prevent proper development of the miombo woodland resource management, and this will have disastrous effects on the agricultural development being sought.

In order to achieve a balance between agricultural development and environmental conservation, therefore, the following measures are recommended:

1) Increased afforestation efforts. As pointed out in the national agricutural policy, development of village woodlots must be part and parcel of any agricultural development programme. Tree–planting should be compulsory in all villages.
2) Provision of alternative sources of energy for curing tobacco. There is need to explore the possibility of using coal, from Ilima coal mine, for tobacco curing.
3) There is need for more careful planning and management of fuelwood reserves in the woodlands, coupled with a better utilization of woodfuel through use of energy saving barns. This would require a formulation and implementation of a fuelwood policy which takes into consideration aspects of cutting, utilization, regeneration, and woodland maintenance to protect the woodlands from unplanned exploitation.
4) An agricultural development strategy which includes a sustainaible tobacco sector is required, with planning and rational management of the woodlands and fuelwood plantations being an essential part of it. The incorporation of tree planting into the overall agricultural development programmes is a step forward towards achieving this.

If these measures are adopted, it is hoped that in the long run, a healthy ecological balance between the woodlands, the microclimate, the soils and agricultural production will be achieved and maintained.

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The Political Economy of Privatisation of Public Enterprises in Nigeria

*A.E. Davies**

Introduction

In any country, whether developed or developing, the involvement of the government in the planning and execution of economic policies is inevitable. Government involvement in the less developed countries of Africa becomes even more important given the absence of a viable indigenous enterpreneurial class, and the threat posed to their entire economic and political structures by neocolonialism.[1] Shortly after independence it became clear to most African countries that neither the public services they inherited nor the few scattered private enterprises, controlled or supported by alien investors, could produce goods and services that would satisfy the aspiration of the newly independent but impatient people. Besides, the desire of most African governments to control the strategic areas of their economy has made them adopt policies that play down the orthodox laissez faire ecomomic doctrine which essentially restricts governments to their traditional role of maintaining law and order.

The trend was the same in Nigeria after independence, where development planning process has been characterised by heavy government spending. The philosophy has been that in the absence of a high cadre of national enterpreneurs needed to propel economic development, the public sector had to be used as an effective instrument of intervention in the economy. The dimension of this intervention was in the development of infrastructure and social overheads that would in turn directly and indirectly encourage private investment and ownership of some enterprises.

However, there was nothing original in the Nigerian government policy of encouraging and inducing the private sector through public spending. The colonial administration had left a legacy of economic leadership compatible with the imperial policy of encouraging the private sector by giving incentives to alien investors in the country. The colonial government had also embarked upon "heavy" government spending aimed specifically at providing some infrastructures which nurtured capitalism.[2] Thus, at independence there were two sectors of the economy competing with each other. First, there was the public sector dominated by the government and its agencies, including the ownership of social services oriented corporations. Second, there was the private sector dominated by private corporate or individual economic activity. It is the public sector, particularly the public enterprises, which the Federal Military Government (FMG) intends to sell to private interest. The aim of this paper then is to discuss this privatisation policy of the Nigerian government. But first let us examine some underlying concepts.

Definitional Problem:Privatisation or Commercialisation

There seems to be some confusion in the usage of the terms "privatisation" and "commercialisation." In the confused debate on the issue of disinvestment, commentators use the two words interchangeably as if they mean the same thing.

By privatisation, we mean a policy of widespread or partial sale of publicly owned assets to local private interests. In order not to make the meaning of local private

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interests too restrictive, we would include foreign investors or firms which operate in Nigeria as subsidiaries of other parent enterprises located abroad. This is necessary because the private sector in Nigeria is still dominated by subsidiaries of mulfinational corporations (MNCs) opeating in concert with the small indigenous enterpreneurial class. In essence, whether the government diverts its interest in the public enterprise wholly or partially, there is definitely bound to be a shift in the ownership of public assets if privatisation is embarked upon.

Commercialisation on the other hand does not involve a transfer of ownership of public assets through sale to the private sector. In this case, the government still owns the enterprises or corporations but these enterprises are now to be run as commercial concerns. Such enterprises used to depend largely on government subvention for their operational costs and in most cases the per unit cost of their services were far above the price paid by the public. Once a policy of commercialisation is adopted it means that such enterprises would still be owned by the government, but their operations would be based strictly on making profit. Prices paid for services rendered would be determined by the market forces and not by the welfarist considerations.

The explanations above show in a nutshell the essential differences between the two approaches which the Federal and some state governments in Nigeria intend to adopt to put the Nigerian economy on course. True, the two approaches may appear promising to the Nigerian government which is determined to force public enterprises to improve their performance. Both may also be used to relieve the government of heavy financial burden by removing or reducing their financial dependence on the government. But the consequences of one differs markedly from the other. For one thing, commercialisation may merely mean increased cost to the consumer and increased unemployment becasue the workforce may hare to be reduced. This may not be too high a price to be paid. Infact, it could be easily defended if the quality of goods and services produced by these commercialised establishments can justify the cost to the public.

On the other hand, privatisation of public enterprises as a panacea to the economic ills of the country produces far more serious consequences than those implicit or explicit in commercialisation. Indeed, the issue of privatisation goes beyond increased prices and mass unemployment. It touches the very foundation of building a just and equitable society which all the Nigerian governments, from independence, have glibly claimed to aim at. Furthermore, privatisation of public enterprises will necessarily involve the transfer of public wealth, held in trust by the government on behalf of the people, to private interest. It is for these reasons that most people are now apprehensive of government policy on privatisation.

Establishment of Public Enterprises in Nigeria.

Governments have a veriety of motives and pressing needs which influenced their decision to establish public enterprises. In Nigeria, the motives of the government in establishing public enterprises are a mixed bag.

Immediately after independence in 1960 the Nigerian political leadership was very much aware of the danger posed to the Nigerian economy by the dearth of indigenous entrepreneurial class, financially strong and sufficiently patriotic to develop the economy. For this reason government intervention, by way of establishing parastatals to provide some essential goods and services for the people at very low cost,

became inevitable as the private sector was incapable of this. The services to be provided by some of these public parastatals had security implications, and therefore considered too dangerous to be left in private hands. Others were to provide fecilities considered as basic to any economic development. The cost of their establishment obviously was too prohibitive and few, if any private investor could be persuaded to go into them.

Additionally, the establishment of public enterprises had an ideological mix. Issues of ownership of property, i.e., to what extent individuals were to be permitted to own property, had never been in the agenda of the nationalist leaders during the struggle for independence. In fact all they had been concerned with was how to remove the monopoly enjoyed by European and Asian traders in Nigeria. But at independence, the debate on the redistribution of wealth and the need for the government to play a leading role in the economy of the country became much more pronounced.

In a policy statement in 1961, the Balewa government agreed with the view that government intervention in the economy was desirable, but that total nationalisation as demanded by the opposition party "of industries and commercial undertakings beyond the extent to which public utilities, shipping, Airways, Railways, Power, Communicatons and Marketing Boards are nationalised is not the best overall interests of Nigeria."[3] It can be seen that the Nigerian political leadership was not enthusiastic to introduce or adopt socialist mode of production and economic planning in the country. At the same time, however, the same leadership was not prepared to abandone the process of economic development in the country to the mercy of the private sector, dominated as it were, by foreign firms. This is because the government was well aware of the narrow interests of the private sector. The government was also conscious of the intense competition in which Nigerian businessmen and their foreign conterpart in the country were engaged, competition which in the end would leave the people poorer. Rather than leave the organisational management, direction, and control of the economy entirely in private hands, successive Nigerian governments have since established corporations and other forms of business concerns to be used as effective instrument of government participation in, and control of the economy.

Public enterprises are usually classified by such criteria as (1) form of organisation (corporate or noncorporate) (2) legal status (whether the entity is subject ot private or public law); (3) sectoral mode of operation (whether the entity is for credit and finance; commodity tranding and procurement, etc). Public enterprises in Nigeria, however. do not conform rigidly to the above fixations. Nigerian public enterprises can easily be grouped into five categories. In the first are public utilities enterprises, formerly under government departments but now established as autonomous entity. By giving autonomous status to them, such undertakings were freed from the control of the civil service. The Nigerian Electric Power Authority (NEPA); the Nigerian Port Authority (NPA); the Niger Dams Authority; The Nigerian Coal Corporation and the Nigerian Railways Corporation, are examples of this type of enterprises.

The secono category comprised development corporation established by both the Federal and state goverments to (1) undertake the projects for which individual initiative and private capital were not forthcoming; (2) undertake those types of activities for which the minimum economic unit and, therefore, the capital requirements were very large (housing authorites are the classical example). Under the third category were those enterprises established for national security. These included the Federal Radio Corporation of Nigeria (FRCN); Nigerian Television Authority (NTA); Nigerian Security Printing and Minting Company; Nigerian Telecommunications Ltd (NITEL) Nigerian Airways; and Nigerian National Shipping Lines. In the fourth category were those enterprises established for specific purposes such as providing loans to Nigerians (examples are the Nigerian Industrial Development Bank; Nigerian Bank for Commerce and Industry; Nigerian Agricultural Development Bank).[4] The last group are enterprises established for the procurement and delivery of some sundry goods and services (e.g. Nigeria Paper Mill, Nigeria sugar Company, Nigerian Food and Beverages Company, Nigeria Cement Company, National Freight Company (now disolved).

The above represents the strategy of the Nigerian government to promote economic development. The different public enterprises were designed to complement whatever trickles of benefits that emerged from the private sector into the economy. They were also to be used as more flexible instrument of development than the government department, which was subject to the full panoply of parliamentary and treasury control."[5] However, the objectives for which they were established could only be achieved if the zeal to establish the enterprises was matched with the zest of the public officials who ran these establishment to achieve result. However, this was not the case. Instead what one found in these enterprises was gross mismanagement as we will show presently.

Failure of the Public Enterprises

The performance of the public enterprises in Nigeria, like in most African countries, is unsettling. There have been persuasive arguments that the existing government enterprises at both the Federal and State levels in Nigeria have been badly managed and are in most cases grossly inefficient. Although the efficiency of any private commercial enterprise is usually measured only through its profit returns, that of the public enterprises should go beyond this profit criterion. Improved services to the entire community must be another criterion. More important where the enterprises are not social service-oriented, they have to justify huge goverment investment in them by at least, balanced budget; and if need be some small profit. Regretably this has not been so in Nigeria.

Indeed, from the 1960s every national economic planning has had to contend with the abysmal failure of public enterprises that re–organisation of one sort or the other has been suggested and carried out, albeit half heartedly. For example, in the Second Development Plan of 1970–1974, the government observed that "the actual performance of many of the public enterprises in Nigeria leaves much to be desired."[6] The evidence of this inefficiency is all glaring: series of tribunals and commissions of enquiry at both the Federal and State levels revealed gross abuse of office by those responsible of managing public enterprises. Embezzlement of funds in these enterprises reduced the financial solvency of most of them, and in order to salvage them government subvention and equity participation had to be unnecessarily increased. Apart from misappropriation of funds, one should also consider the poor attitude to work of the average Nigerian worker, an attitude that permeates the entire Nigerian public service and to some extent the private sector. Such attitude has led to the low level of productivity of the average Nigerian.

While one can excuse– to some extent the – low level of productivity on the grounds of technological backwardness of the country, and the low level of education of most Nigerian workers, the fact still remains that a lot of this low performance is attributable to the way the workers were recruited in the enterprises. From the available evidence and from the nature of partisan politics in Nigeria, it does not appear that the right people with the right qualifications were put in the right positions. Furthermore, the supervision required to ensure efficiency was lacking. The level of probity and accountability of the top management also left much to be desired. The result is that indiscipline and general work apathy become the general philosophy of the public service.

The issue of ministerial control of public enterprises as has also been cited as one of the reasons for inefficient performance. It is argued, and rightly too, that parastatals are not really autonomous since the power to raise loans, expand, and even invest in other areas is considerably limited. This is becouse there are statutory requirements which make it mandatory for parastatals to submit to, and obtain approval from the supervisory ministry, of all their economic proposals before they are put into effect. In giving the required approval the supervisory ministry is frequently caught between what is economically a sound judgement and what is politically wise and desirable. In effect, what may appear to the minister as a political misjudgement may turn out to be what the parastatals, as business entites, would require. In such a situation there is bound to be some confusion about the respective roles of the supervisory ministries and the parastatals.

The causes of failure of government enterprises are numerous, and those that have been given above are by no means exhaustive. Suffice it to say, however, that the reported poor performance of most government enterprises is not different from that of the Nigerian civil service, and the general low productivity and workers apathy noticed even in the private sector. Is the privatisation of these public enterprises then the real answer to the problems? Are the peasons for failure as convassed by the advocates of privatisation sufficient to justify the transfer of public property to private hands for "better management"?

We do not think so, and in fact we are not convinced that the Nigerian government or, the government of any developing country for that matter can give up the management and control of public, social wealth simply because some officials of government institution do not perform. That brings us to the underlying and immediate pressure that seemed to influence the privatisation policy.

Raison d'etre of Privatisation

For any government that inherits a huge financial deficit from its predecessor, the first thing that naturally comes on its priority list is how to put the economy on course. The situation is not different in Nigeria. The military government of Major–General Buhari, which toppled President Shagari's government in December 1983, gave many reasons for taking over the government. Two of the reasons were, first massive curruption, and second, economic mismanagment on the part of the politicians. However, in the eighteen months that the Buhari administration lasted, apart from the mass purge of the public service and the austerity measures imposed to revamp the economy, there is no record of any meaningful economic achievement by way of making a frontal attack on the source of Nigeria's economic problem, namely, the crude free enterprise system practised in the country? Rather than do this, the Buhari government merely reopened negotiation with the International Monetary Fund (IMF) for a loan of ₦2.8 billion, half of it to be used to service the foreign debt incurred by the previous governments.

As was to be expected, the IMF still insisted, as it did with the civilian government, that Nigeria should accept its conditionalities before its application could be considered. Among the conditionalities two are germane to our discussion.
They are: (1) Review and curtailment of public expenditure: (2) Classification of parastatals into economic social units for the purpose of more economic allocation of resources.

The Buhari regime could not finalize negotiation with IMF before it was toppled in another military putsch in August 1985. It is, however, important to note that though the Buhari government refused to accept the IMF conditionalities in their entirety, many of the conditionalities, including the two mentioned above, were faithfully fulfilled. For example, government expenditure was actually reduced by way of cutting down the size of the public sector through mass purge. Government subvention to most of the parastatals were also cut, and they were directed to generate funds internally. Furthermore, the parastatals were classified into two categories: economic, and social services units. Those classified into economic units were encouraged to increase the charges for their services. For instance, the Nigerian Airways, and the two government owned motor assembly plants, Peugeot and Volkswagen, were allowed to increase the cost of their services and products respectively.

Thus, a strong indication of what the parastatsl would become, and what the people should expect from the prodding of the IMF, had been laid by the outsted Buhari administration. Although for all its efforts the Buhari government failed to impress the IMF, the refusal of the IMF to grant the loans required by Nigeria was due mainly to the fundamental differences between the Fund and the Nigerian government on the removal of subsidy on petroleum; and the devaluation of the naira.

The present Federal Military Government, headed by Major General Ibrahim Babangida, has gone beyond the reorganisation of the parastatals, and has actually indicated the government's readiness to privatise some of the public enterprises.[7] Apart from the usual condemnation of the poor performance of these enterprises, the government has taken the position that public enterprises are consuming too much of government resources for little returns. Alarming statistics have been made available. Government investments in parastatals and companies over a period of six years amount to over ₦23 billion. The breakdown shows that of this ₦11.4 billion was on equity investments, while ₦10.4 billion was for loans.

The government has also guaranteed additional loan of ₦13 billion from private sources. From the equity investments of ₦11.4 billion, the government received a "paltry" sum of ₦933,701,134. For the over ₦10 billion loans, only ₦167,959,735 has been received as repayments, and ₦26,124,463 as interest payments.[8] However, the statistics did not show in what specific areas the investments were made, and what each generated in form of profit. In any event, the figures released by the government were frigthening enough for one to conclude that the government has reached a point where privatisation of public enterprises is inevitable as a major policy option in the coming years.

The 1986 budget speech of President Babangida confirmed this view. In it the government regretted the fact that government parastatals had become drain pipes that constituted "an unnecessary high burden on government resources." In order to reduce this burden, therefore, the government reaffirmed its faith in the reform of parastatals through classification and reclassification. It hinted that from 1986 the volume of statutory transfer to all economic and quasi-economic parastatals would constitute no more than fifty percent of their present level. In effect this meant that the subvention from governemt to these parastatals would be halved, and they are to "find the balanced from increases in their prices, charges, tariffs and rates."

In line with the classification and reclassification of parastatals *a la* IMF, the government labelled some of them as purely commercially oriented enterprises for which it had "decided to divest its holdings." Such enterprises included those engaged in agricultural production, hotels, food and beverages, breweries, distilleries, electrical and electronics appliances, and all "non-strategic industries." All these enterprises are to be completerly privatised.

On the other hand, the government seemed to have realized the important roles financial institutions, like banks and insurance companies, play in the country's economy; and the danger their out–right privatisation would pose. For this reasons the government promised to "consider reducing its holdings in banks, insurance companies and other financial enterprises without losing control."

The reluctance of the government to proceed with full privatisation of banks and insurance companies is quite understandable. Before the indigenisation decrees of 1972 and 1977, the majority of these financial houses were completely foreign–owned. They were usually accussed of discriminating against indigenous businessmen. They were also believed to be conduit–pipes through which the country's foreign exchange holdings were depleted. Against this background, acquired under the Insurance Decree (Decree No. 59 of 1976), the Federal Military Government sixty percent equity interest in foreign–owned insurance companies. The following year, the government increased its holdings in foreign–owned banks from forty to sixty percent (The Nigerian Enterprises Promotion Decree 1977). By increasing its holdings in foreign–woned financial institutions, the government hoped to influence the decisions of these institutions at the board level, especially decisions regarding the granting of loans.[9]

In essence, the pronouncement in the budget speech relating to government holdings in banks and insurance companies would suggest that these institutions are not to be privatised. Only their ownership base would be broadened without seriously affecting the control hitherto exercised by the government. However, if and when the government reduces its holdings in them, it will mean a *de facto* and possibly *dejure* amendment of the decrees requiring that equity shares held by foreign investors in banks and insurance companies not to go beyond forty percent. The only way to prevent the foreign investor from acquiring more than the forty percent is for the government to insist that its divested shares should only be purchased by Nigerians. This, we make bold to say, is not possible becouse at implementation level there would be a number of aliens who, with their Nigerian collaborators, would employ subterfuge and an array of ruses to frustrate and marginalise the government policy. Let us therefore examine the method the government intends to use to privatise public enterprises.

Implementation of Privatisation Policy

The history of Nigeria's economic management is replete with extreme divergence between policy formulation and policy implementation. In evaluating the success of a particular government policy one only needs to reconcile objectives of the policy with its actual outcome.

As a policy, privatisation is considered by the government, the insignificant number of businessmen, and the affluent in Nigeria as a panacea to the country's economic problems. It is argued that it will even spread wealth more equitably as shares will be available to all Nigerians who care to buy them. Furthermore, the argument goes, privatisation will make more share capital available to the enterprises, especially now that government revenue from the sale of oil is dawindling fast. In essence, the policy of privatisation, the proponents say, holds a promise, and if well implemented, can accelerate the pace of economic development in Nigeria. It is obvious from the above, therefore, that an articulate constituency in favour of privatisation of public enterprises has been formed, and no one should underrate the importance of this tiny but influential group.

If government enterprises are to be privatised in such a way that every Nigerian's working in these establishments will consider themselves as a matter of right, to be both workers and a joint-owners of the business on equal terms with other Nigerians, perhaps not much opposition could be expressed against privatisation. Or, if the privatisation process is carried out in such a manner that millionaires do not emerge from among the few relatively wealthy, then privatisation my readily recommend itself. Judging from past experiences none of the possibilities above is likely. The consequences of the indigenisation policy of the 1970s are still fresh in people's minds.

The indigenisation policy was conceived to achieve the transfer of control of the national economy from aliens to Nigerinas. Prior to the indigenisation policy, the government of General Yakubu Gowon seemed disturbed that alien investors dominated the Nigerian economic scene. In a major policy statement, the government announced that "in order to ensure that the economic destiny of Nigeria is determined by Nigerians themselves... government will seek to widen and intensify its positive participation in industrial development."[10] The indigenisation decrees that were optimistically promulgated in 1972 and 1977 to effect indigenisation of the Nigerian economy turned out to be a mirage both in planning and execution. The economic destiny of Nigeria is still very much determined by alien investors in collaboration with the national bourgeoisie. If anything, what the policy achieved was to provide a windfall for a sprinkling of rich and strategically placed Nigerians.[11] This is in spite of the glib claim of the government that:

> It has never been, and it cannot be the intention of the Federal Military Government merely to create avenues for a few individuals to grow rich excessively and easily on account of the indigenisation decree.[12]

The point here is that just as the indigenisation decrees suddenly created wealth for a few Nigerians then financially strong to acquire majority of the shares in the indigenised alien companies, so will the privatisation of public enterprises at the implementation stage, result in the concentration of public property and wealth in a few hands, no matter how one would want to prevent it.

Because the government was aware of this danger, President Babangida assured the nation in his 1986 budget speech that his government would take measures to "avoid the divested holdings from being concentrated in the hands of few individuals or few areas of the country." The modalities of achieving this were not too clear. The government only promised that its divestment process will

> .....give special encouragement and preference to groups and institutions, including the trade unions, universities, youth organisations, women societies, local governments and state investment companies.[13]

The process of divestment through public institutions is, in principle, good. However, when considered against the background of the shortage of funds plaguing these institutions, then doubts arise whether the institutions will be in a financial position to set aside part of their reduced subventions to acquire large shares and stocks in public enterprises.

Thus, unless the government directs and provides the public institutions with funds to buy the shares, these institutions can become shareholders in privatised public

enterprises. Besides, if the Federal Military government wants merely to spread ownership of public enterprises among all the public institutions as the modality announced in the budget speech indicated, one cannot really say that privatisation of public enterprises is about to take place. Indeed, if this is what the government intends to do then our initial definition of privatisation as the total or partial sale of publicly-owned assets to local private individuals may not be in line with the government intention.

But the government has not helped matters by its declaration of intent in the budget speech, and in subsequent policy statements issued to clarify its stand. Recently in one of his monthly briefing, the Chief of General Staff, the number two man in the government whose responsibility is to explanin government policy, announced to the press that four government-owned companies were ready to be privatised, while two others had wound up. It was also disclosed that in pursuance of the administration's privatisation policy two dairy companies had already been advertised for sale to *private interest,* while the Nigerian Food Company and the Bauchi Abattoir were soon to be advertised for sale through competitive bidding. Policy statements like these give the impression that the idea canvassed in the budget speech that public institutions would be given priority in buying up public enterprises no longer holds, or has become impracticable. This leaves us with the wisdom or otherwise of selling public enterprises to invidiuals.

The obscured debate on privatisation — sponsored mostly by both foreign and indigenous companies and chambers of commerce — has indicated a rejection of any half measures to privatisation. Proponents have suggested that for any privatisation to be meaningful and the objectives to be realised, there should be a systematic and programmed withdrawal of government and its agencies (Federal, State or local governments) from those activities which private individuals or companies can perform more effectively than the government agencies. Success story of British privatisation policy since 1979 which has seen the privatisation of more than twelve major companies was cited. The recent denationalisation policy proposal of the new French government and the IMF – induced privatisation in the neighbouring state of Togo[15] did not escape their attention. All have been hailed as evidence that privatisation of government enterprises is now in vogue in some countries. It was suggested that if government enterprises were sold to private individuals and companies, the government would have laid a "solid" foundation for egalitarianism as all Nigerians would have the opportunity to purchase shares through the Nigerian Stock Exchange. The "cogent" reasons put forward by supporters of complete privatisation through individuals and private companies are in fact endless.

The point they have missed is that from experience of the indigenization decrees of the 1970s cited earlier, there is no way any one can build a just and egalitarian society in Nigeria through privatisation of public enterprises.

As one editorial of the dailies maintained:

> privatisation will turn enterprises erected with public funds into the hands of a few ethnic or class – based individuals and perpetuate the existing inequities in the distribution of natural assets.[16]

This is because the same dubious method used by a small class of wealthy Nigerians to neutralise government policy during the process of indigenisation will still be used. Specifically, neither the government nor any agency established to work out the transfer of shares of privatised enterprises to individuals can prevent the small class of professional shareholders from using

...varying tactics all of a dubious character such as changing the profession as well as the order of one's name to produce incredible permutations, and using the names of pet animals; procurring domestic servants, nightwatchmen and secretaries as applicants (for shares) with a view to consolidating holdings.[17]

The ingenuity of this class of people, assisted by legal technicians to use strictly legal means to achieve an end, even if such an end is against public policy, is not in doubt. Additionally, the majority of Nigerians in the working class group willing to buy shares do not have the funds to set aside for this purpose, and there is no indication that the government intends to assist them financially by giving directives to commercial banks to grant loans to such people.

Thus, with persistent manipulation of the Stock Exchange, the indecision and the lack of political will on the part of top government officials, the stage is now set for the perpetuation of economic and political inequalities in the Nigerian society. This is very unhealthy for the nation, and is in fact contrary to both the letter and the spirit of the 1979 Nigerian constitution. Section 16 (2) (c) of the Constitution directs any Nigerian government to ensure at every given time that:

> .....the economic system is not operated in such a manner as to permit the concentration of wealth or the means of production and exchange in the hands of few individuals or of a group.

This provision and some others evidently confirm the guiding economic principle of the Nigerian state of a mixed economy. But it also shows the belief of the founding fathers of Nigeria's Second Republic that if inequality in Nigeria cannot be wiped out in the society, at least it should not be exacerbated.

What is to be done?

The magnitude of the inefficiency in, and the collosal waste of public funds by public enterprises have been advanced by the government as the *raison d'etre* to privatise some of them. The inference to be drawn from such a policy decision is that a public enterprise is more likely to perform better once the ownership changes hand from public to private individuals.

To some extent this may be generally true, given the orientation of the private sector which is very different from that of the public sector. Profit is the only driving force in private enterprises, and all efforts are geared towards structuring their management to produce this result. Regrettably, the rosy picture of an efficient private sector so painted is not necessarily so in Nigeria. The performance of the private sector in Nigeria and many developing countries is still very low, especially among the indigenous firms. There are, for example, high levels of private sector bankruptcy and business closures, while some factories are operating at between twenty five to thirty percent below their normal capacity. The private sector in Nigeria had also caused more retrenchment of workers than the government purge exercise had done. The usual excuse given is the global economic recession or the lack of government patronage through contract and other forms of inducement. No one attributes failure in the private sector to mismanagement, even where it is very glaring. The point here is that the private sector, to which the Nigerian government is committed to transfer some public enterprises, is equally inefefficient in comparison with the private sector in some other countries. Thus, it is also possible for a public enterprise that is eventually privatised to go bankrupt the way other private businesses have gone. Therefore, privatisation of public enterprises simply because they are not efficient is simply not a solution to their problems.[18]

The key to the success of public enterprises then is the extent to which the government is willing to go to ensure effective management and accountability. Merely

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reclassifying parastatals and redeploying top management staff do not guarantee effective management and profitability.

To ensure good and effective management, the government needs to take a second look at the concept of autonomous entities as used to describe parastatals. Todate, all the governments in Nigeria have paid lip service to the concept of corporate autonomy first developed by Herbert Morrison. Using the Morrisonian view, public enterprises in Nigeria should be made to act as entities at "arms length" from the government, subject only to some general policy direction by the responsible minister on matters which affect national interest.

Public enterprises in Nigeria can still be made to perform well if the right approach to management is adopted. There is no evidence to suggest that an organisation will achieve its objectives only when it is run by private interest. That the Nigerian government seems to subscribe to this view is demonstrated vividly by its intention to commercialise rather than privaties some of these enterprises. This has been achieved since the statutory allocation to them has been reduced by fifty percent. The enterprise are to be self balancing through commercial loans, increase in the cost of their product and services, and improved financial management. The government can also remove the monopoly and monopsony privileges of these enterprises. This will at least force them to compete on equal terms with private firms that offer similar services.

Conclusion

We have shown in this paper that no matter what the positive side of privatisation of public enterprises may be its implementation in Nigeria will definitely produce more negative and undesirable effects than can be imagined by the initiators of the policy. We have also suggested that commercialisation of these enterprises would prove more useful in improving the quality of goods and services they provide to justify government investment in them. Our view is informed by past experiences where policies designed ostensibly to alleviate the suffering of the people turned out of work against the very interests of the majority. As a developing country where the gap between the rich and the poor is too wide for peaceful coexistence, Nigeria cannot afford the luxury of transfering public—and hence social property held in trust for the people — to private interest all in the name of achieving maximum efficiency.

Privatisation of public enterprises has never been a popular policy in most developing countries. It has always been resisted much to the dismay of IMF, the World Bank, and other Western creditors who see it as one of the best methods of accelerating the economic development of developing countries. On the countrary, most developing countries have now subscribed to be view expressed by A.H. Hanson some years ago that any developing country "anxious to develop economically has no alternative but to use public enterprises on a considerable scale, at the very least in order to get things going."[19] In Nigeria, there are still many things to get going, including the provision of a minimum internationally acceptable standard of living for the vast majority of the people. In view of the dependent nature of the Nigerian economy, and the infamous role played by the so called private sector in accentuating underdevelopment and inequality, it remains incontrovertible that an efficient public sector management holds the key to the establishment of a just Nigerian society. This can still be achieved if there is the political will on the part of the leadership to instil discipline in the public sector of the economy.

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Footnotes

1. One many not accept the polemical context in which the term has been variously used. Nevertheless, its forces exhibit so many facets and impinges on so many aspects of life that "they cannot be overcome in one single country of underdeveloped Africa." See O. Aboyade, *Issues in the Development of Tropical Africa.* (Ibadan: Ibadan University Press, 1976, 6.
2. O. Ekundare, *Economic History of Nigeria, 1860–1960.* (London: Menthuen, 1973), 385.
3. P.O. Prochl, *Foreign Enterprise in Nigeria: Laws and Policies* (Chapel Hill: N.C. University of North Carolina Press, 1965), 112.
4. For details see A. Akinsanya, "State strategies towards Nigerian and Foreign Business" in *The Political Economy of Nigeria* edited by William Zartman, (New York: Praeger, 1983), 167–168.
5. William Tordoff, *Government and Politics in Africa,* (London: MacMillan Press, 1984), 139.
6. See Federal Republic of Nigeria, *Second National Development Plan 1970 – 1974.* (Lagos: Federal Ministry of Information, 1970), 75.
7. This is in spite of the government rejection of IMF loan after carefully guided debate on the issue. Government decision to publicly reject IMF loan while still negotiating and even implementing the Funds prescriptions is dishonest. Of course negotiation with the Fund and other creditors is still going on to reschedule Nigeria's debt. The IMF conditionalities which must be met before this can be done remain as constant as the Northern Stars.
8. See *Daily Times* (Lagos), December 17, 1985.
9. A. Akinsanya, *Economic Independence and Indigenisation of Private Foreign Investments: The Experiences of Nigeria and Ghana,* (Columbia, S.C.: Institute of International Studies, University of South Carolina, 1982), 16.
10. Federal Republic of Nigeria, Second National Development Plan 1970–74, 289.
11. A. Akinsanya, "The Indigenisation of the Economy and Power Relations in a Developing Economy: The Nigerian Experience", Paper presented at the 13th World Congress of the International Political Association, Foundation Nationale des Sciences Politiques, Paris, July 15–20, 1985, 1.
12. See *New Nigerian* (Kaduna) April 2, 1974.
13. See the 1986 Budget Speech *New Nigerian* (Kaduna) January 2, 1986.
14. *New Nigerian* (Kaduna) April 3, 1986. Emphasis added.
15. *West Africa,* August 25, 1986.
16. *The Guardian* (Lagos), February 21, 1986.
17. This was the situation during the scramble to buy shares in alien companies in the 1970s. Quoted in I. Eteng, "Indigenisation for Lumpen–Bourgeois Development in Nigeria" in *Path to Nigerian Development* edited by O. Nnoli, (Dakar: Codestria, 1981), 222.
18. See Lecture delivered by Prof. E.J. Wilson III "What Prospects For Privatisation" *Punch* (Lagos) March, 13 and 14, 1986.
19. A.H. Hanson, *Public Enterprises and Economic Development* (London: Routledge and Kegan Paul, 1959), 23.

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The Co–operative Movement and the Crisis in Tanzania's Rural Economy

*S. Maghimbi**

Introduction

Tanzania is a country relatively well–endowed with natural resources. Particularly noted is its large agricultural potential which in Africa is matched by may be only Nigeria, Sudan and Zambia[1] However, Tanzania's agriculture and the rest of the rural economy have performed very badly, especially during the past ten years. This decline in the rural economy sometimes reached critical stages and huge amounts of food had to be imported to evade hunger and malnutrition.

The crisis in the rural economy has also manifested itself in the stagnation or decline of production of other agricultural crops besides food, resulting in the decline in foreign exchange earnings. This has further contributed to a decline in industrial production because the country's industries heavily depend on imported raw materilas and spare parts payable in foreign exchange. The foreign debt also been rising steadily since the mid–1970s. Since the rural economy has failed to generate the expected foreign exchange through the production of the country's traditional cash crops, the government has resorted more and more to borrowing in an attempt to support and improve industry, infrastructure, and agriculture itself. Due to the lack of experience and incompetent administration, many unproductive loans have also been contracted adding to the burden of the rural economy in debt repayment.

The most noted feature of the crisis in the rural economy in Tanzania is the migration of the rural people. This reached frightening proportions in the 1980s. Due to poverty and harsh farming conditions rural people migrate to urban areas and to other rural areas to look for jobs or seek help from relatives and friends. My own estimation based on observations in three districts (Mwanga, Same, and Moshi) is that at any moment in Tanzania about 500,000 people are on the move or are temporarily living in towns or villages in transit to other towns and villages.

Associated with the problem of migration is the problem of rural unemployment. Few areas in the country have land pressure and peasants from these areas could migrate to areas with unoccupied land. The point is, peasants in Tanzania have land which they cannot cultivate. Others have animals which they cannot manage. Some would be better off in the countryside but migrate to towns due to ingnorance. This is part of the crisis as these people are made to believe that their lives will be better off somewhere else, especially in urban centres.

The rural economy in Tanzania will be continue to be expected to absorb the growing labour force for a long peiod to come. The rural labour force is growing at a rate of 200,000 per year while the urban labour force is growing at a rate of 24,000 per year. Wage employment in 1975 was only 470,000 compared with the total labour force of 6,300,000.[2] The population census of 1988 put the country's population at 23,200,000. The demographic aspect of the crisis is not the population size as such. The country covers an area of 940,000 square kilometers and has a big irrigation potential. First, the problem ralates to the high growth rate of the population (3% per

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