

ISSN 111-4898

INTERNATIONAL JOURNAL OF SOCIAL SCIENCES

Vol. 6, No. 1 JUNE (2007)

EDITOR

IMOH E. UKPONG
University of Uyo, Nigeria

ASSOCIATE EDITORS

Godwin Akpan, *Nigeria*
Graham Chapman, *UK*
Lenny Baer, *Ghana*
Ekanem Ekanem, *Nigeria*
Godwin Umoette, *Nigeria*
Ukpong S. Ukpong, *Nigeria*
Peter Essoh, *Nigeria*

Faculty of Social Sciences, University of Uyo, Nigeria.



Akwa Ibom Investment and Industrial Promotion Council (AKIPOC) and the Challenges of Privatization Exercise in Akwa Ibom State.

Okon S. Udoh

*Department of Sociology and Anthropology
University of Uyo, Nigeria*

ABSTRACT - The government and people of Akwa Ibom State in a bid to join the global trend for rapid economic development has ear-marked some poorly performing industries for privatization. It has been argued that, the private-sector driven economy has encouraged rapid and sustainable development through mass employment of the citizenry, use of local raw materials, availability of needed goods, as well as expansion in other economic activities. Akwa Ibom State government over the years, has been experiencing dwindled resources especially, from those industries/ parastatals that are hitherto owned by the public. With the near collapse of some of these industries, the State Government sets Up AKIPOC, as an agency, to resuscitate those ailing industries. The role, successes and challenges of this agency therefore arouses the interest of this study.

Key words: Industrial promotion, privatization, challenges, Akwa Ibom State.

INTRODUCTION

The intervention in economic activities by the state is indeed gaining a global attention. The state intervenes in economic activities as a means of exercising control and direction over the national economy. It does this through direct investment in productive and social services which have been a peculiar tool for promotion of economic development and social welfare in the developing countries of Africa, and Nigeria being one of such countries shares in the development

aspiration of the world. According to Ekam (2004), Nigeria as one of the developing countries has employed this tool especially, from 1950s through the 1970s when great reliance was placed on state involvement in productive economic activities as a tool for economic and social development. (Also See Akpan; 1999 and Ekanem, 1998)

It has been the concern of the stakeholders on how Nigeria economy can be channeled through the path of sustainable growth and development. At the moment, government and stakeholders have reached a consensus on the imperatives of privatization of the public owned enterprises. This has led to the inauguration of the National Council on Privatization (NCP). The council so inaugurated represents a critical step taken in the country's socio economic agenda. Secondly, it reflects the country's demonstration of commitment to institutional reforms and thirdly, the activities of stakeholders will enable observers to determine the extent to which our economy and the country have regained international faith and confidence. Obviously, there was a time when the government economic policies was considered sound in terms of establishing and investing in statutory and state-owned companies. Indeed, it was a kind of mixed economy where some traceable characteristics of both capitalism and socialism were spotted. It was argued that, public owned companies were better for stimulating and accelerating economic development than private capitals. The result was a proliferation of such state-owned enterprises covering a broad spectrum of economic activities, from steel plants to petrochemicals, banks and hotels, mass transit and abattoirs. Studies have shown that, successive administrations as noted by Odu et al. (2003) have invested about N800b, in public owned enterprises with huge investment of almost 10%. Public treasury has also experienced huge losses as a result of inefficiencies. To properly understand these losses, the fundamental problems were defective capital structure, excessive bureaucratic control, intervention, inappropriate technology, gross incompetence, mismanagement and blatant corruption. After several studies, it was noticed that the problem associated with the state owned enterprises can be overcome through a well designed and single-minded pursuit of privatization programme. By this, government was to direct and concentrates resources on the core functions and responsibilities in other areas of the economy while enforcing the "rules of the games" so that the market can work efficiently through provision of security and infrastructure as it is in other countries of the world. Nigeria has therefore joins the league of other countries for privatization, and also encourages all states within it to do same, and one of such states is Akwa Ibom. The state pursues this programme, through the Akwa Ibom Investment and Industrial Promotion Council (AKIIPOC). To this end, the major concern of this paper is to assess the extent to which AKIIPOC has coped with the current privatization exercise, and analyze the challenges that is being faced by the council.

The paper also highlight the basic imperatives of privatization, its objectives, the core or strategic investors, beneficiaries, as well as the way forward for Akwa Ibom State. (Salako, 2001; Obasanjo, 1999 and Ndebbio, 2003).

THE CONCEPT OF PRIVATION: AN OVERIEW

Privatization is the process of government disengagement from economic functions which can be efficiently and profitably carried out by the private sector. Tokumbo (1990) defines privatization as a transformation of a public undertaking into a private enterprise organization. She opines that, as a politico-economic concept, it can also serve as a means of rationalization. (Also see Akpan, 1999, Iganiya, 2004 and Akpakpan, 2001).

Privatization has become an accepted tool of economic policy and a concept of economic development world wide. It is indeed one of the wave links of globalization in the area of economic policy of capitalism. According to Diposarami (2004), one of the aspects of the response, to and the consequences of liberalization of economic activities and the demands of globalization has been the privatization of government owned and government controlled enterprises that have engaged in either production of goods commercial activities or delivery of services. Privatization, as further argued by Odu and Agida (2003), is the process of changing ownership of government companies (public enterprises) to private ownership through sales of the shares of such companies to individuals who will manage the companies efficiently and profitably. The transfer of the owner as noted by Ekam (2004), must be effective. According to the Nigerian Division of the Institute of Directors, privatization is a systematic and programmed withdrawal of government from those activities which private persons can perform more efficiently than government entrepreneurs. It is a general conception that privatization of economic activities hitherto controlled by government through sale of the enterprises is a sine-qua non for the Nigerian economy to grow and prosper. This consensus on the need for embracing privatization as a viable economic policy against the backdrop of critics is for the interest of the people. Scholars have argued that, for privatization to really succeed, the following characteristics are to be considered; it must not be rushed, the objectives of privatization must be clearly established, the exercise must be transparent and open, and lastly, a reasonable true value of what is being privatized must be ascertained to ensure that public assets are not given away for pittance (Edame, 2001).

According to Usoro (1983) and Yesufu (1996), privatization is a replacement, indigenization or nationalization of certain industries and a panacea for economic growth and development. Privatization implies selling out of wholly or partially, of public owned enterprises to private interests, which interests could be natural persons or artificial persons (creature or statute).

As noted by Olukoshi in Ekam (2004), it is a policy of wide-spread or partial sales of public-owned assets to private investors, including foreign investors, as well as local subsidiaries of multinational corporations. Also, as noted by Author Egun Danis in Ekam (2003), public enterprises will necessarily involve transfer of public wealth held in trust by the government on behalf of the people to private organizations or individuals. As a matter of fact, privatization is not peculiar to Nigeria alone. As noted already, the policies of indigenization and nationalization of economic activities adopted in colonial and post-independence Nigeria respectively, with a view to ensuring indigenous participation in the management and control of the Nigerian economy was a form of privatization. The immediate justification for privatization as identified by scholars may be found in the internally generated pressures brought about by globalization and the need for Nigeria to liberalize her economic activities to follow the queue of world economic order. These external influences have been reinforced by economic mismanagement that characterized our political economy over the years. As noted by Kassim (1996), out of 600 enterprises owned by the Nigerian government in 1988, 145 were designated for either privatization or commercialization. Of these 145 enterprises, 111 were slated for full privatization while the remaining 34 were earmarked for commercialization. By decree No. 25, 1988, a Technical Committee on Privatization and Commercialization (TCPC) was set up with challenging responsibilities of handling the privatization and commercialization exercise. It was renamed Bureau of Public Enterprises in 1993 after the successful completion of the first phase of its assignment. The committee succeeded because they adopted three principal methods in carrying out its assignment which include:

- (i) Public offer for sales of shares of enterprises to be privatized or commercialized through the Nigerian Stock Exchange (NSE);
- (ii) Private placement of shares of affected enterprises by which prospective buyers were invited on merit at the discretion of the TCPC, and
- (iii) Sales of assets where the affected enterprises could not be sold either by public offer of shares or private placement due to bad track record and bleak future outlook.

The primary objective of the government involvement in privatization exercise as studies reveal is to make private sector the leading engine of growth of the Nigerian economy. The fact that government intends to use the privatization programme to integrate Nigeria back into global economy as a platform to attract foreign direct investment in an open, fair, and transparent manner could not be overemphasized. Favourable argument may be that through privatization, government will no longer waste money which it could have profitably used for other economic and social ventures in companies that are non-functional. Proceeds realized from the sales of

Okon

shares in those companies under privatization could be used by government to provide the basic needs of the citizens in areas of health, education, housing, roads, etc. Moreso, the TCPC has been replaced with the National Council on Privatization (NPC) to oversee the implementation of the privatization programme. This is headed by His Excellency, Atiku Abubakar the Vice President of the Federal Republic of Nigeria. To guide the activities of this committee, an enabling legislation through the Public Enterprises Privatization and Commercialization Act 1999 has been enacted by the federal government. It is important to note that, the core investors may be Nigerians or a Foreign company which has the managerial and technical capacity to bring in new ideas on how to operate the privatized companies profitably and also have enough money to buy up to 40 percent shares in the company and make sure it can compete with other operators successfully. This answers the question of who buys the shares. Indeed, the shares are expected to be sold to everybody, both indigene and foreigners as co-owners of the companies. The enabling law guiding the programme makes sure that a single person can own more than 1% share in any of the companies privatized or commercialized.

AKWA IBOM STATE INDUSTRIAL EFFORTS: AN OVERVIEW

Akwa Ibom is regarded as a homogenous state comprising stocks of several people. It has its politics rested on the tripod which represent the three dominant ethnic groups comprising the Ibibio, Annang and Oron. The state was created out from the former Cross River State as the 21st state on 23rd September, 1987 by General Babangida's Administration. The creation of the state was aimed at bringing the government presence closer to the people. The state creation also brought to light the catchments arrears coupled with the gains of anticipated development. To be frank, Akwa Ibom has a weak industrial base, with a greater part of the work force being employed in the civil service. Prior to the ruling of the Supreme Court judgment of April 2002, Akwa Ibom was the third largest producer of petroleum products in Nigeria. It is unfortunate to note that with the attendant influence and position of the state as an oil rich state, the people of Akwa Ibom, together with most areas of the Niger Delta Region are still crying for economic and political gains in the Federal Republic of Nigeria. It is argued that, the blue prints for this perceived marginalization and exploitation of the coastal region of the Niger Delta nay Akwa Ibom people was advocated, sponsored and established by late Chief Obafemi Awolowo when he was the federal commissioner of finance in Yakubu Gowon's military government, through an enactment of the on-shore off-shore oil dichotomy (Udoh, 2001 and Akpan, 2000).

Be it as it may, the state through successive administrations has established some industries which arouses our interest in the on-going privatization exercise in

the country. The state government in recent times, under the leadership of Victor Attah has indicated a lot of concern over the on going privatization exercise. At a one-day National Awareness Programme on privatization in Uyo, the State Capital, the governor cautions the federal government against the privatization of sensitive public utility companies in the country. He further listed some of the companies to include, the Nigerian Security and Minting Company (NSMC), National Electric Power Authority, (NEPA) and the Nigerian Telecommunications Limited (NITEL). He argues that, selling off such outfits was dangerous and capable of compromising the nation's national interest. He stresses the need for the federal government to retain good percentage of shares in key companies as a means of retaining them to block any major reels, between Nigerians and the foreign capitals. Citing the British government as a celebrated case, the governor observes that, in spite of the Margaret Thatcher administration's fanaticism about privatization, her government had held back some "golden shares" in sensitive areas. Here, he argues that the British government still exerted some levels of control over the enterprise while curtailing foreigners from buying over the enterprise. He suggests that, the federal government should peck a limit on how many state-owned companies are to be sold out to overseas investors to avoid jeopardizing the national security of the country at the end. He further argues that the federal government should privatize Aluminum Smelter Company of Nigeria (ALSCON) and the Nigerian Newsprint Manufacturing Company (NNMC) both in Akwa Ibom State, instead of allowing the companies to die by installment (Ministry of Information, 2004).

In order to achieve a reasonable height on privatization, the state established a statutory body-the Akwa Ibom Investment and Industrial Promotion Council (AKIIPOC). The council is empowered by the Act of parliament of the Akwa Ibom State House of Assembly which was signed into law by Governor Victor Attah. The council has 20 members and is headed by an economist, Professor Akpan H. Ekpo with a Director General as its administrative head (AKIIPOC, 2004).

AKIIPOC AND THE CHALLENGES OF PRIVATIZATION IN AKWA IBOM STATE

The AKIIPOC was constituted as the primary agency to prosecute the State Government investment and industrial promotion initiatives. By extension, it was to supervise government's economic development programmes and institutions in the state. The council has the following tasks ahead of it:

- (i) Determine and advise on policies that will best promote and accelerated industrialization and multi-sectoral investment in order to diversify the state economy and enhance the state productive capacity;
- (ii) Focus on key developments and investment issues that affect the state and suggest ways to resolve them;

Okon

- (iii) Provide policy advice on industrial, agricultural, commercial, oil and gas, transportation, housing, utilities, manpower and other aspects of the state's economy;
- (iv) Carry on the business of Investment Trust and Holding Companies and control all the investments and securities of the state government in various companies, parastatals and other bodies;
- (v) Co-ordinate and monitor all investment promotion activities in the state;
- (vi) Articulate and supervise the reaction of industries and business in which government has shares or interest; and
- (vii) Enunciate and implement policies that will attract investment and capital mobilization within and outside the country.

The above tasks on AKIPOC was to get industries and parastatals in Akwa Ibom ready for privatization. The involvement of Akwa Ibom State in the privatization exercise as observed above was encouraging. As stated by Professor Akpan H. Ekpo, Chairman of AKIPOC, the council approached the economic development of the state with zeal and drive to transform the state from a civil service dominated economy to a modern and industrialized society. According to Ekpo (2002), this was evidenced in the on-going privatization and reactivation of some ailing state-owned enterprise as well as some investments in the core sectors of the state's economy like power generation, telecommunications, petroleum and agro-allied industries. Unfortunately, this drive was punctuated by the financial position of the state due to April 2002, judgment of the Supreme Court of Nigerian on the off-shore/on-shore oil dichotomy. Between 2002 and 2004, economic activities in the state experienced stagnation and a near total collapse. The council in addition to the Ibom Power Plant (IPP), Akwa Ibom Agro Industries, Akwa Ibom Refining and Petrochemicals, Amakpe Refinery and Petrochemicals and Ibom Flour Mills, was to vigorously pursue the reactivation and privatization of the following state-owned enterprises: Qua Steel Company Limited, Quality Ceramics Limited and Sunshine Batteries Limited. In most of these companies the arrangement in technical and logistics requirements that will serve as guides in the reactivation and privatization process, did not work out as expected.

In the same vein, studies independently carried out on AKIPOC, reveal that, the percentage variation in the process of privatization gives room to other varieties needed for the exercise to be successful. Candidly, core investors with the cash required for the purchase of the shares, and the technical partners who have the technological know-how, are being encouraged to take part. It is argued that Akwa Ibom State is one of the celebrated examples in the privatization exercised. The instance, the champion Breweries which was almost abandoned has been adequately reactivated and privatized hence, champion beer and the

(renewed) brand of Champ malt Drinks are found everywhere around the city and beyond. This has been argued as one of the gains of privatization under AKIPOC.

However, there have been lots of arguments against privatization in the country and Akwa Ibom in particular.

These groups include: power brokers, government appointees and employees, contractors and those whose geo-political region have not received enormous gains from the existing arrangements. The problems here are that:

- (i) Many people in the state do not have access to credit facilities. This becomes a problem to the council to get indigenes to invest in the privatization most especially when banks are not willing to give credit facilities as the government shows little or no commitment in guaranteeing such facilities;
- (ii) The level of poverty in the state is still at an alarming level. The fact that the state is hitherto positioned as a civil services state lacks the financial powers to buy the needed shares;
- (iii) The council is faced with the challenges of electricity that scares even local investors because of the overdependence on power holding. The task for the council is to complete the Ibom Power Plant in order to alternate with the power sharing of the Power Holding Company;
- (iv) Other challenges are the poor attitude of the people towards investment due to socio-cultural influences: the fear of running at a loss in the business as well as the problem of land tenure system, have caused the government a lot of headache in citing any industrial plant which privatization emphasizes. Many people in the state have ideological problems, they find it difficult to shift grounds from socialism to capitalism.
- (v) Since the sole focus of privatization is on profits, it might end up neglecting marginal areas, and group that cannot provide viable markets for the product of privatized enterprises stand to loose.
- (vi) It is argued that the people who are privileged to occupy a given position in government loot government treasury and this same people find themselves around government always, and usually benefit from privatization because they are the ones who would have the required amount of money to pay for the shares.

CONCLUSION

Privatization of non-performing state-owned enterprises is a global trend. The public sector driven economy now receives a lot of criticisms due to inefficiency and mismanagement which resulted in their dismal performance. The government over the years have experienced dwindling of resources especially from revenue from the oil sector in Nigeria. This has necessitated a reform with a view to ensuring profitability and self sustenance. With the near collapsed of all public corporations

the private sector remains an indispensable catalyst for economic growth and development. Taking all the factors enumerated as cases for privatization, Akwa Ibom State stands to be efficiently transformed to an industrial state as the state government openly and willingly reactivate and privatize ailing and non-functional enterprises. With the setting up of AKIIPOC a lot has been achieved and more is likely to be achieved. However, the challenges of this council which is normal in such cases must be overcome if the government and the people are sincere. There is hope that employment, availability of goods, increased income and expanded market will boost socio-economic standing of Akwa Ibom people.

RECOMMENDATIONS

In line with what has been observed above, this paper recommends a proper implementation of the privatization scheme makes is a worth while effort which deserves irrevocable commitment and immediate actualization. As a matter of fact, the programme of the Akwa Ibom State government in general and AKIIPOC in particular should concentrate on the followings:

- (i) Ensure transparency, openness and sincerity of purpose in every aspect of the privatization stage.
- (ii) Haste should be avoided, and every call to halt the preparation for the successful privatization should be shunned.
- (iii) The Council should promote new area of genuine economic activities;
- (iv) Government and AKIIPOC must exhibit flexible regulatory role to encourage efficiency, competition and financial discipline.
- (v) Equal access to shares must be ensured by the privatized companies to ensure equitable distribution irrespective of sales method adopted.
- (vi) The government should give its full backing and support for the privatization exercise through AKIIPOC.
- (vii) Irrespective of the fact that privatization encourages foreign investment, government and AKIIPOC have to be careful in the sale of key industries to foreigners to prevent external/foreign domination and control.

REFERENCES

- Abbas, I. E. (2002) *The challenges of Development: The case with Nigeria*. Ibadan: University Press Ltd.
- Adedeji (2001) *The Essence of Privatization: A practical Approach to Economic Recovery*. Ibadan: University Press Ltd.
- A Handbook on Privatization in Nigeria. Ministry of Finance Publication.
- Akpan Hogan Ekpo (2005) Chairman Speech on the occasion of the Inauguration of AKIPOC on February 2.
- Akwa Ibom State Economic Empowerment and Development Strategy. A Publication of Ministry of Economic Development Akwa Ibom State.
- Bamidele, F. G. (2001) *Privatization and Commercialization: The Nigerian Experience*. Enugu: Four Dimension Press Ltd.
- Edame, G. E. (2001) *Development Economics and Planning in Nigeria*. Benin: Harmony Book Ltd.
- Ekam, A. U. (2004) *Public Corporations in Nigeria: From Grace to Grass*. Calabar, Clear lines publications.
- Dipo-sarami (2004) "The Guardian Newspaper, Vol. 21, No 9, 391 of Sunday 8th August.
- Federal Republic of Nigeria: (April 2001), National Council on Privatization: *What you should know about privatization* (Hand Book) Abuja. The Presidency Bureau of Public Enterprise. "BPD" 3rd Edition.
- Goulet, D. (1971) *The Cruel Choice: A New Concept in the Theory of Deprivation*, New York Atheneum.
- His Excellency Victor Attah (2005) Selected Speeches on Inauguration of AKIPOC February 2.
- Hayward, J. A. (1988) Issues in Extension and Research. In *Sustainability Issues in Agric. Development*; T. J. Davis and L. A. Schemes (eds.), Washington

D. C., the World Bank.

Kassim Bichi (1996) "*Privatization in Nigeria: Financing and other Issues*" in the Guardian Newspaper of September 16.

NEEDS: A working Document. Federal Ministry of Finance Publication 2004.

Nnoil, O (1981) *Path to Nigerian Development*, Dakar CODERIA

Odu, E. N and Agida, P. E. (2003) *Perspectives on Nigerian Political Economy*, Calabar. Ojies Productions.

Tokumbo, M. A. (1990) *Public Enterprises: The Nigerian Experience*, Lagos: Literamed Publications (Nig. Ltd)

The Akwa Ibom Project: Five years into Fulfillment (1999-2004) A Publication of the Akwa Ibom State Ministry of Economic Development.

Usoro, E. (1983) "Developing Planning and Economic Change in Nigeria (1960-1980)" in I. Z. Osayimwere (ed). *Development Economics and Planning: Essay in Ojebunji Aboyade*. Ibadan University Press Pp. 130-149.

Yesufu, T. M. (1996) "*The Nigerian Economy: Growth without Development*" Benin Social Science Series for African, University of Benin p. 48-88.