PN ABK-061 74937

CREATING PUBLIC AWARENESS AND CONFIDENCE IN A PRIVATISATION PROGRAMME - THE NIGERIAN EXPERIENCE

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A PAPER PRESENTED AT THE ADVANCED EXECUTIVE MANAGEMENT PROGRAMME ON PRIVATISATION IN WASHINGTON D.C., ON TUESDAY 11TH SEPTEMBER, 1990. A SEMINAR ORGANISED JOINTLY BY THE INTERNATIONAL DEVELOPMENT TRAINING INSTITUTE, CENTRE FOR PRIVATISATION, AND GEORGE WASHINGTON UNIVERSITY, WASHINGTON D.C.

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1 INTRODUCTION

The paper addresses the subject of creating public awareness and confidence as vital ingredients for the success of a privatisation programme. In order to do this it uses the Nigerian privatisation programme as a case study.

The paper is in 6 parts. Section 2 explains the background to Nigeria's privatisation programme, especially setting the programme in the context of the ongoing Structural Adjustment Programme (SAP). Section 3 focusses more particularly on the issue of public awareness in a privatisation programme, giving a step by step approach of how the issue was addressed in Nigeria. Section 4 explores the results achieved through creating public awareness as well as certain constraints that still remain to be solved. Section 5 discusses the complimentary need to create public confidence in a privatisation programme and section 6 provides some conclusions.

2 BACKGROUND TO NIGERIA'S PRIVATISTION AND COMMERCIALISATION PROGRAMME

2.1 With the discovery of oil in large quantities in the late 1960's and early 1970's, it was believed that a solution had been found to the scarcity of investible resources, which had been the bane of the Nigerian economy for over two decades. The 1960's were characterised by globe trotting Nigerian leaders in search of capital or technical assistance or both. Multilateral and bilateral loans from international financial insitutions and foreign governments were secured. But the loans, although of the soft category, were grossly inadequate for our needs. With the discovery and export of oil, foreign exchange began to flow into the Nigerian economy in large quantities. With the outbreak of Middle East War in 1973, oil prices rose to an unprecedented level. Nigeria's external reserves rose with it. From a balance of payments position, where we had hardly enough reserves to sustain critical three-months imports, the import adequacy ratio of our reserves reached a peak of 24 months by 1974. Nigeria became the envy of both industrialised and developing countries. Unfortunately, we did not make any contigency plan on how best to utilise our suddenly found wealth. We continued to import all types of goods and services with reckless abandon. By 1977, our reserves were almost depleted. The position was worsened by the plumetting oil prices in the late 1970s and early 1980s such that Nigeria was soon no longer in a position to sustain current imports through foreign exchange earnings from exports. We began to accept short-term trade credits, which ironically graduated later to long-term embarrassing debts.

To finance our long term projects, we sought for and obtained medium-term loans. Financial "advisers" from the banks and financial institution of Western countries offered to assist in the loan negotiations, for which a significant amount from the loan was paid out as Management fees, legal fees, placement fees, etc. Interest charges, were always fixed above the London-Inter Bank-Offered Rate (LIBOR).

By 1981 most of the short-term jumbo loans, which were used to finance long-term projects, began to mature. By 1983, the matured debts had started to bunch up. Nigeria was in difficulty with her creditors. Both the London Club and Paris Club of creditors began to demand payments for outstanding debts. Nigeria was harrassed from pillar to post.

We were advised to borrow from the IMF and to accept their conditionalities. Because of the implications of the proposed IMF loan on our sovereignty and the management of our economy, we refused. We rather chose to impose economic measures on ourselves with the objective of restructuring our economy, making the economy more competitive and to re-allocate our resources for more efficient uses. This is what is called in economic parlance - Structural Adjustment Programme (SAP) which was introduced in Nigeria in the last quarter of 1986 inorder to carry out a serious surgical operation on the Nigerian economy and to turn it around for good. The Privatisation and Commercialisation Programme in Nigeria has been developed as an integral part of SAP.

2.2 NIGERIA'S PRIVATISATION AND COMMERCIALISATION PROGRAMME

2.2.1 Establishment of the Technical Committee on Privatisation and Commercialisation (TCPC)

In July, 1988 the Federal Government of Nigeria promulgated the Privatisation and Commercialisation Decree No. 25 of 1988 to initiate formally the Privatisation and Commercialisation Programme for Nigeria as an integral part of the on-going restructuring of the Nigerian economy. The Decree also established a Technical Committee on Privatisation and Commercialisation (TCPC) with membership drawn from both the public and private sectors and vested it with wide powers to monitor and supervise the implementation of the programme. The functions of the TCPC as stipulated in the Decree are to:

a) advise on the capital restructuring needs of enterprises to be privatised or commercialised under the Decree in order to ensure a good market for those to be privatised as well as to facilitate good management and independent access to the capital market;

b) carry out all activities required for the successful public issue of the shares of the enterprises to be privatised, including the appointment of issuing houses, stockbrokers, solicitors, trustees, accountants and other professionals to the issue;

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

d) advise the Federal Military Government, after consultation with the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE) on the allotment pattern for the sale of the shares of the enterprises concerned.

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

f) submit to the Federal Military Government from time to time, for the purpose of approval, proposals on the sale of Government shares in such designated enterprises, with a view to ensuring a fair price and even spread in the ownership of the shares;

g) ensure the success of the 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;

h) ensure the up-dating of the accounts of all commercialised enterprises with a view to ensuring financial discipline.

2.2.2 <u>Outline of the Privatisation and Commercialisation Programme</u>

The Nigerian Privatisation Programme is perhaps one of the most comprehensive of its type in the world, given both the number and variety of enterprises affected; making its successful implementation so vital to the economic well being of the country. The programme encompasses practically every industry except defence. A total of 98 enterprises are to be privatised. In addition, another set of 35 enterprises have been slated for commercialisation. Although, no disinvestment is involved, commercialisation is expected to enhance the productivity and general efficiency of these enterprises and can be the initial stage of a future privatisation. The details are as in Appendices I and II.

2.2.3 Achievements So Far

1) Privatisation

Todate, the TCPC has sold the shares of 20 companies by public issue. The sales involved over 110 million ordinary shares with a total market capitalisation of over =N=250 million, as stated in appendix III.

2) Commercialisation

The broad objectives of the commercialisation programme are:

i) To restructure and rationalise the affected enterprises to ensure effective, cost conscious and goal oriented management and staff, whose future is linked to the fortunes of the enterprises.

ii) To undertake a comprehensive review of their accounting and information systems with a view to installing and maintaining modern and effective accounting and information systems which will produce, promptly, the necessary data for monitoring their financial and other operational performance.

iii) To re-orientate the affected enterprises towards a new horizon of performance improvement, viability and overall efficiency through the enforcement of strict commercial principles and practices.

iv) To check their present dependence on the treasury for funding through evolving a more realistic capital structure which will enable them approach the capital market to fund their operations without government guarantees.

Todate, we have carried out diagnostic work on 31 out of the 35 enterprises slated for commercialisation. The Federal Government has also approved TCPC proposals that seek to enhance the operational autonomy of the affected enterprises. The proposals covered the following key areas:

a) Relationship with the Supervising Ministry

b) Role of the Board of Directors;

c) Role of Management;

d) Procedure for the appointment and removal of Boards of Directors.

e) Procedure for the appointment and removal of Chief Executives and management staff;

f) Determination of conditions of service by the Boards of Directors of the enterprises.

Within the framework of the operational autonomy granted to the enterprises to be commercialised, specific reform measures for each affected enterprise based on the reports of diagnostic work carried out by our Sub-Committees are being developed. Once these specific measures are approved by the National Council of Ministers they will form the basis of the work of the Implementation Committees which were inaugurated by the Vice President on 29th November, 1989. The Committees have been charged with the responsibility for detailed implementation of the package of reforms approved for each particular enterprise.

The terms of reference of the Implementation Committees are:-

i) to supervise the Transition Programme designed to prepare each enterprise for readiness to commence operations commercially;

ii) to identify areas requiring the appointment of experts such as Lawyers, Accountants, Estate Valuers, Management Consultants, etc, and recommend to the TCPC,

iii) to prioritise the implementation of the approved package of reforms in the designated enterprises;

iv) to co-ordinate the implementation of the various aspects of the reform measures;

v) to liaise with the TCPC on how to obtain the necessary finances for the implementation of the reform package, including procedures for obtaining the foreign exchange necessary for the procurement of spare parts, tools, equipment and vehicles needed for the rehabilitation of the physical facilities of the designated enterprises;

vi) to undertake any other assignments which may be given by the TCPC.

vii) to submit regular monthly reports on their activities to the TCPC.

A transition period of six months was allowed for, during which time the Implementation Committees undertook the necessary ground work to prepare the enterprises for operating along business lines. In this regard, the following preparatory tasks have been undertaken by the different Implementation Committees:

i) Updating of Annual Accounts and reports of the enterprises where necessary;

ii) Revaluation of Assets where necessary;

iii) Improvement in the Management Information Systems at enterprise level;

iv) Capital restructuring to prepare the enterprise for market reception;

v) General debureaucratisation of the affected enterprises;

vi) Review of staff conditions of service, including remuneration;

vii) Repairs and rehabilitation of enterprises physical facilities to put them in good working condition;

viii) Staff Audit and job description for the major responsibilities;

ix) Development of performance criteria;

x) Review of administrative and financial accounting procedures to conform with the requirements of commercial operation;

xi) Debt resolution and settlement;

xii) Review of tariffs and funding arrangements where necessary;

xiii) Securing various approvals necessary to give effect to the reform measures;

xiv) Programme of staff training and reorientation of staff at all levels;

xv) Designing reporting systems to meet internal, external and other obligations;

3.0 CREATING PUBLIC AWARENESS IN THE PRIVATISATION AND COMMERCIALISATION PROGRAMME

First things first, the IMF and Privatisation Debates

The first thing that the present Nigerian Government did to create public awareness about the country's economic problems was to introduce and openly encourage in 1986 a country-wide, public debate on whether or not Nigeria should take the IMF loan. The debate was carried on radio, television, newspapers and all public fora where more than one Nigerians are gathered. The debate was also conducted in English and all other Nigerian languages. At the end the consensus was that Nigerian should not take the IMF loan.

As part of this debate and also as a consequence of it, the Government also encouraged open discussion on privatisation between 1986, when it announced its intention to introduce the programme, and 1988, when it finally introduced it.

3.1 Background to Mass Participation in the Programme

The Privatisation and Commercialisation Decree No. 25 of 1988, is an all embrcing law which spells out in very clear terms, the modalities for the implementation of the programme. Going by the letter and spirit of the Decree, the TCPC is enjoined to ensure mass participation in the programme both geopolitically and across income groups. The Decree stipulates that the TCPC is to "ensure the success of the Privatisation and Commercialisation Programme taking into account the need for balanced and meaningful participation by Nigerians and foreign interests in accordance with the relevant laws of Nigeria". With respect to the mode of sale of privatised enterprises, the Decree affirms that all sales shall be by public issue, except when the Federal Government, on the advice of the TCPC, decides that the shares of any affected enterprise should be sold by private placement.

This desire to ensure mass participation is further enhanced by the provisions of Decree No. 25 of 1988 on the allotment of shares of privatised enterprises. For the first time in the history of the Nigerian capital market, such interest groups as workers, trade unions, market women organisations, universities, friendly societies, local and community associations, among others, were singled out for preferential allotment. Not less than 10 per cent and not more than 20 per cent of the total shares on offer are alloted to these groups. Furthermore, 10 per cent of the shares on offer are reserved for the staff of the company being privatised.

It is pertinent to point out that this attempt at ensuring mass participation in the Privatisation Programme has been influenced largely by the experience of the indigenisation exercise of the 1970s. Arising from the way the Government implemented the indigenisation exercise, control of the affected enterprises was passed on to non-existent individuals. some of the companies affected sold their shares to their friends, to house boys, to distributors and so on. There was no co-ordinated control over the ownership structure. At the end of the exercise, most of shares sold were concentrated in a few hands and in certain sections of the country. This time around, the Government is determined to have Nigerians from all walks of life participate effectively in the programme.

3.2 Getting the Communications Objectives right

Against the background of the mass participation envisaged in the Privatisation and Commercialisation Programme the need and necessity for creating public awareness about the programme was recognised very early in the day. Consequently the TCPC decided as a matter of public policy and accountability to ensure that there was a free flow of information to the public on its activities and vice-versa. In this regard, the following communication objectives were identified:

i) to communicate to all and sundry the far-reaching and fundamental changes which a successful implemantation of the programme will bring bout in the Nigerian economy.

ii) to explain in as simple a way as possible the technicalities of investments via the Stock Exchange to a populace the largest majority of whom are unfamiliar with such technicalities.

iii) to explain the programme to everybody in every nook and corner of the country, given the immense public interest generated by the exercise, as it is, essentially, not only an economic programme but an intensely political one as well.

iv) to provide genuine information on the programme, progress made in its implementation and problems encountered.

v) to liaise closely with:

a) the regulatory authorities of the Nigerian Capital Market.

b) consultants to the TCPC and members of the Sub-Committees established by the TCPC.

c) the mass media, particularly the Financial Press.

d) opponents of Privatisation.

3.3 DEVELOPING THE COMMUNICATIONS STRATEGY

Our approach has been to use a hybrid of pure public enlightenment methods and the techniques of mass marketing to create public awareness and, consequently, mass participation, in the Privatisation Programme.

This marketing - communications strategy was developed based on the understanding that for the gains of Privatisation to be realised ultimately, the public would have actively to purchase the shares of the enterprises being privatised, in a manner that conforms with the widespread ownership stipulated by the enabling legislation of the programme. As already indicated, most members of the target public have little or no understanding of the process of share acquisition and the dynamics of the capital market. Thus the need to go beyond the mere provision of information about the benefits of privatisation, by taking measures to actively market the concept. The adoption of this marketing - communications approach has also been influenced by the fact that Privatiastion involves political and financial considerations which therefore make it desirable to use strategies combining elements that are applicable to both cases, in an effort to create public awareness and the attendant mass participation.

Given the make-up of the target public and the desired widespread ownership, the radio has, in the Nigerian context, been identified by the TCPC as the most effective medium for reaching the generality of the masses. Radio has been chosen for reasons of its grassroot appeal, flexibility and relatively low cost as an advertising vehicle. Press and television have been used as secondary media. The TCPC also employs the services of Communications Consultants in the execution of its assignment. So far a total of 30 such Consultants have received mandates from the TCPC.

3.4 THE CHANNELS FOR CREATING PUBLIC AWARENESS

In general terms, the TCPC has employed the following channels for its marketing - communications effort:

3.4.1 Mass Media Coverage of Privatisation Activities

Given the importance of the Privatisation Programme in improving the efficiency of the Nigerian economy, it has been possible to get the mass media to provide effective coverage of privatisation activities. This attention has also been sustained largely by the provision of continuous information on various aspects of the implementation of the programme. In this regard, press releases are usually issued whenever there is a need to do so, enquiries from journalists are attended to with despatch, in addition to granting interviews by authorised TCPC functionaries. Supplements and adverterials have also been published in a number of periodicals within the past one year.

Furthermore, the TCPC tries as much as possible to create media events around such activities as completion board meetings for floatations, announcement of allotment results, inauguration of sub-committees for privatistion preparation and the submission of reports by such sub-committees. These media events provide excellent platforms for exhange of ideas between the TCPC and the mass media, particularly the financial press. So far, we have achieved favourable results in this respect.

3.4.2 Floatation Marketing

Our floatation marketing activities have been geared towards leading potential investors well in advance of the share offer, to believe that each offer will be over-subscribed so that they buy or recommend buying the shares so as to and create over-subscription. Our floatation marketing activities have two components: Corporate Campaign and Floatation Campaign.

3.4.3 Corporate Campaign

Every company that we offer for sale is now required to engage in some corporate promotions in advance of the floatation of its shares and during the offer period. This campaign is premised on the fact that, it is not the equity investment in itself that attracts the general public, but the notion of buying into a specific company which they feel familiar with, for which they have a high regard and which they think constitutes a good deal. Thus the corporate promotion activities are aimed at achieving the following:

- showing the company whose shares are to be offered as a successful business operation or one that is potentially so, after some clear and specific restructuring programme.

- indicating the strengths and prospects of the company.

- putting the company across to wider audiences such as individual and institutional investors, the staff, customers, professional advisers and the media, in addition to broadening the company's image in their minds.

Jingles based on the unique selling propositions of the company in question are usually broadcast on radio nationwide. Press advertisements and in some cases television commercials are used as supports. Generally the advertisements make no mention of privatisation of the company.

3.4.4 Floatation Campaign

Coming after the corporate campaign and overlapping with it at some stages, is the floatation campaign, which usually makes sure that all potential investors are well informed about the floatation of the shares. The floatation campaign is also used to explain what action needs to be taken to obtain the shares in addition to what mistakes should be avoided by applicants, inorder to escape disqualification. The floatation campaign has the following objectives:

- to build up a good understanding and familiarity with the share offer so that people are fully aware of how and when to obtain the shares.

- to ensure good investor support and successful sale of shares.

- to achieve widespread ownership.

The completion board meeting is usually the starting point for our floatation campaign. This meeting which is held by the Directors of the company whose shares are being offered for sale, the TCPC and the Professional Advisers, in preparation for the floatation, is also a media event to which representatives of the various newspapers and broadcasting organisations are invited. It is at this meeting that the offer price, the duration of the offer and other offer details are released. The

TCPC also uses the opportunity to brief the press on the arrangements made for the sale of the shares, in addition to any latest developments in the implementation of the Privatisation programme.

3.4.5 Creating the Conditions for Achieving Widespread Share Ownership

In order to achieve the Federal Government's objective of wider share ownership, the TCPC also took the conscious decision to have the following arrangment in place in respect of each offer: To

a) Embark on nation-wide radio campaigns through commercials in English, Pidgin English and the three major Nigerian languages during the currency of each public offer, inviting the public to participate.

b) Print and distribute nation-wide between 200,000 and 600,000 application forms (depending on the quantity of stock on offer), an upreceedented volume in the history of the Nigerian capital market. The normal volume had been between 30,000 and 100,000 copies.

c) Widen the distribution network beyond the traditional outlets of licensed banks and stockbroking houses to include:

* All post offices across the country;

* All the 449 Local Government headquarters across the country;

* All States Governments' investment companies

* All States' Ministries of Commerce and Industry

* All States' Privatisation Committees

* All Chambers of Commerce and Industry.

Over 3,000 outlets are used for this purpose. Usually Courier companies are contracted to undertake the distribution of the offer documents in order to ensure that the documents arrive before the application opens.

d) Set the minimum number of shares to be applied for at 100 shares and in multiples of 50 thereafter, inorder to encourage low income groups to participate.

e) Legislate against multiple applications and to reject any suspected ones outright.

3.4.6 <u>Nation-Wide Tour</u>

As part of efforts to carry the message of Privatisation to all nooks and corners of Nigeria, the TCPC undertook a nation-wide tour of the country. Between May and November, 1989, TCPC delegations were in the 21 States that make up the Federation:

- to inspect affected enterprises located in the respective states and to hold discussions with their managements.

- to pay courtesy calls on the Military Governors and Traditional Rulers, explain the essence of the Privatisation Programme and solicit their support and understanding.

- to meet opinion leaders and members of the business community so as to explain to them the rationale behind the programme of privatisation and solicit their support.

The tours were most rewarding in that they have helped to bring into focus a number of issues with far reaching implications for the success of the programme. Such issues include the need for more liaison with the respective state governments, the timing and duration of offers, the minimum amount of shares that can be purchased, the return of surplus monies, access to credit for shares purchased and the need to step up public enlightenment activities.

3.4.7 Seminars and Workshops

The general interest in the Privatisation Programme has led to a wide variety of seminars and workshops being organised in the past one and a half years, on various aspect of the programme.

TCPC functionaries are always available to speak at such fora which provide excellent platforms for highlighting the benefits of the programme and the progress made in its implementation. Hardly does a month go by without our taking part in such activities. A few have been organised by the TCPC or in conjunction with some other bodies.

Indeed, arrangements are currently underway for an International Conference on Privatisation to be held in Lagos in November, 1990. This confenrence will focus attention on such areas as the constitutional and legal aspects of privatisation, wider share-ownership versus economic efficiency, the labour implications of privatisation, the role of the financial sector in the promotion of widespread share ownership and the political dynamics post privatisation, to mention a few.

3.4.8 Production of Background Literature On Privatisation

Given the importance which the TCPC attaches to the creation of public awareness about the programme, we developed at a very early stage, Guidelines on Privatisation and Commercialisation to enlighten the Nigerian public on the import of the programme. These guidelines, which were published in all the major newspapers in the country, have now been produced in booklet form. The publication is available free to members of the public and has infact been distributed to all major public libraries, university libraries, secretariats of chambers of commerce, Local Government Headquarters, State Ministries of Commerce and Industry and State Privatisation Committees.

The legislation establishing the TCPC requires the Committee to submit a report on its activities to government every six months. It also states that within three months after the end of each financial year, the TCPC shall submit to Government a report of its activities during the preceeding year which shall include a copy of the audited accounts of the committee for that year, including the Auditors report on the account. In the twenty two months since the TCPC was inaugurated, we have published three progress reports and one annual report. These reports are equally available to the general public and have been distributed to various institutions and bodies in the country. From the feed-back that we have received, members of the public have found these publications very useful.

4.0 THE EFFECTS OF MARKETING - COMMUNICATIONS ON THE NIGERIAN PRIVATISATION PROGRAMME

The results of our floatations have brought about some interesting revelations:

4.1 Contrary to fears about the absorptive capacity of the Nigerian Capital Market, most of the offers were heavily over-subscribed.

4.2 Again contrary to fears that the programme will be corn-ered by the rich few in society, it has turned out to be an exercise in popular participation. In most cases, applications for 200 - 1,000 shares predominated and the total number of shares applied for by this range was several times more than shares available for sale. Consequently this group received between 75% and 86% of the total shares sold.

4.3 As a result of the awareness created by the TCPC, the number of applicants were the highest ever recorded in the history of Nigeria's Capital Market. Admittedly considerably more people now hear of the sale through unconventional media such as Local Government Councils, Post Offices, etc., and therefore, proportionally more people will apply. In all, over 400,000 share-holders have been generated and if the trend continues, the shareholding population in the country will be quad-rupled by the end of the programme.

4.4 The results of the allotments for most of the offers were quite fascinating. What is most significant in the distribution pattern of the applications received in these offers is the predominance of small applications, below 1,000 shares. Clearly what we are witnessing is a silent revolution in the corporate ownership structure of productive investments in the national economy. To those who saw privatisation as a transfer of public property to a few rich people, the message is loud and clear that it is not. It is infact, a programme of mass participation, or popular capitalism. The increase in the number of shareholders is bound to increase accountability of management and consequently, raise productivity. We are also in the process of deepening the Nigerian Capital Market and challenging it to be innovative in the service of the nation. The relative success which we have achieved so far in creating public awareness about the programme and the attendant mass participation have not been without problems. The major ones have arisen as a result of the following:

a) Bottlenecks in the System

Considerable delays have been experienced in the processing of applications, resulting in frustration for most applicants who expect to utilise returned monies from one issue to finance purchase in subsequent issues. We found to our dismay, that the Registrar's offices were ill-equipped to process the unexpectedly large volumes of applications received. This also led to unfavourable public opinion about the programme.

As a first step, we got the Registrars to put into motion mechanisms for clearing the bottlenecks in the delivery system. In line with our policy of full disclosure and accountability, we had to inform the public of the background to the problem and efforts being made to ameliorate the situation. Furthermore, the Registrars were made to apologise to the investing public and above all pay interest for the period in which return monies were delayed.

In that way we were able to restore the confidence of the public. Steps have been taken to remedy this shortcoming, by using the receiving agents to pay return monies to applicants and insisting on adherence by all parties to the offer time-table.

b) Geographic Spread

Regional imbalances in shareholder, distribution, particularly between the North and South of the country are another major problem. We have drawn the attention of opinion leaders in those states, where participation has not been as it should be, on the need to mobilise their citizenry.

Efforts are also being made to increase publicity and public enlightenment in the North, to ensure that the level of participation is increased considerably. In this regard arrangements are underway to commence a theme advertising campaign which will communicate to the general public, the far reaching benefits of privatisation. A considerable percentage of this advertising effort will be directed at the Northern part of the country. Other measures being proposed include the broadcasting of special programmes on radio, outlining various aspects of the programme and the production of a Newsletter.

The TCPC is concerned with distributional equity geopolitically and within income groups, and will do all within its power to achieve this objective.

c) 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, the Banking System has not responded favourably, for operational reasons. This

problem has tended to dampen enthusiasm particularly among the working class, whose earnings are hardly sufficient to meet their normal needs, let alone allow any surplus for investment. One reason for the banks' attitude is that the system has gone through rather traumatic changes in recent months, arising from deregulation and the Structural Adjustment Programme. Once the banks overcome the problems posed by the changes, the situation may improve.

Employers of Labour have been advised to assist their employees with share purchase loans and the response has been most encouraging. We are also considering the possibility of instalmental payment for shares as a way out of this problem.

c) Institutional Investors

A considerable part of the over-subscription experienced in the offers for sale arose from the intervention of large scale investors who saw in privatisation an opportunity to broaden their investment portfolios. With emphasis being given to small - medium scale investors, such big time investors are being frustrated, with the risk of loosing their patronage. Special effort is being made to persuade such investors to maintain faith in the programme, until the really large offers are made, when everyone can get what he asked for. We have however, in cases where it is possible, taken care of the big time investors, without necessarily jeopardising the interest of the small - medium scale investors, who rank highest in our scale of preference.

While equity participation in erstwhile public enterprises and their efficient management are important, a more desirable development would be to expand the economy through the utilisation of the advantages of deregulation by large scale investors to exploit new industrial growth areas with potentials much larger than those of the enterprises affected by the programme. Consequently, we have continuously informed these big time investors of the considerable scope for forward and backward linkage industries or services existing in industries to be privatised, which have remained unexploited, because the old order did not encourage such initiative. The TCPC is publishing a master list of potential linkage industries in such sectors as petrochemicals, power, steel, cement, paper etc., to guide new investors; and this will be ready soon.

d) <u>The Socio-Political Problems</u>

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 from the World Bank and IMF, the twin champions of international capitalism. They often dismiss the explanation that Nigeria had been looking for solutions to the problem of public sector investments 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 SAP is a home-grown solution, and not an imposition of the IMF and the World Bank. Those who adopt this position generally believe that nothing good will come out of the programme. Since such pessimism is more often than not deeply rooted in ideological opposition, it is not easy to dissuade those who express it, particularly since they are vocal and elitist. The primary argument for Privatisation and Commercialisation is ofcourse that the efficiency and profitability of the investments will improve after the the exercise. At the end of the day it is perhaps only a clear demostration of such improvement that will convince people who hold such views.

d) Antagonism by Labour

A subset of the group who oppose privatiation on ideological grounds are those who believe that privatisation is anti-labour, as it will eventually lead to massive retrenchment. The answer here is that this is not necessarily so. To the extent that the efficiency of the enterprises improves, the lot of labour will infact improve. Moreover, the Nigerian TCPC Decree specifically provides that at least 10% of the shares being sold in each enterprise be reserved for the employees of the enterprise.

Furthermore, we have made consicious efforts to involve the Labour Unions in our activities and have used every available opportunity to exchange views and ideas with representatives of labour on various aspects of the programme.

5.0 CREATING PUBLIC CONFIDENCE

5.1 The total effect of all the above is the generation of massive public awareness and participation and a high degree of public confidence in the programme. It has become clear that the fears earlier expressed by the opponents of Privatisation and Commercialisation that the programme was going to be hijacked by the few rich in the society and that a large number of the working citizenry would lose their jobs, is gradually changing into acceptance, curiousity and excitement for the greater future of Nigeria that would be the end result of the Privatisation and Commercialisation exercise.

5.2 People have increasingly realised that once the dust of Privatisation and Commercialisation settles, they can expect efficient service for the high tariffs they pay to NEPA, they would be able to enjoy qualitative service from the Nigerian Railway Corporation through comfortable and risk-free railways, and be able to travel on schedule to their businesses on their national carrier, the Nigerian Airways, and so on.

Convinced of these glaring benefits, skepticism has begun to give way to hope for a brighter and greater Nigerian economy, as more and more people embrace and accept the concept of Privatisation and Commercialisation.

6.0 CONCLUSION

From the description of the Nigerian experience above it is obvious that creating public awareness and confidence are essential, integral parts of a successful privatisation programme. It can be seen also that they are two elements of a privatisation programme that cannot be taken for granted. They must be meticulously planned for and patiently executed if any degree of success is to accompany the effort.

Ofcourse the circumstances of each particular country will dictate the methods employed, but it is hoped that the Nigerian experience will provide you with an insight into the intence preparation and dedicated execution required.

APPENDIX I

ENTERPRISES SLATED FOR PRIVATISATION

Sector	No. of Enterprises	Type
Development Banks	4	Partial Privatisation
Oil Marketing Companies	3	"
Steel Rolling Mills	3	"
Air and Sea Travel Companies	2	"
Fertilizer Companies	2	"
Paper Mills	2	"
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 and Furniture Companies	2	"
Insurance Companies	14	"
Film Production & Distribution	2	"
Motor Vehicle Assembly Plants	6	"
Flour Milling	1	"
Cattle Ranches	2	"
Engineering and Construction	4	"
Dairy Companies	2	"
Others	4	"
TOTAL NUMBER OF AFFECTED ENTERPRISES	98	

APPENDIX II

ENTERPRISES SLATED FOR COMMERCIALISATION

Sector	No. of Enterprises	Type
River Basin Development Authorities	11	Partial Commercialisation
Nigerian Railway Corporation	1	"
Nigerian Airports Authority	1	"
		"
National Electric Power Authority	1	"
Nigerian Security Printing and Minting Company Limited	1	"
National Provident Fund	1	"
Ajaokuta Steel Company Limited	1	"
Delta Steel Company Limited	1	"
Nigerian Machine Tools Limited	1	"
Federal Housing Authority	1	"
Kainji Lake National Park	1	"

Federal Radio Corporation of Nig.	1	"
Nigerian Television Authority	1	"
News Agency of Nigeria	1	"
Nigerian National Petroleum Corp.	1	Full Commercialisation
Nigerian Telecommunications Limited (NITEL).	1	"
Associated Ores Mining Company Limited	1	"
Nigerian Mining Corporation	1	"
Nigerian Coal Corporation	1	"
National Insurance Corporation of Nigeria (NICON).	1	"
Nigeria Re-Insurance Corporation	1	"
National Properties Limited	1	"
Tafawa Balewa Square Management Committee	1	"
Nigerian Ports Authority	1	"
African Re-Insurance Corporation	1	"

TOTAL NUMBER OF ENTERPRISES TO BE COMMERCIALISED	35	
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APPENDIX III

ENTERPRISES ALREADY PRIVATISED

S/NO	NAME OF ENTERPRISE	QUANTITY OF SHARES OFFERED	OFFER PRICE =N=	MARKET CAPITALISATION =N=
1.	Flour Mills of Nigeria Plc	7,800,000	0.80	6,240,000
2.	African Petroleum Plc	17,280,000	1.90	32,830,000
3.	National Oil & Chemical Marketing Co. Plc	16,800,000	2.00	33,600,000
4.	United Nigeria Insurance Company Plc	14,640,000	1.20	17,568,000
5.	American International Insurance Company Plc	3,920,000	1.65	6,468,000
6.	Prestige Assurance Plc	2,940,000	1.15	3,381,000
7.	Royal Exchange Assurance Plc	10,152,072	1.75	17,766,126
8.	Sun Insurance Nigeria Plc	1,176,000	1.25	1,470,000
9.	British American Plc	3,920,000	1.10	4,312,000
10.	Crusader Insurance Plc	1,960,000	1.30	2,548,000

11.	Guinea Insurance Co. Plc	1,879,000	0.80	1,503,794
12.	Law Union Rock Insurance Plc	3,910,000	0.95	3,714,500
13.	United Nigerian Life Insurance Plc	679,328	0.90	611,395
14.	The Niger Insurance Company Plc	6,800,000	1.30	8,840,000
15.	NEM Insurance Company Plc	784,000	1.15	901,600
16.	West African Provinvial Insurance Company Plc	668,000	1.10	734,800
17.	Nigerian Yeast & Alcohol Manufacturing Company Plc	4,590,000	0.70	3,213,000
18.	Ashaka Cement Company Plc	32,500,000	1.20	39,000,000
19.	Okomu Oil Palm Company Plc	25,806,150	0.90	23,225,535
20.	Benue Cement Company Plc	47,334,581	0.90	42,601,122
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		110,089,970		250,528,872
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