprises with a view to assuring financial discipline;

- perform such other functions as may be assigned to it from time to time, by the President, Commander-in-Chief of the Armed Forces;

- advise the mode of disposal of an enterprise viewed by the Technical Committee as being unsuitable for disposal by the public issue of shares;

- seek and obtain the prior approval of the Federal Military Government for the price of any share issue in respect of any designated enterprise and the pattern of its allotment.

Objectives of the Privatisation and Commercialisation Programme

The objectives of the privatisation and commercialisation programme are:

(i) to restructure and rationalise the public sector in order to lessen the dominance of unproductive investments in that sector;

(ii) to encourage share ownership by Nigerians in productive investment hitherto owned wholly or partially by the Government, and in the process to broaden the Nigeria Capital Market;

(iii) to re-orientate the enterprises for privatisation and commercialisation towards a new horizon of performance improvement, viability and overall efficiency;

(iv)to ensure positive returns on public sector investments in commercialised enterprises;

(v)to check the present absolute dependence of commercially oriented parastatals on the Treasury for funding and to encourage their approach to the Nigerian Capital Market;

(vi)to initiate the process of gradual cession to the private sector of such public enterprises that by the nature of their operations and other socio-economic factors are best performed by the private sector;

(vii) to create a favourable investment climate for both local and foreign investors;

(viii) to provide institutional arrangements and operational guidelines that will ensure that the gains of privatisation and commercialisation are sustained in the future.

Distinction between Privatisation and Commercialisation

The term "privatisation", narrowly defined, means the transfer of government-owned shareholding in designated enterprises to private shareholders, comprising individuals and corporate bodies. Broadly defined, privatisation is an umbrella term to describe a variety of policies which encourage competition and emphasise the role of market forces in place of statutory restrictions and monopoly powers.

The first definition relates to programmes of privatisation without structural adjustment, such as has been the case in most developed countries, e.g. U.K., France, etc. The second definition relates to a programme of privatisation as an integral part of a Structural Adjustment Programme, such as we have in Nigeria.

Commercialisation, on the other hand, can be defined as the re-organisation of enterprises, wholly and partially owned by the Government, in which such commercialised enterprises shall operate as profit-making commercial ventures without subvention from the Government. The main thrust of the Nigerian commercialisation programme has been to:

•provide enhanced operational autonomy at enterprise level;

•evolve a more results-oriented and accountable management, based on performance contracts;

•strengthen financial/accounting controls at the enterprise level;

•upgrade the management information system of the affected enterprises;

•ensure financial solvency of the public enterprises through effective cost recovery, cost control and prudent financial management;

•remove bureaucratic bottlenecks and political interference through clear role definitions between the supervising ministry, the board of directors and the management of public enterprises.

A critical component of the commercialisation programme, the performance contract is designed to govern the relationship between the government and the commercialised enterprise. Under it, the Board and management of the enterprises will guarantee the attainment of certain levels of financial and operational performance in return for enhanced operational autonomy. The system is intended to:

•help in giving a positive orientation and ensure that affected enterprises can efficiently fulfil their role in the national economy;

•identify a number of performance and efficiency indices which the affected enterprises should, as a minimum, achieve annually;

•provide an independent monitoring process through the TCPC (or its successor) whereby the actual performance by both parties of their obligations under the agreement can be effectively monitored and evaluated.

Privatisation in Nigeria

Two types of privatisation are implemented by TCPC; full and partial privitisation. Enterprises to be fully privatised are those which are already incorporated and which produce goods, and those which are more "private" (consumptive) than "public" (essential) in nature. Such enterprises must show strong evidence of historical or future profits. Enterprises to be fully privatised would be owned 100 per cent by the private sector, i.e. by institutional, individual or core group investors, or a combination of such. Management decisions affecting the enterprises would derive from policy decisions reached by the boards constituted by the new owners. Government, having divested its entire equity holding, would have no hand in the running of the enterprises or in the decision-making affecting the enterprises, except in the provision of the general infrastructural and legal framework and the maintenance of a political and economic environment conducive to the operation of business. The fully privatised enterprises would be expected to source their funds from the capital market, from additional equity contributions or from reserves. Above all, they would be expected to pay reasonable dividends to the shareholders.

Enterprises to be partially privatised are those which the government consider strategic because of the greater "public" nature of their goods. Government would still exercise some influence over those industries to the extent of its representation on the board. It is hoped that under the new regime of privatisation, managers would be made accountable to the Board, even where government had substantial interest. Ministerial control, as was the case in the past, would be chased out, as boards would be expected to operate autonomously. Partially privatised enterprises would be expected to operate like the fully privatised enterprises in terms of accountability, management, profit motivation, expansion, and diversification of production.

Commercialisation in Nigeria

Enterprises to be commercialised would also be expected to be better managed and to make profit. However, unlike those to be privatised, no divestiture is involved, although it is hoped that commercialisation, except perhaps in the case of utilities. It is important to distinguish between fully commercialised enterprises from those to be partially commercialised. A fully commercialised enterprise would be expected to be self-sufficient in both its recurrent as well as its capital expenditure needs. All the eleven enterprises slate for full commercialisation under the Decree (with the possible exception of the Nigerian Coal Corporation) are capable of independent existence. Where their normal operations could not generate the level of resources needed for capital development, they should be capable of raising such funds from the Capital Market on the basis of the quality of their balance sheets.

Enterprises to be partially commercialised would be expected to operate like the fully commercialised ones in terms of better management and profit orientation, but because of the "public" nature of the goods or services provided by those enterprises, and in order to keep the prices of their products or services as low as possible for the public goods, government would still provide financial grants for the capital projects of the partially commercialised enterprise. The enterprise would, however, be expected to earn enough revenue to cover their operating costs. In some cases, subventions could be allowed on a time-bound programme of withdrawal.

In both full and partial commercialisation, affected enterprises will enjoy considerable operational autonomy and, in accordance with the Decree, will have the power to operate on a strict commercial basis and, subject to the regulatory powers of government, be able to:

•fix rates, prices, and charges for the goods and services provided;

•capitalise assets;

•borrow money and issue debenture stocks; and

•sue and be sued in their corporate name.

The Scope of Nigeria's Privatisation and Commercialisation Programme

Government investment in Nigeria cut across all sectors of the national economy. The current privatisation exercise touches practically every industry at federal level, except defence. In all, a total of 110 enterprises will be privatised (either partially or wholly) with another 35 to be either partially or wholly commercialised as follows:

PRIVATISATION

SECTOR	NO. OF COMPANIES	TYPE
Development Banks	4	Partial Privatisation
Commercial & Merchant Banks	12	
Oil Marketing Companies	3	" "

Steel Rolling Mills	3	" "
Air & Sea Travels	2	" "
Fertilizer Companies	2	" "
Motor Vehicle Assembly Plants	6	" "
Paper Mills	3	" "
Sugar Companies	3	" "
Cement Companies	5	" "
Hotels and Tourism	3	Full Privatisation
Textile Companies	3	" "
Transportation Companies	4	" "
Food and Beverages Companies	6	" "
Agric. & Livestock Production	18	" "
Salt Companies	2	" "
Wood & Furniture Companies	2	" "
Insurance Companies	14	" "
Film Production Distribution	2	" "
Flour Milling	1	" "
Cattle Ranches	2	" "
Construction & Engineering Coy.	4	" "
Dairy Companies	2	" "
Others	4	" "
TOTAL NUMBER OF AFFECTED ENTERPRISES	110	

COMMERCIALISATION

SECTOR NO. OF TYPE
COMPANIES
River Basin Development Authorities 1Partial
Commercialisation
Nigerian Railway Corporation 1 ""
Nigerian Airport Authority 1 ""
National Electricity Power Authority 1 ""
Nigerian Security Printing and
Minting Company Limited 1""
National Provident Fund 1 ""
Ajoakuta Steel Company Limited 1 ""
Delta Steel Company Limited 1 " "
Nigeria Machine Tools limited 1 ""
Federal Housing Authority 1 ""
Kainji Lake National Park 1 ""
Federal Radio Corporation 1 ""
Nigeria Television Authority 1 ""
News Agency of Nigeria 1 ""
Nigeria National Petroleum Corporation 1""
Full Commercialisation
Nigeria Telecommunications Limited (NITEL) 1 ""
Associated Ores Mining Company Ltd 1 ""
Nigeria Mining Corporation 1 ""
Nigeria Coal Corporation 1 ""
National Insurance Corporation of
Nigeria (NICON) 1 ""
Nigeria Re-Insurance Corporation 1 ""
National Properties Limited 1 ""
Tafawa Balewa Square Management Com'te 1 ""
Nigerian Ports Authority 1 ""
African Re-Insurance Corporation 1 ""
TOTAL NUMBER OF ENTERPRISES TO
BE COMMERCIALISED35

The Secretariat of the TCPC

From the very beginning, the Technical Committee on Privatisation and Commercialisation (TCPC) recognised the need to establish a secretariat outside the civil service in order to ensure the correct and speedy implementation of the gargantuan task before it. This decision was informed by the belief that:

(a)the type of manpower needed to implement this programme does not exist in the civil service;

(b)the conditions of service necessary to attract, recruit and retain such manpower must be closer to those existing in the banking and finance industry than those in civil service.

As a measure of the commitment of the political authority to the programme, the request by the TCPC was granted and the secretariat officially took off on 1 January 1989. It is manned by professionally qualified personnel specially recruited directly by the TCPC, or borrowed on secondment from the banking system and academia.

Implementation Arrangements

In order to accelerate the process of implementation of the Privatisation and Commercialisation Programme, the Technical Committee decided to adopt a multiple approach as follows:

- the use of sub-committees comprising knowledgeable individuals in society, selected on their personal merits, to undertake diagnostic studies of affected enterprises covering technical, financial, organisational and management aspects;

- the appointment of Technical Advisory Groups (TAGs) consisting of reputable financial institutions to lead expert teams in undertaking similar diagnostic studies;

- the appointment of Financial Advisers (FAs), usually merchant banks or accounting firms, with demonstrated experience and reputations, to prepare detailed briefs on capital restructuring of affected enterprises;

- the assignment of professional staff in the TCPC Secretariat to undertake diagnostic work on simple cases of privatisation and commercialisation and to prepare information memoranda for the consideration of the TCPC;

- the appointment of other professionals, such as issuing houses, estate valuers and legal practitioners to deal with different aspects of programme implementation.

The sub-committee approach was used for most cases of commercialisation and a few cases of privatisation, especially where the enterprise was of strategic importance and multi-faceted. The approach enabled the Technical Committee to achieve the twin objectives of tapping the best human resources that Nigeria could offer and facilitating the widest participation of Nigerians in the implementation of the programme. What was more gratifying was that the appointees to the sub-committee demonstrated considerable enthusiasm and devotion to their assigned tasks.

The TAG and FA approaches were used for most cases of privatisation and for a few cases of commercialisation where the affected enterprises were very well organised. The rationale for the TAG and FA approach is manifold. First, it will increase timely execution of the privatisation exercise by vesting responsibility in capital restructuring of affected enterprises in merchant banks (lead consultant). Second, it will reduce the workload of the technical committee by minimising the co-ordination of the work of separate consultants. Third, the approach will also help to encourage the development of the financial services market in Nigeria.

In all cases, the TCPC developed guidelines to ensure uniformity and comprehensiveness in the work of the sub-committee, the TAGs and the FAs. Once the work of the sub-committees, the TAGs and FAs was completed, the stage was set for implementation of their various recommendations.

In the process, to date some 600 highly qualified Nigerians and 190 professionals advisers (chartered accountants, solicitors, estate valuers, engineers, stockbrokers, and issuing houses) have been involved in the implementation of the programme in one way or another. Indeed, we believe no other programme in our country has enjoyed such broad-based participation of highly qualified Nigerians. But what is more interesting is that all the professional advisers and individuals are Nigerian, because, as a deliberate policy, the TCPC had decided that the programme should be used for the training of local consultants.

Methods of Privatisation

In the area of privatisation, the TCPC has so far evolved five methods as follows:

(i) *Public offer for sale of shares* of affected enterprises through the Nigerian Stock Exchange. To date, we have floated the shares of over 30 public enterprises. More enterprises are expected to be floated before the end of the current programme.

(ii) *Private placement of shares* of affected enterprises. We resorted to this method of privatisation in cases where government holding is so small that it cannot force public offer of shares even where the enterprises fulfil the listing requirements of the Stock Exchange. To date, only one enterprise has been so treated.

(iii) The third method is the *sale of assets* where the affected enterprise cannot be sold either by public offer of shares or by private placement of shares. Such enterprises have a poor track record and a future outlook which is hopeless. To date, a total of twenty-seven enterprises have been so treated, including the eighteen dealt with by the Ministry of Agriculture before the TCPC was established.

(iv) *Management Buy Out (MBO).* Under this method, the entire, or substantial part, of the enterprise is sold to the workers. It is entirely up to them to organise and manage it. To date, we have privatised only one enterprise this way.

(v) *Deferred Public Offer.* This is the fifth method of privatisation developed. It occurs in enterprises which are viable, but if sold by shares the value to be realised will be out of tune with the value of the underlying assets of the enterprise. To date, some five enterprises have been privatised this way and another three are likely to be so treated.

Our choice of public offer for sale as the predominant method of privatisation was informed by the need for wider share ownership, and the desire to extend the frontiers and depth of the Nigerian Capital Market. We recognise that there are advantages and disadvantages of using the Stock Exchange as a medium of disposal of the shares, particularly in a developing economy like that of Nigeria.

The major disadvantages are:

- In a society with a high level of illiteracy, the cumbersome formalities of prospectuses, a multiplicity of professionals, and complicated application forms that are to be returned through the few, and sometimes unapproachable, banks and stockbrokers, can prove quite daunting, incomprehensible and therefore unattractive, not only to the illiterate, but also to a large section of the semi-literate population.

- There are also geo-political imbalances arising from unequal regional distribution of income, education and banking and stockbroking facilities. For example, out of the approximately 2,200 branches of banks and stockbroking companies in the country, as at 31 December 1988, nearly 300 branches were based in Lagos alone.

But the Stock Exchange medium also has numerous advantages, among which are the following:

•It enables us to reach a much larger audience, and provided a more objective allocative mechanism devoid of the rancorous suspicion of favouritism, more likely to occur in the sale of the shares under private placement.

•If properly published, it can create a large body of new shareholder class who have a vested interest in seeing that the enterprises are run profitably, and consequently higher accountability and a check on the management.

•It has deepened the Nigerian Stock Exchange and facilitated the development of Unit Trusts as a medium of investment for small holders, thereby creating democratic or popular capitalism.

•The Stock Exchange approach, when compared with asset-stripping or private placement, is much more creative, with the focus of all parties being to ensure that the enterprise is sold as a going concern.

The Journey So Far

In the three years since the implementation of the privatisation programme began, the Technical Committee on Privatisation (TCPC) has been able to complete privatisation work on 62 out of the 73 enterprises slated for full privatisation, and 22 out of the 25 enterprises slated for partial privatisation. On the commercialisation aspect of the programme, the number of public enterprises with whom Performance Agreements have been entered into stood at 22, as of mid-1992. So far, the exercise has generated (for the Government) over N1,6 billion as privatisation revenue, created over 600,000 new shareholders in the country, bridging both income and geo-political divides, radically changed the structure and depth of the Nigerian Capital Market and created awareness of the virtue of share ownership as a form of savings. The programme has relieved the Federal Government of what was the huge and growing burden of financing debts and deficits of public enterprises. It has improved the allocative efficiency of the national economy, and enhanced the volume of corporate taxes accruing to the national treasury.

Problems Encountered

The relative success achieved in the programme implementation so far is not without problems of which the major ones are:

Bottlenecks in the system

Considerable delays have been experienced in the processing of application forms resulting in frustration for applicants who expect to return monies from one issue to finance purchases in subsequent issues. We realised to our dismay that the Registrar's Offices were ill-equipped to process the unexpectedly large volume of applications received. Steps have been taken to remedy this shortcoming by using the receiving agents to pay return monies and insisting on adherence to the offer timetable by all parties concerned.

Geo-political spread

Imbalances in shareholder distribution, geo-politically, is another major problem. Efforts are being made to broaden publicity and public enlightenment so as to ensure levels of participation (increase) in the most retarded areas.

Access to credit

Access to credit for a large body of interested persons has proved an intractable problem. Although licensed banks were advised by the Central Bank of Nigeria to extend credit to all interested persons, for operational reasons, the banking system has not responded favourably. This problem has tended to dampen enthusiasm, particularly amongst the working class whose earnings are hardly sufficient to meet their normal needs, let alone have surplus to invest. One reason for the bank attitude is that the system has gone through rather traumatic changes in recent years, and perhaps once the banks overcome the problems posed by the changes, the situation may improve. Employers of labour have been advised to assist the employees with share purchase loans and the response has been most encouraging.

Institutional investors

A considerable part of the over-subscription experience in the offers for sale arose from the intervention for large institutional investors who saw in privatisation an opportunity to broaden their investment portfolios. With emphasis being given to the small individual investors, such institutional investors are unable to obtain the quantities they require. Special effort is being made to persuade such investors to have faith in the programme, until such time as the really large offers are made, when everyone's demand will eventually be satisfied.

The social-political problems

There are some people who are opposed to privatisation, just as they are opposed to the whole Structural Adjustment Programme, on ideological grounds. To them, privatisation and SAP are impositions of international capitalism. They often dismiss the explanation that Nigeria had been looking for solutions to the problem of public sector investors long before the IMF and World Bank came on the scene. They also generally do not see much merit in the argument that the Nigerian Privatisation

Programme is a home-grown solution, an imposition of the IMF and the World Bank. Since such views are more often than not deeply rooted in ideological opposition, it is not easy to dissuade those who express them, particularly as they are vocal and élitist. The primary argument for privatisation and commercialisation is, of course, that the efficiency and profitability of the investment will improve after the exercise. At the end of the day, it is the clear demonstration of such an improvement that will convince people who hold such views.

Antagonism by labour

A subset of the group who oppose privatisation on ideological grounds are those who believe that privatisation is anti-labour, as it will inevitably lead to massive retrenchment. The answer here is that this is not necessarily so. To the extent that the efficiency of the enterprise improves, the lot of labour will in fact improve. Moreover, the Nigerian TCPC Decree specifically provides that at least ten per cent of the shares being sold in each enterprise. But more significantly, with the exception of cases of outright liquidation, there have been no job losses.

Publicity and Public Enlightenment

The need for creating public awareness of the privatisation programme was recognised very early in the day. Such awareness is necessary not only to dispel certain misconceptions and fears about the programme but also to:

- explain, in as simple a way as possible, the technicalities of investment via the stock exchange, to a populace, the largest majority of whom are unfamiliar with such technicalities; and

- maintain the immense public interest generated by this intensely political as well as economic programme, by explaining the details to people in all corners of the country.

We identify the radio as the most effective medium of reaching the masses, although use was made of newspapers, television, seminars, conferences, workshops, etc.

Conclusion

The programme of privatisation and commercialisation is a major opportunity for the reform of Nigeria's ailing public enterprises and to prepare them to serve the needs of the Nigerian economy in the 21st century. Enterprise will be made more efficient, more accountable and more responsible to the needs of the clientele it is meant to be serving – the Nigerian public. The Nigerian private sector will also benefit tremendously in the creation of new investment opportunities and a better investment climate. A lot of new shareholders have been created and now have a say in the affairs of the organised private sector. The performance of the Nigerian Capital Market will be enhanced greatly, as well the growth potential of the Nigerian economy. But, what lessons are there for African and Third World countries undertaking similar programmes?

First, economic reform is indeed a global phenomenon. Similar kinds of market-oriented policies are appearing across a very diverse collection of countries. Second, the importance of adapting to the new conditions is unique. No two national economic reform programmes are identical. The pace and instruments of reform reflect basic political, social and economic differences between countries. Third, programmes of economic reforms require a judicious mix of technical, institutional and political innovations if they are to succeed. Fourth, the support of the highest political authority is an essential ingredient of success. Fifth, the process of reform is a long-term process and not one which can be done in one swoop.

Sixth, the most important challenge is to sustain the process. To this end, an implementation agency which has no vested interest in maintaining the status quo should be established, and its leader must have direct access to the highest political authority. The organisation and staff of the implementation agency must emphasise merit. Seventh, transparency should be a major element in privatisation programme. Each affected enterprise must be studied in great detail to ensure the maximum benefit in the divestiture. Eighth, conditions permitting, mass participation should be encouraged by public offers through the Stock Exchange, avoiding quiet selling. Ninth, the general public should be kept informed of what is happening at every stage in the implementation programme.

Our experience in Nigeria points to the fact that it is difficult, if not impossible, for the Government in a developing country to divest its interest in enterprises completely. In many African countries, the institutional infrastructures for viable divestiture do not exist. Furthermore, local capital with which to facilitate implementation of divestiture is not available. Therefore it would seem that the viable option for most African countries is to subject a substantial part of the public enterprise sector to reforms that will help them achieve management and productive efficiency. This should be a prelude to divestiture. The reform of public enterprise must emphasise less interference from government ministers with a corresponding high measure of autonomy for public enterprise are adequately capitalised, and especially that they have access to the financial market for working capital. It is necessary to provide adequate incentives to employees in order to stimulate higher productivity, and operational procedure such as pricing, recruitment, capital acquisition, etc. should be made to conform with those in the private sector.