Privatisation and Political Challenges in Nigeria, 1999–2007

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Abstract

This paper critically assesses the impact of politics in Bureau of Public Enterprises which was established through the Public Enterprises (Privatisation and Commercialisation) Act 28 of 1999, popularly known as BPE Act of 1999 with a clear mandate to primarily privatise Public Enterprises (PE), which is the actual sale of PE and shares of PE slated for privatisation by the authority through issuing houses and in accordance with the approved guideline. Surprisingly, the agency has been unable to effectively carryout its clear mandate given to it by the government in the enabling Act as a result of over politicization of the agency’s activities. Thus unable to meet its target of privatising the number of companies slated for privatisation between 1999 and 2007 among other challenges. The study a desk research relied mostly on secondary data which was source from relevant textbooks, government and institutional publications as well as scholarly peer-reviewed journal articles among others. However, interview from stakeholders on privatisation as well as personal observations were also employed as a primary data. Data collected were presented and analytically analysed. The paper contends therefore that the mandate given to BPE was clear but over politicization is a major factor that impedes its ability to meet the stated objective and mandate. This has deepened the number of pathologies, such as inter-elites crisis, political patronage, corruption and unemployment among others in the country. The paper, therefore concludes that these pathologies are pointer to the fact that BPE is unable to deliver on its mandate hence it affects government’s ability to deliver its cardinal function to the populace.


Reference to this paper should be made as follows:

INTRODUCTION

Globally, privatisation of parastatals or public enterprises has become very central to the structural reform process and globalisation strategies in economies of many states. Thus, privatisation has become part of the broader ideological shift in emphasis towards efficiency and market-led economic policies by turning public enterprises into a private monopoly (Abdulkadir, 2011, p. 1); hence on acceptable paradigm of political economy of states. Indeed, in Nigeria, with the world economic recession of mid 1980s, the expectation of PE as the anchor of economic growth has diminished considerably as they drained public funds and become instruments for exerting much pressure on government expenditure, exacerbating fiscal deficits and becoming net drawer on government budgets rather than net provider (Oyejide, in Orluwene, 2013, p. 6).

With deep internal crisis that included high rate of inflation, unemployment, external debt obligation and foreign exchange misalignment, Nigerian government was strongly advised by the world lending financial agencies such as Bretton Woods Institutions (the International Monetary Fund (IMF) and the World Bank), London and Paris Clubs to divest from her public enterprises as one of the conditions for economic assistance (Nwoye, 2004). Subsequent, therefore, to intensified the push for economic liberalisation, Nigerian government was told that privatisation would shed her public sector inefficiency and attract more investments, bring in new technology and enhance economic growth (Nwoye, 2004). In fact, privatisation would deregulate sectors formerly monopolized by the public sector and provide an enabling environment for the private sector to develop.

Consequently, the need to ensure operational efficiency of her public enterprises as a result of the deep precarious fiscal position, prevailing deplorable conditions and the inability of past governments in Nigeria to successfully meet the huge resource requirement of most of the public enterprises over the years, the necessity for the adoption of the IMF/World Bank inspired and informed privatisation policy became imperative for the Nigerian government as to reduce state monopolies, government bureaucracy, bad management and corruption, create employment, redistribute wealth, expand local business, increase the quality of goods and service among others. It appears that government stated objective in this regard is yet to be met, it is against this background that this is paper is embarked upon as to determine how politics has impacted on the activities of BPE in the privatisation of parastatals in Nigeria between 1999-2007.

THEORETICAL FRAMEWORK

The theoretical foundations for the politics of privatisation has been subjected to extensive criticisms on numerous grounds in that most scholars argues that privatisation is mostly an economic issue. But this economic argument has been unable to explain why most of the privatisation of 1970s and 1980s took place despite the sophistication of the economic analyses. Therefore, the study adopts public choice theory to explain the politicization of privatisation in Nigeria.

According to this theory, public enterprises is seen as a heaven of political patronage, corruption and primitive accumulation by both politician, political office holders and public servants(bureaucrats) in that they give superfluous jobs at public enterprises to their supporters as to pursue their political objectives and intensions (Odukoya, 2007). Other reasons according to Odukoya are when supporters of politicians benefits through subsidizing; or when elitist governments favoured by tax payer, replaces the governments that has the goodwill of the masses and popular view of avoiding or fear of collusion/class
interest between the political class and bureaucrats while appropriating the public goods of the parastatals.

In furtherance to the public choice theory, the World Bank in Odukoya (2007) equally saw a link between economic crisis and privatisation in that politician will find it difficult to subsidize loss making parastatals while government that is worsen with fiscal or financial situation, hence, might alter the cost and benefits of privatisation. Moreso, public enterprises perform poorly when managed by bureaucrats, not because they are not capable but because they are faced with competing goals and self-willed incentives and goals that can divert and reduce even very able and devoted bureaucrats (p. 30).

Above all, government goals are many, the argument also goes to incline that government is not efficient in the management of public enterprises hence profit making will not be possible. Privatisation in Nigeria is therefore serving the interest of most powerful men of the society since power and resources are not evenly distributed across and competition for power within the segment of the society are prevented. So privatisation is associated with the power that gives the buyer and denies the seller upon the sale or transfer of public enterprises. Therefore, privatisation is an economic policy by politicians to redistribute the country’s economic resources and political power in interest of private capitalist by handing over public enterprises to the bourgeoisie through the tool of political power of the state in that politics according to Lasswell in Orluwene (2015, p. viii) is who gets what, when and how of the society’s restricted resources. Thus, power is not equally and evenly distributed despite democratic process. Therefore, well organised group are able and must influence public policy to their benefits.

CONCEPTUAL CLARIFICATION

The major conceptual concepts are politics and privatisation.

Politics

The term politics has elicited many definitions, opinions and reaction or even been used loosely that many people readily assumes they know what it means. From all these definitions, three major perspectives from which politics has been viewed can be discerned.

The first of these comes from Greece. The term “politics” is derived from a Greek word ‘polis’ meaning city-state. To the Greeks life in the state in all its forms was political. Aristotle, the great Greek philosopher, see a political man as one who can realizes his potentialities by living in the ‘polis-city-state’. Polis was a well-organized, stable and self-sufficient community. To the Greek, political life was the polis way of life. In other worlds, politics was the study of the nature of good life as was revealed in the small community. The Greek definition of politics was moralistic and all-inclusive i.e. it covered all types of activities- social, economic, religious, cultural, etc. A second approach to the study of politics is the traditional or state approach. This approach is noted both for its focus on formal institutions of the state and for its definition of politics as the study of these institutions. The third is the most dominant and prevailing, which is referred to as the power approach. This approach emphasized the point that politics is concerned with the acquisition of power- survival of the fittest- making no room for morals or ethics. It must be noted, however, that there is no consensus of opinion regarding what power is (Orluwene, 2001, p.39).

However, among most Nigerian, the term has only a negative meaning and stand for “big talk”, “unfilled or unfulfillable promises”, “electioneering” or even another glorified term for “deceit” (Ekong, 2003, p. 238). Thus, according to Ekong (2003), it is common to hear someone saying, he is playing politics with me, when what he actually means is that the
fellow is deceiving him. This is the so-called common sense perception of politics among Nigerians. Thus, the term has little or nothing to do with these pedestrian meanings. To the political scientists and philosophers, politics means the art and science of government- the organisation and operation of the machinery of government. This entails the formation of political parties, electioneering and organisation and operation of the administrative institution of the state. In this narrow sense, politics is more or less defined by what those in government do (Easton in Orluwene, 2015, p. vii).

David Easton in Orluwene (2015) has defined it as the authoritative allocation of values for a society. The determination of who gets what, when and how (Laswell, 1970, p. 7). While Ake, cited in Nna (2002:5) defined politics as a system of behaviour by which a society expresses its self-determination by choosing its leaders, holding them to account; evolving and pursuing collective goals. Ndu (1998, p. 3) defined it as resolution of the problems and contradictions which arise from the struggle to satisfy the economic needs of people and Wright in Orluwene (2015) defined it as the act of influencing, manipulating and controlling others. Politics, therefore, is essentially about the struggle for power in the society. It has to do with decisions as to the allocation of scarce resources to the multiplicity of needs of the members of the society. It reflects the competition, conflicts of interest and divergences of opinion which exist in any society. Politics also has to do with the exercise of power and authority, and the relations of power in any given society. All these impact on public administration and accounts for why, it has become difficult to distance or separate administration from politics (Morgenthau, in Orluwene, 2001, p. 40).

From all of these definitions, two issues are readily observable: struggle for power and decision-making. Struggle is structured in an environment of multiple players and actors in any governmental establishment in order to arrive at decisions. Even then, some other actors would be required to implement the decisions formulated and taken. The implication is that in any government, there are many actors who are graded according to their roles and or responsibilities and mandates. The uppermost echelon is superintended over by a superordinate official who is merely seen as primus interpares; first among equals (Akpan, Umana, Oborgu and Gofwen, in Orluwene, 2015, p. vii).

That is why Ekong Ekong, a sociologist, conceives politics in a wider perspective than some political scientists and philosophers. To him, politics is the exercise of power in any relationship. In other words, all social relationships are political from the sociological point of view. Political behavior is “power relationship” and is not restricted to any particular governmental arrangement but inheres in any social situation. Thus, a sociological approach to politics entails the analysis of the power relationships existing in any social situation and its consequences for social action and order. In other words, the sociologist is interested in the pattern of the distribution of power in the society and the consequences of such pattern(s) on the life chances of the dominated in relation to the dominating groups (Ekong, 2003, p. 238).

**Privatisation**

The concept or term privatisation is capable of variegated meanings. This is because it is a global affair and the connotation differs from country to country. In some countries, like in the United Kingdom and Nigeria, it denotes the transferring of the ownership of public enterprises to private hands; this is referred to as denationalisation in the United Kingdom. Another idea in vogue in some other countries is liberalisation and deregulation which unleashes forces of competition. That is why Daintith (1994) asserts that,
Privatisation is coming to mean all things to all men (and women) as it is adopted in different countries as a conveniently topical and attractive label for a wide variety of steps in economic and social policy (p. 43).

Thus, Starr (1998) defines privatisation as a shift from the public to the private sector, not shifts within the sectors. According to him, the conversion of a state agency into an autonomous public authority or state owned enterprises is not privatisation neither is conversion of a private non-profit organization into a profit making form.

However, privatisation is much wider than mere transfer of ownership. In the words of Ramanadham (1993a),

The concept of privatisation is in fact wider. It is to be understood, not merely in the structural sense of who owns an enterprise, but in the substantive sense of how far the operations of an enterprise are brought within the discipline of market forces (p. 4).

In yet another publication, Ramanadham (1993b) states further as follows:

The term privatisation essentially denotes marketisation or bringing the enterprises under the disciplines of the market. There can be three options of policy; ownership changes, organisational changes and operational changes...The second and third often go under the name of public enterprises reform or performance improvement and may be considered as a second-order version of privatization (p. 359).

For some scholars, an effective way of understanding and analyzing mode of privatization is to expand its various forms as: (a) divestiture or the transfer of ownership and management to the private sector; (b) sale of shares through tender or capital markets; (c) transfer of management to the private sector without change in ownership; (d) introduction of production contracts while retaining procurement and marketing functions; (e) profit-sharing with employees; (f) outright liquidation; and (g) reduction in bureaucratic control without change in ownership. Daintith (1994) listed five major forms of privatization as: Change in ownership (from the public to private sector), change in legal status of public provisions (such as liquidation), change in economic status of the public sector (from direct producer to indirect provider), and change in competitive environment (by withdrawing monopoly rights of public enterprises) (p. 45).

The concept of public enterprises like others is surrounded by various ambiguities. Some of the ambiguities, in fact, stemmed from the nomenclature itself. The terms utilized were numerous and included public enterprises, state-owned enterprises, parastatals, public companies and public corporations, among others. As a result, there appears to be no universally agreed definition among scholars regarding the conceptual meaning of public enterprises.

According to Laleyce (2002), the bewildering number and types of the organisations called “public enterprises”, their different contents and the rationale for which they are set up account for lack of authoritative and generally acceptable definition of public enterprises. Sona in Ozor (2004) opined that there are many reasons why in developing capitalist countries, there is no single standard definition of public enterprises. Public enterprises were established at different periods and each epoch naturally brought forth the type of public enterprises most clearly matching its own conditions. It is, therefore, believed that the variations in definition are informed by the ideological values, interest, dispositions and circumstances that brought public enterprises into existence. Whatever the controversy and
the lack of uniformity might conjure up, we would, however, review the viewpoints of some scholars of public enterprises. For instance, the Encyclopaedia Britannica in Ozor (2004) defines the term public enterprises as:

An organisation operating or supposed to be operating on commercial principles, wholly or partly owned and effectively controlled by a public authority; it may have as its main function the provision of some infrastructural services, the direct manufacture of commodity or the extension of certain forms of assistance to the enterprises in the public sector (p. 107).

Public enterprises, therefore, refer to any economic or industrial organisation or institution under the auspices of the state. They are, most times, established to perform social service functions in addition to making profits. But, financial profit making is usually not the overriding motive for their establishment. When they do make financial profits, it is merely coincidental rather than fundamental to their establishment.

It is, therefore, often used to denote an undertaking in which the government has a large interest of ownership and management. But a United Nations Publication in Sapru (1998) gave a comprehensive definition as:

An economic undertaking especially industrial, agricultural or commercial concern, which are owned (wholly or in part), and controlled by the state. It includes those mixed enterprises which are controlled by the state. A mixed enterprise is one jointly owned by the state and by private persons. If the state contributes over half of its capital, it automatically has a controlling interest. In some cases, the state even has control over mixed enterprises for which it provides less than half of its capital (p. 108).

Another United Nation source in Ezeani (2006) defines public enterprises as:

Industrial, agricultural and commercial concerns which are owned and controlled by a central government (in a unity state) or the central government, and regional government (in a federation).

However, the following reasons are adduced as the rationale for establishing public enterprises. First is the economic rationale. The establishment of public enterprises as a direct corollary of the failure of the theoretical classical market implies that the market mechanism would not be able to capture certain productive activities and would therefore not allow individuals to maximise profit. And this is where the state comes in. One of the functions or roles of the state, as identified by Brown and Jackson in Eminue (2005), is

...the duty of erecting and maintaining certain public works and certain public institutions which can never be in the interest of any individual, or a small number of individuals, to erect and maintain because the profit could never repay the expense of any individual or small number of individuals, though it may frequently do much more than repay it to a great society (p. 424).

**Interface between Politics and Bureau of Public Enterprises**

The major area of political constraint, a cross-section of our interviewees reveal is high level of political patronage and manipulation of BPE by the Presidency in the privatisation of Nigeria Airways, Daily Times of Nigeria, ALSCON, Delta Steel Company (DSC), Ajaokuta Steel Rolling Company, NICON Insurance and several other multi-billion Naira public
enterprises. We are informed by the BPE Director of Natural Resources amongst other respondents that most of the public enterprises were sold to bidding companies on “the basis of political patronage”. Similarly, a former member of the National Council on Privatisation (NCP) between 2003 and 2007 admitted in an interview that there was a high level of political interference and maneuvering at all stages of privatising some of the companies named above as due process and the rule of law were circumvented. A former DG of the BPE, Dr. Chris Anyanwu, told the Senate Ad-hoc committee probing BPE on the privatisation exercise that some influential Nigerians tried frantically to make him deviate from the rules of the game during sales and concessioning of various public enterprises. In his words, ‘these persons in high places put a lot of pressure on me to tilt the process in favour of certain investors’ (Ogbodo, 2011, p. 68). This was corroborated by another erstwhile DG of BPE, Mallam El-Rufai when he said that “all manner of pressure were brought on the occupant of the office by powerful government officials, who wanted one form of favour or the other” (Ogbodo, 2011, p. 9). In the same vein, Irene Chigbue, also a former DG, disclosed to the Senate Ad-hoc committee probing BPE that during her tenure, former President Olusegun Obasanjo instructed her to relate with him directly on issues of transactions being handled by BPE, instead of former Vice President Atiku Abubakar, who was the chairman of the NCP (Ogbodo, 2011, p. 63). The following are a breach of processes bordering on political interference as established by the Senate Ad-hoc Committee probing BPE:

- Considered and approved that BUA International Ltd pay the price of US$20.5 million offered to bring the transaction of DSC to close or advice as appropriate. Ref. PRES/128, dated June 23, 2004.
- Delta Steel Company, “VP, Minister of Steel, DG BPE, Approved as slightly amended subject to Global being responsible for rehabilitation and effective usage of Delta Steel Port or Jetty- not Warri Port which belongs to NPA, 17/12/04. Ref. PRES/128, dated December 20, 2004.
- EPCL- Approved the recommendation that the Indorama Group, be declared preferred bidder at the upwardly revised bid price of $225m USD and that the secretariat should commence preparation for handing over the company to Indorama. “VP, DG BPE, in the light of IFC involvement, the experience of Indorama and their plan for guide, rehabilitation and expansion, we should waste no time in going for any other or additional process. Time is of essence. The recommendation made here is acceptable to me and it is approved” 12/12/05. Ref. PRES/128, dated December 12, 2005.
- Considered and directed as to the acceptance or otherwise of the offer made by Blue Star Oil Services Ltd and execution of the Share Sale/Purchase Agreement in Kaduna Refining and Petrochemicals Co. Ltd (KRPC). Ref. PRES/128, dated December 12, 2005.
- Considered and approved waiver of NEPZA owed charges by ALSCON and extension of EPZ status for another 10 years. Ref. PRES/188, dated August 15, 2006.
- Bricks & Clay, Izom- Approved the recommendation that the Preferred Bidder be allowed to pay the ₦50, 000,000 (Fifty Million Naira) offered for 80% of the entire shares of the company.
- Approved that 10% of the bid price amounting to ₦5,000,000 be paid within 10 working days of offer and the balance of 90% (₦45,000,000) be paid within 30 days
after the payment of the first instalment, failing which the reserved bidder will be invited for further negotiations. Ref. PRES/128, dated April 4, 2006.

- Considered and approved that BPE pays the sum of ₦157,630,030.00 to FIRS as outstanding tax liability of BPE for the period 2000 to 2005. Ref. PRES/128, dated April 4, 2007.


- Considered and approved the new price offer of ₦2, 210,000,000.00 by Luzon Oil and Gas Limited for Stallion House, Lagos. Ref. PRES/128, dated February 9, 2007.

- Approved the shares of the NNPC proceeds of ₦1,124,554,064.88 be transferred to the NNPC Pension Fund in line with the objectives of the sale as approved by Mr. President in Stallion House, Lagos. Ref. PRES/128, dated May 26, 2007.

- Approved the release of ₦1 billion (One Billion) naira only as loan by the BPE towards the recapitalisation efforts of Nigeria Re-insurance to be recouped from the proceeds of sale of the Corporation through hybrid offer scheduled for February/March 2007. Ref. PRES/128, dated January 12, 2007.

- Considered and approved the payments of outstanding staff entitlements and pension liabilities of ₦892,920,759.11 from the general privatisation proceeds for Nigeria Re-insurance. Ref. PRES/128, dated May 14, 2007.

- Considered and approved that BPE pays 3% of the debt reduction achieved to the Tax Practitioners as fees for the professional servies rendered to BPE. Ref. PRES/128, dated April 4, 2007.

- Central Packaging of Nigeria- Considered and approved that the status of Millennium Automations Limited and the preferred bidder for the enterprise be withdrawn and its bid bond of ₦5 million be forfeited, and considered and approved that the reserved bidder, Gobesh West Africa Limited be invited for upward negotiation of its bid amount of ₦105 million to a minimum of ₦140 million.

- Considered and approved that the revised offer of ₦110 million from Gobesh West Africa Limited be accepted with its earlier forfeited deposit of ₦14.15 million forming part of the acquisition cost for Central Packaging of Nigeria (CPN), Ltd. Ref. PRES/128, dated May 26, 2007.

- Approved the reserve price of ₦250,000,000.00 (Two Hundred and Fifty Million Naira only) for the sale of the clinics and other medical assets to Ex-NITEL/M-TEL Medical staff. Ref. PRES/128, dated May 26, 2007.

- ANAMMCO- Considered and approved that current Board be dissolved and that a new seven-member Board be reconstituted as proposed; considered and approved that the Board chairmanship be given to G.U. Okeke & Sons being an indigenous strategic investor who believes in the Nigerian economy and has recently invested the sum of ₦657,000,000.00 in the company. Ref. PRES/128, dated April 4, 2007.

- 8 LPG Depots- Considered and approved that the 2 outstanding LPG depots i.e. Gusau and Gombe LPG depots be sold to Messrs MRS Oil & Gas Limited on a willing buyer and willing seller basis at the reserved price. Ref. PRES/128, dated May 26, 2007.

- Considered and approved the sum of Twenty two million, three hundred and twenty three thousand, one hundred and fifty two naira, twenty four kobo (₦22,323,152.24) for the privatisation advisory services on both Onigbolo Cement and Save Sugar Companies. Ref. PRES/128, dated March 13, 2007.

• 8 Oil Service Companies- Considered and approved Baker Hughes Nigeria Limited, Geofluids Nigeria and Sadiq Petroleum as the winning bidders with a combined bid of ₦87,530,580.00 for the sale of the 32.4% Federal Government equity interest in the Baker Nigeria Limited.

• Considered and approved AP Oilfield Services, Eurafic Energy Ltd, International Energy Services and M-I rilling Fluids Ltd as winning bidders with a combined bid of ₦311,040,000.00 for the sale of 32.4% Federal Government equity interest in M-I Nigeria Limited.

• Considered and approved Baklang Consultants, Capital Alliance Nigeria, Hyprops Nigeria Limited and Solus Ocean System Incorporated as winning bidders with a combined bid of ₦11,999,995.20 for the sale of the 32.4% Federal Government equity interest in Solus Schall Nigeria Limited.

• Considered and approved the recommendation for invitation of Amazon Energy/Sigmund Consortium, the highest bidder in Schlumberger Testing & Production Services to bid for the remaining 3 blocks in line with the instructions contained in the Private Placement Memorandum. Ref. PRES/128, dated February 1, 2007.

• Calabar New Port Terminal B- Approved the adjustment for the concession of Terminal B, Calabar New Port from 10 years to 25 years tenure to Ecomarine Consortium. Approved the re-fixture of entry fee for Terminal B, Calabar New Port from US$100,000.00 for 10 years tenure to US$250,000.00 for 25 years. Approved the adjustment of the bid from gross Financial Bid of US$34,673,842 with NPV of US$30,033,766 for 10 years concession to US$98,791,200 with NPV of US$41,726,980 for 25 years. Ref. PRES/128, dated May 7, 2007.

• Niger Dock Plc- Approved that BPE should accept the third and final settlement of N775,170,000 as proceeds of earlier sale to Jagal if settled between now and the week of 14th May, 2007 as proposed. Approved that BPE negotiate with staff, immediate indigenous community of Nigerdock and the sitting core investor on the divestment of the balance of Federal Government’s 20% shareholding through deferred public offering as approved by the NCP and in line with the arrangements. Ref. PRES/128, dated May 14, 2007.

• Approved for four (4) prospective investors who had earlier been pre-qualified and recommended for approval to move to the next stage of the data room/due diligence exercise in Onigbolo Cement Company. FGN has 43% equity stake in the company. Ref. PRES/128, dated May 21, 2007.

• Approval to proceed to the next stage which is the investor’s Due Diligence and subsequently, submission of Technical and Financial Bids by Pre-qualified investors on Nigerian Coal Corporation and Nigerian Mining Corporation Mining Titles. Ref. PRES/128, dated April 4, 2007.

• Approval for the engagement of Morgan Capital Consortium as Transaction Advisers for the concession of the National Facilities for a total fee of ₦50,000,000.00 (Fifty Million Naira). Ref. PRES/128, dated March 1, 2007.

• Approval for the Management of NAICOM to waive the premium fee of ₦463 million due from NICON insurance Plc.

• Approval for FGN’s portion of the financial obligation for the recapitalisation and CBN mandatory statutory deposits in respect of NICON Plc totalling ₦1,039,500,000.
only be funded from the privatisation proceeds and recoverable after the imminent sale of the 30% shares to the Nigerian public. Ref. PRES/128, dated February 9, 2007.

- Approval for the remaining ₦139,809,651.57 of the net proceed belonging to the other five shareholders listed above to be paid to them in order to close the account of the sale for Abuja International Hotel Limited. Ref. PRES/128, dated March 1, 2007.

- NITEL- Approval that the Task Force negotiates and obtains a reasonable discount from the ITF in view of its precarious financial position and pay the negotiated sum.


- Approval for the appointment of Olushola Adekanola & Co. as the liquidator of the NITEL & M-TEL Pension Fund subject to a fee of 5% of gross proceeds realised;

- Approval that proceeds realised by the liquidator be warehoused and applied, as appropriate to any contingent liabilities that may arise as a result of the privatisation of NITEL and the labour downsizing exercise; and

- Approval that any of the proceeds realised by the liquidation left unutilised be remitted to the Treasury. Ref. PRES/128, dated February 9, 2007.

- Ayip Eku Oil Palm Company- Approval that all prospective investors with the exception of Global Steel Holdings Ltd be pre-qualified to participate in the data room exercise. Ref. PRES/128, dated January 24, 2007.

- Approval to award the contract to Morgan Capital/Arthur Consulting Consortium at the sum of ₦13,000,000 (Thirteen Million Naira) for PHCN Non-Operational Generation Plants at Ijora, Oji River and Calabar. Ref. PRES/128, dated January 22, 2007.

- Approval that Diamond Bank Consortium be invited for the downward review of their fees of ₦33,178,340.00.

- DG BPE “Please consult and agree with your Benin counterparts unless it is only our interest we are privatising, in that case approved”. 12/03/07. Memo on selection of Privatisation Advisers for Onigbolo Cement (SCO) and Save Sugar Companies (SSC) dated March 6, 2007.


- Concession of Nigerian Airports: Approval that FMOT and FAAN stay action on any amendment whatsoever to the BOT agreement with Messrs Bi-Courtney Limited and Stabilini Visioni Limited;

- Approval that FMOT and FAAN should ensure the extinction of all conflicting contracts and agreements including and not limited to “Airport Lease and Use Agreement” and emergence of preferred concessionaires through international competitive bidding process;

- Approval that any further operational contracts be reviewed by BPE to ensure that they do not conflict with the reform and concession programme. Ref. PRES/128, dated March 13, 2007 (Senate Ad-hoc Committee Report on BPE, 2011, pp. 125-133).

These approvals given by former President Obasanjo to former DG BPE Irene Chigbue as sought by the latter are in violation of Section 11 of the BPE Act.

Comments from our respondents, mostly from members of civil society organisations and organised labour as well as in the NCP and the BPE show that assets of public enterprises
earmarked for Privatisation are usually under-valued by the BPE, due mainly, to government interference at various stages of privatisation exercise. A clear example, as the former Chairman of House Committee on Privatisation who shares a similar sentiment with the former national president of Nigeria Bar Association (NBA), who is from Rivers State illustrated, was the case of Aluminum Smelter Company of Nigeria (ALSCON) at Ikot Abasi, Akwa Ibom State that was sold to Russal, a Russian Company, for only 250 million Dollars in 2006, whereas it was worth $3.2 billion. Similarly, the Director of Infrastructural Networks informed us that the Delta Steel Company, which was set up at the cost of 1.5 billion Dollars was given away in 2005 by the former Management of BPE to Global Infrastructures Nigeria Ltd (GINL) for 30 million Dollars only.

In the same vein, one of our respondents, a former national secretary of NUPENG, who is an indigene of Delta State laments over undue presidential directives and influences in the operation of BPE. He asserts that these over-bearing directives and influences are not only in the under-value of public enterprises but also in assets stripping of these privatised firms. He states how DSC, a prized and choiced company’s housing estate/plots of land were illegally sold/allocated by the BPE. He opined therefore, “that BPE is not carrying out ‘privatisation’ but ‘pocketisation’. Nigeria economic assets have been cornered and auctioned off to a tiny cabal of private interest”. However, the Senate Ad-hoc Committee report on the BPE reveal how one thousand, one hundred and nine (1,109) units/plots out of four thousand, five hundred (4,500) housing units/plots owned by Delta Steel Company (DSC) were illegally sold/allocated (Senate Ad-hoc Committee report on BPE, 2011, p. 147).

Similarly, the NCP in 2006 directed the BPE to sell the federal government’s 5% equity shares in Eleme Petro-Chemical Company Limited (EPCL), Port Harcourt to the Indian conglomerate Indorama Group for 4.375 billion naira. This is in contravention of the first Schedule of the Privatisation Act No. 28 of 1999 which states that not more than 75% equity shares of the company shall be privatised, 2.5% should be kept for staff, 7.5% for host community, 5% for the Federal Government and the remaining 10% for the general public (Ojo, 2011, p. 28). Furthermore, the Senate Ad-hoc Committee investigating BPE established that:

- Indorama Group has already acquired the maximum 75% shares reserved for core investors in EPCL as provided in the First Schedule Section 1(1) no. 6 of the Act.
- The FGN residual shares in EPCL has earned N12,894,000.00 in the last 4 years post privatisation as dividends (Senate Ad-hoc Committee Report on BPE, 2011, p. 135)

The deluge of NCP’s dictatorial directives to the BPE also manifested in the termination of the ten year concession agreement of ASCL, Kogi State with GIHL. In 2004, the BPE concessioned ASCL to GIHL for ten years. Curiously, less than two years after the concession agreement was sealed between the BPE and GIHL, the NCP ordered the termination of the concession agreement on grounds of failure of GIHL “to reactivate, complete and commission the steel plant”: The NCP directed the BPE to set up an Interim management Committee (IMC) to carry out a technical audit of ASCL within six months. The IMC had been functioning for about six years without adding any value to the operation of ASCL apart (aside) from paying salaries of redundant workers that gulped over 3 billion Naira annually (Okorocha 2011, p. 34).

Again, in the case of National Iron Ore Mining Company (NIOMC) Itakpe, Kogi State, the NCP directed the BPE ‘to forcefully and unilaterally terminate’ the concessioning of the said company after all concessioning processes had been concluded with the BPE and GINL. By this action, the productive capacity of DSC was adversely hampered. This is because DSC relies largely on NIOMCO for the supply of iron ore and sundry raw materials.
for steel production. Because of the non-availability of iron ore from either NIOMCO operating as a public enterprises or a concessioned firm to GINL, DSC produces at a low capacity.

Again, it was also found that through the directive of the NCP, the BPE revoked the bid won by Assurance Acquisition Limited to acquire NICON Insurance and transferred same to Global Fleets. As Josiah (2011:20) revealed, Global Fleets and its consortium of companies were not assessed, interviewed, processed and tested during the consideration bid for NICON Insurance (Josiah 2011, p. 20).

The foregoing findings show that BPE is mostly constrained by the overbearing presidential directives/ influences, abuse of due process in valuation, selection of core investors, and handing over of privatised public enterprise, the institutional factor (BPE Act), the legal framework governing the operation of BPE, the provisions of the Act gave the BPE enormous power to operate through NCP. All these precluded the smooth operation of the BPE. Thus, the Bureau performed dismally.

The nature of political interference prevalent in the operation of the BPE is such that the agency is immersed in or subjected to serial manipulation by high ranking political office holders in both executive and legislative arms of government in clear pursuit of private/vested interests. As the case of privatisation of DSC showed, BUA Group participated in the bidding process. Other firms that participated in the financial bid of DSC were Niger-Benue Transport Company and Osaka Steel Limited. A letter from the BPE to BUA International Limited dated 19th August, 2004 conveyed the approval of BUA International as the winner of the bid. In a twist of procedure, the Presidency directed the BPE to transfer DSC to Global Infrastructure, a firm that was said not to have participated in the bidding process. The details of the DSC bidding process and transactions between BUA International Limited and BPE was not transparent but politicized. It was revealed that the Chairman and Chief Executive Officer Global Infrastructure is Barrister. Jimoh Ibrahim, who was described by Col. Abubakar Umah (rtd) as a surrogate of former President Olusegun Obasanjo. It was also observed that Jimoh Ibrahim was one of the financiers of Obasanjo’s private Presidential Library project at Ota in Ogun State (Abiola, 2011, p. 8).

Similarly, in the case of ALSCON, BFIG and RUSAL participated in the bid in June 2004. BFIG was the preferred Bidder in the assessment of the BPE. But the Presidency directed the BPE to transfer the bid won by BFIG to Russal. Russal is considered to be one of the companies owned by the foreign cronies of former President Obasanjo. Abiola (2011, p. 8) explains that ‘multi-billion Dollar public investments were sold at derisory prices to Obasanjo cronies’. He gave examples of ALSCON which was built at 3.2 billion US Dollars and was sold at 250 million US Dollars to Russal at the instance of former President Obasanjo. In the said transaction, 120 million Dollars out of 250 million US Dollars was retained by Russal for dredging of Imo River which is yet to be executed and no refunds made by Russal (p. 8).

Similar political interference also played out in the Privatisation of Benue Cement Company (BCC). Larfarge Cementia and Dangote Industries Limited bided for BCC with the former not just offering a higher bid but also possessing better managerial and technical competence. Larfarge was incorporated in 1833 and has a reputable profile in cement industry. It is said that Lafarge is the second largest cement producer in the world after Holder Bank of Switzerland. On the other hand, Dangote was incorporated in 1987 with marginal interest in cement re-bagging (Amupitan, 2000). At the end of the bidding process, the Presidency directed the BPE to endorse the bid of Dangote Industries Limited. As Amupitan (2000) observed, Dangote does not possess the financial, managerial and technical ability to have won the bid and that “Dangote Industries Limited is neither a manufacturer nor an industrialist but a trader” of cement (p. 12). The government and people of Benue
State resented and opposed presidential interference in the sale of BCC on the ground that Dangote Industries Limited does not possess the technical and managerial ability under the Privatisation Act to be so appointed as core investor (Otobo, 2002, p. 169).

In the same vein, the study also found that there was direct involvement of the Presidency in the privatisation of Kaduna and Port Harcourt refineries in 2007. No bidding process was carried out and the refineries were sold at “throw-away prices to the cronies of the former President in the private sector” (Abiola, 2011, p. 8). These cronies are Aliko Dangote and Femi Otedola, owners of Blue Star Oil Services Limited, which bought the refineries. The fraud and Presidential interference associated with the transaction prompted Obasanjo’s successor, the Late Umaru Musa Yar’adua to revoke the sale of the refineries.

Our study also further showed that political interference in the operations of the BPE goes beyond deciding ‘who gets what, when and how’ to asset stripping of privatised firms. Two cases suffice here. The first was the directive of Federal Executive Council (FEC), presided by the President, to sell parts (plots) of land belonging to DSC in order to generate funds for payment of severance packages to sacked workers of DSC. In spite of this directive and the actual sale of the land, the sum of over one hundred and seventeen million naira generated from disposing the lands, workers were not paid the severance allowance (Ekpunobi, 2011, p. 5, Senate Ad-hoc Committee Report on BPE, 2011, p. 147). The second case was the directive of the Presidency to the BPE to handover plots of land belonging to NICON Insurance for building of National Secretariat of the People Democratic Party (PDP). The disclosure made by Emmanuel Jegede, Managing Director of NICON Insurance in Josiah (2011, p. 20) to the Senate Ad-hoc Committee on probe of BPE is instructive:

Properties disclosed as assets were unlawfully taken over. The adjacent plots to the Head Office owned by NICON and valued at 4 billion Naira was taken over to develop the National Secretariat of Peoples Democratic Party (PDP). Other properties valued at over 5 billion Naira have been forcefully and unlawfully taken over.

The high level of political interference in both the privatisation exercise and operations of BPE is summed by former Vice President, Atiku Abubakar, who chaired the NCP between 1999 and 2005 in the following terms;

The well-conceived and well-intentioned Privatisation programme, which was designed to, transparently, transfer state-owned assets to private hands to ensure better service delivery, has gradually been personalised and our prized economic assets and choice enterprises have been cornered and auctioned off to a tiny cabal of private sector interests closely associated, or in full partnership with those in the corridors of power, with little or no pretense at due process or transparency…(They) used the Privatisation programme to auction our crowned jewels to themselves at rock-bottom prices” (Johnson, 2007, p. 28).

CONCLUDING REMARKS

The study conceptualizes the key concept of this study and was able to identify the major political challenges that confronted and impeded the efforts of BPE in its privatization drive. Such factors are: undue political interference on the day-to-day running of the bureau hence did not follow due process and thus not transparent in running of the bureau. And based on the foregoing, the study made the following recommendations that would assist BPE in achieving its major objectives. Therefore, government should ensure the adherence to due
process which is the catalyst for instituting the culture of sanity, rule of law, fairness, transparency, accountability and policy direction in any organization. It is found that these principles would contribute in no small measure to engendering good corporate governance and maintenance of set standards. There is no doubt that adherence to due process would ensure that most of these problems noted above are mitigated as well as create the enabling environment for BPE to perform its statutory functions. This is being recommended because series of interferences in the activities and procedure of the organization tend to cripple the organisation’s freedom and most often brings about poor performance. Eventually, it becomes very difficult at a certain stage to pin down the cause of failure.

Provision should be made for anti-trust and competition policy law as to properly break, reform and privatize properly in that without the law in place, Nigeria will be privatizing without liberating and will not attract foreign investors.

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