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THE ROLE OF THE PUBLIC AND PRIVATE SECTORS IN ECONOMIC DEVELOPMENT

By

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We have gathered here to review a very important theme - "Creating an Enabling Environment for Economic Development in Nigeria". This is vital because after thirty six years of independence, the country is still being labelled a developing nation which implies that the horizon for economic development is very wide.

Of greater important is the need to create an enabling environment for economic development because without this, the plethora of policies, yearnings and aspirations of our people for development will be to no avail. The objective of economic development afterall, is to improve the welfare of the citizens. The achievements of other less endowed 'developing' nations like Brazil, India, Korea, Taiwan, Pakistan in the last twenty years is a great eye opener to the potentials of a nation like Nigeria which is endowed with abundant human, ecological and material resources. These countries owe their advancement to a cross fertilization of indigenous and foreign investments attracted largely by promising markets and allowed to flourish by an enabling environment. This is why I heartily commend this initiative by the Central Bank of Nigeria, the custodian of financial and macro-economic policies vital to economic development. I believe that the lessons of this seminar will adequately enhance the bank's efforts in recommending result oriented initiatives for the economic development of this nation.

The 1996 budget emphasized the need to increase the output of the economy i.e. expand and improve the utilization of productive capacity both in industry and agriculture. The envisaged expansion should create employment, broaden private sector participation in the economy, have a positive impact on both the reduction of inflation and enhancement of private revenue; enhance export promotion (especially non-oil exports). The federal government projected a growth in Gross Domestic Product (GDP) of 4.94%. While the initiatives in this year's budget have helped to reverse the setbacks of the past few years especially the unstable exchange rates, we still have some real problems such as low capacity utilization and low consumer disposable

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income. The real issue is to what extent our economic policies have improved the standard and conditions of living of our people and whether the policies have helped in creating an enabling environment.

Against this background, the remaining paper is divided into three sections. Section I contains a definition of Public and Private Sectors, Section II discusses their roles and Section III concludes the paper.

I. THE PUBLIC AND PRIVATE SECTORS:

The public sector comprises all organizations and establishments that owe their survival to the public purse. Ordinarily the sector includes not only the government ministries but agencies like the Customs, Police, Fire-brigade, Armed Forces, Immigration, Public funded Educational and Health institutions, the Central Bank, etc. Since they are largely funded from public purse these organisations have no profit motive.

The urge for accelerated economic development and employment generation especially in the early days of our independence and during the oil boom have pushed the government to invest in several areas such as the provision of pipe-borne water, electricity generation, petroleum exploration, telecommunication services, petrochemical industries, automobile assemblies, etc. which are better operated by the private sector. While at the early stages of development it could be agreed that some of these were prerogatives of the government due to their high capital outlay, the government did not seem to recognise when to make the change.

The benefits of the wave of privatisation, commercialisation and liberalization taking place all over the world including even the socialist countries whose economies were almost 100% publicly owned dictate the need to allow private sector to take the lead in economic activities. The economy now depends less on the government than it did immediately after independence.

The private sector consists of all establishments created with private initiatives and funding, and owe their survival to the ability and diligence of the entrepreneurs and the operators. With the exception of Trust-funds, Non Government Agencies, clubs and other social and privately funded charitable organisations, they always have a profit motive. In fact their growth and survival is premised largely on their ability to consistently make profits. The private sector clearly demonstrates the

'Survival of the fittest' law of nature. This makes the sector a more efficient user of resources relying on the simple laws of management. The private sector as far as Nigeria is concerned consists of big companies like the giant multinationals, medium and small scale industries, privately established banks, educational and agricultural institutions, peasant farmers, road side mechanics, artisans, technicians etc. The sector can also be said to include establishments where the government has some shareholding (majority or minority) but are managed by private initiatives with profit motives to a reasonable extent. This include the oil companies like Shell, Chevron, AGIP as well as banks like UBA, Union Bank, First Bank, etc.

2. ROLE OF THE PUBLIC AND PRIVATE SECTORS

The discussion on the role of the public and private sectors will be based on the following classifications:

- (i) The Public Sector - the traditional public sector without the profit motive i.e. the Government.
- (ii) The Private Sector - the sector with full profit motive.
- (iii) The Public Commercialised Ventures - I will focus largely on the government established but commercialised agencies like NEPA, Nigerian Ports, NITEL, Water Corporation and Railway Corporation.
- (iv) The Joint Ventures (between the Government and Private Sector) like oil Companies, Automobile Assemblies, Plantations, etc.
- (v) Non Government Organizations (NGOs).

2.1 THE PUBLIC SECTOR:

By the term "Public Sector", I mean the Government. It has been said that the sole responsibility of Government is governance i.e. facilitating the economy. Governance means the pulling together of all common resources in formulation of policies, provision and establishment of law and order, and the provision of infrastructure for economic growth and development. Most successful nations of the world owe their success to good governments, who have provided enabling environments. I will like to assign the following roles to this sector

- (i) **Policy Formulation:** It is the prerogative of the government to formulate policies that will facilitate business and economic development in the country. Our policies indicate what we stand for as a nation. Our Foreign and Economic policies define our relationships in the league of nations. These should not be taken lightly because the saying that 'no man is an island' is particularly relevant. We need to clearly specify our aspirations as a nation and identify our partners in progress within the league of nations with appropriate initiatives. This is particularly important in the mobilization of foreign investment backed up with foreign expertise and technology that are very crucial to our development efforts.

Our economic policy should articulate the yearnings and aspirations of the various sub-sectors and interest groups. We now need target oriented, action centred economic policies that will bring distinctive results which will enhance the living standards of our people.

A variety of other policies like Health, Education, Sports to mention a few affect the totality of our nationhood and should also embody the contributions of some of our best brains.

- (ii) **Education:** At our level of development, it is foolhardy to leave our entire education in the hands of the private sector. The quality of our human resource base sets the limits of our achievements. The government should not relent in its efforts in increasing the literacy level of our nation. Every child of school age should be in school. The standard and curriculum appropriate with our societal values should be specified clearly by the government and enforced. Funding should also be adequate since it is an investment in our future.

Mention need to be made of the current crisis in our tertiary institutions. This does not augur well for the provision of well trained high level manpower crucial for economic development. The government needs to ensure that an enabling environment is immediately restored and sustained in our universities. Dialogue should also be explored to resolve the current crisis.

The ultimate responsibility of this subsector is the provision of low, medium and high level manpower appropriate to the needs of the various sectors of the economy. Before the current crisis in our educational system we were

noted as a nation with capability to produce high class professionals. Many Nigerians, have distinguished and are still distinguishing themselves in many vocations all over the world - a fallout of the 'brain drain'. All these achievements over the years are being reversed by the various problems that have plagued the sub-sector. It is increasingly difficult to get capable hands for the industries. Serious minded companies thus have to invest heavily in training and retraining programmes at heavy costs in order to bring the level of their workforce especially, the new intakes up to standard. If the standard of education were adequate, many of these would have been avoided. The various levels of this sub-sector are crying for urgent government attention. This is another appeal to the various levels of government.

- (iii) **Provision of Essential Services:** Some services such as Electricity, Posts and Telecommunications, Water Supplies and Medicare are basic to the populace. While private sector initiatives are welcome, a lot is still expected from the government. Electricity and Water are needed for several domestic and industrial uses. Adequate and well spread supply of these will go a long way in minimising the rural/urban drift thereby allowing the rural areas to contribute more meaningfully to the economy in addition to improving their well being. Many companies are also being forced to make inefficient investments in water and electricity generation at huge burdens to the economy due to the failure or non availability of public utilities. When they work well, they enhance the economic development and enlarge the revenue base of the government in the long term. The challenge is to make them to function as expected.

The government still has a lot to do in providing adequate primary, secondary and tertiary health care services at affordable prices to the populace since the majority of them can ill afford the private medical establishments. After all the private medical establishments given our present economic position are supposed to supplement the public institutions. We have similar experience in other developing countries. Various immunisation and health education programmes are best done by the government. More specifically, the government should see to the proper funding of the teaching hospitals and other medical training establishments.

The role of efficient Posts and Telecommunications services for any economy cannot be overemphasised especially in the present world dispensation. While the government is still a key player in this area, substantial improvements are still necessary. I find it hard to understand why a letter from Lagos to Kano should take more than a week. Not everyone can afford courier services. The costs of the burnt Ikeja and Apapa telephone exchanges to the economy at large is better imagined. While such incidences cannot but happen, the frequency is very disturbing. In fact appropriate back-up machinery has to be put in place to minimise constraints to telecommunications.

- (iv) **Provision of Infrastructure:** Good road and rail network are needed for the movement of people in addition to materials both for industrial use and consumption. The current high price of food items are due primarily to the absence of good roads to the rural areas where these food items are primarily produced. Movement of raw materials to various production centres and materials to sales points are now heavily constrained by the poor state of our road.

The rail network which was designed largely to support colonial interest has since been 'abandoned'. It could ordinarily have provided a very cheap transportation system as applicable to other third world countries. The network needs to be restructured to serve our current needs and economic aspirations. The government is the only organ most capable of addressing these problems.

- (v) **Administration of the Ports:** The ports are the gateways to the nation and the economy. They give a very strong first impression about us to visitors of various types. The situation where cargoes are delayed at the ports for weeks due to administration bottlenecks does not enhance economic development. Also a situation where traffic to our airports is restricted does not encourage foreign investments.

The government needs to ensure that well trained, courteous and efficient Customs, Immigration and Security Staff are positioned at the ports. Additional Investments need to be made where necessary. The Investments if well managed, will easily be recouped and the impact on our economy will be invaluable.

- (vi) **Maintenance of Laws and Order:** Maintenance of law and order is to a large extent a prerogative of the government. Like I often mention, an unsafe environment is not conducive to the level of investment required for serious development. The current spate of armed robberies, bank frauds, '419's, assassinations and drug peddling are scaring away foreign investors and also discouraging Nigerians living abroad from coming home to contribute their quota. In fact economic activities are constrained by the fear of criminals.

While the entire populace need a social reorientation that will make us appreciate the benefits of law and order, our police force needs more encouragement and equipment in combating the social miscreants.

- (vii) **Investment in Strategic and Sensitive Industries:** The government still has access to more cash than any organisation. Experience in countries like Kuwait especially in boom years has shown that such monies are better invested in strategic and profitable ventures for the benefits of generations unborn.

Investments in strategic upstream industries like petrochemicals, iron and steel, metallurgy, petroleum exploration, heavy industries have a very high multiplier effect on the rest of the economy especially in the supply of raw materials. We however, need to learn from our bitter experience by making such investments as joint ventures with serious partners. They should not be mere avenues for the 'sharing' of the 'national cake'. Sensitive industries such as the defence industrial complex should be publicly owned and not left in the hands of few individuals who may not be able to accommodate the national interest in their agenda.

- (viii) **Social Welfare:** The government should see it as its duty to rehabilitate drug addicts, beggars, insane people who are nuisance on our roads. They also have a role to play in economic development however, small.
- (ix) **Security of the Country:** The security of the country is the sole responsibility of the government the world over. Our armed forces should be seen to be willing and able to deter any external aggression. Experience in Kuwait and Taiwan demonstrated that we cannot play without national security. Warfare is no longer in numbers. Technology and weaponry now play prominent roles.

2.2 THE PRIVATE SECTOR:

By private sector in this case, I mean the 'business' sector. This sector is concerned with the provisions of goods and services for a profit. I will dwell largely on the organised private sector with appropriate challenges for the other sectors. As a member of that sector myself, I think I am on a familiar territory.

It is often said that the sole objective of business is profit. In some circles, the word 'profit' is rather offensive. It is often seen as a reward for 'exploitation'. This is a wrong notion.

Profit is the reward of any enterprise for service to the society - a gesture of appreciation from the society for the goods produced and services rendered to it. It can thus be deduced that the more profit a business makes, the more the value it has added to society. Many business ventures focus solely on profits without thinking seriously on how to add value to society. Such do not last. Businesses need to focus on the improvement of value rendered to society by innovation through the application of science, technology and management practices. Such will improve the efficiency of resource utilisation. Profit is often guaranteed in so doing. Profit is the engine of growth; it guarantees the survival of the business and creates an incentive for other entrants thereby multiplying activity. It can easily be concluded that the private sector has a very crucial role to play in our economic development. I want to emphasize the following:

- i. **Focus on the Consumer and the Trade:** Understanding/meeting the needs of the consumer profitably justifies the existence of a business. Satisfying the various consumer needs enhances their well-being thus generating stronger demand in the long run.
- ii. **Innovation:** Innovation is simply the process of consistently applying and adapting relevant practices to the above. Businesses owe their survival to innovation since it makes the products/services relevant. Demand will be sustained. This will afford a competitive economy that will guarantee profitably and ensure development in the long run.
- iii. **Creation of jobs:** A profitable business expands, creating the need for more people. Lower levels of employment boost effective demand thereby satisfying a crucial role for economic development.

- iv. **Payment of Taxes:** One of the vital roles of a vibrant private sector is the payment of taxes. Taxes are a veritable source of revenue for the activities of government, in so doing, the private sector is assisting in fulfilling the crucial role for the real public sector as outlined earlier. According to Federal Inland Revenue Service, over N2.3 billion and N1.78 billion were collected as Value Added Tax (VAT) in January and February 1996, respectively. These were in addition to the usual tax on profits.
- v. **Human Resource Development:** In fulfilling her roles, the private sector depends a lot on PEOPLE. After all 'people make things happen'. In preparing them adequately for these challenges, such people need to be well trained in the course of their duties. Millions of Naira are expended annually by serious companies on various human resource training and development programmes both locally and abroad. In so doing, the business sector enhances the level of awareness of the nation. The people so trained are able to contribute significantly to society in various ways. Some retire as consultants with years of experience/expertise behind them while others also find their way back into government where their expertise/contributions are invaluable. Some go on to set up their own businesses.
- vi. **Provision of goods and services for export:** I want to draw a simple lesson from Japan. Japanese products like cars, consumer electronics, computers and ships, to mention a few, did not flood the world markets overnight. Their success in the world market derive largely from their success in the tough Japanese market. That is why any product that survives the Japanese market is often a world beater. This is made possible by consistent innovation, product quality, focus on consumer needs fueled by an intense competition within the Japanese market. Japan now has a huge trade surplus with the rest of the world. This sustains a high level of employment within the Japanese economy.

The Nigerian private sector is also capable of rising up to this challenge effectively. Nigerian goods are already flooding many countries in the West African sub-region.

The private sector has crucial roles to play in the development of this economy. That is why I have been asking for support from the government

so that an enabling environment can be consistently available for the existing members to flourish thereby creating an incentive for others to come in both from within and outside the country.

2.3 PUBLIC COMMERCIALIZED VENTURES:

These are government agencies created largely to provide service but they draw annual grants from government in form of support to supplement their hitherto largely social roles. The challenges of SAP have forced the government to challenge them to harness the billions of Naira investments put into them by being commercial and self sustaining.

I will focus on the underlisted.

- * Nigerian Electricity Power Authority - NEPA
- * Nigerian Ports PLC
- * Nigerian Telecommunications
- * Various State Water Corporations
- * Railway Corporation.

Apart from being commercialised government bodies, they are largely monopolies providing vital services. They are supposed to be vital engines of growth for the economy but in spite of their being commercialised, they are yet to adequately fulfil their roles. They need to rise up to the challenge thereby justifying the heavy investments in them. The multiplier effect of their doing this is beyond imagination. The level of efficiency in the sector will need to be improved very significantly. One way out here, is to allow private sector initiatives to complement government efforts. For example, while the public sectors generate electricity through its capital intensive plants and stations, the private sector could take on its distribution and effective marketing of the service.

2.4 JOINT VENTURES:

These are ventures managed as private enterprises but owned in part by the government. The other partners either provide management or technical expertise (in the case of Oil/Gas Companies and Automobile Assemblies) or are silent share holders (in case of the big banks). Another example is the oil sector that provides

over 80% of the forex earnings of the country, generating huge employment and business activity in the oil exploration areas. This sector fuels the economy by providing the forex to import plants and machinery, spare parts, raw materials and the expertise needed to drive the economy. It has largely justified the huge investment in it. That is why continued investment in the downstream oil and gas industries is particularly relevant.

The automobile industries have reduced automobile imports into the country. The big banks still provide some financial security despite the turbulence in our financial sector.

2.5 NON-GOVERNMENT ORGANISATIONS - (NGOs):

NGOs are non profit oriented organisations exerting considerable influence on the various levels of government to ensure the overall well being of their members in particular and society at large. The Non-Government Organisations who by their calling are non partisan in nature have made meaningful contributions in the areas of development. We would recall countless numbers of scholarship, recreation centres, public and health education campaigns, disaster relief packages, vocational training and rehabilitation programmes that these organisations have rendered in the past. In addition, the underlisted roles which are crucial to economic development can be ascribed to them:

- i. **Moral Persuasion:** The NGOs are by nature pressure groups. This is by no means a licence to arm twist the government, but their offer of advices as well as constructive criticism of government policies and activities should bring about changes that best serve the interest of the populace. Such gestures will in no small measure enhance the creation of an enabling environment for economic development.
- ii. **Welfare Activities:** This is an area of distinctive competence for the NGOs for which I would like to commend those involved. Recent events of floods, droughts, political crisis, drug scourge, disease outbreaks, to mention a few, give us cause for concern. Some of these events will render countless able bodied men and women a liability to society if they are not properly rehabilitated. It is therefore a matter of enlightened self interest to assist in rehabilitating the victims of these events and reduce, if not completely

eradicate the social miscreants among us. They will then be able to contribute their own quota to economic development.

I fully subscribe to the doctrine of "Teach a man how fish ...he has a livelihood". This pressure on government resources implies that rehabilitating these people for enhanced quality of life requires the assistance of all. The NGOs still have a vital role to play in this respect through the provisions of scholarships, endowment funds, establishment of drug rehabilitation, vocational training centres and medical establishments.

3. CONCLUDING REMARKS

Like I have said so many times before, I need to re-iterate that I firmly believe in Nigeria. I believe in the enormous potential of our human resource base. The euphoria of the success of our "Dream team" at Atlanta is a very clear pointer to the possibilities in the future. Many Nigerians have made significant contributions in diverse vocations such as medicine, sciences, technology and law, just to mention a few. God has also blessed us with abundant natural resources too numerous to mention. Why are we still a 'developing' country? The acid test of nationhood is economic development since nations of the world are measured largely on the strength of their economies. Whatever we achieve in other endeavours, it should make its impact on the economy.

The fact that I have made distinctions based on these five lines does not explain it all. We cannot overemphasize the crucial roles of the informal private sector with its huge employment potential. What of the agricultural sector that employs the majority of our people in the rural areas? I have focussed on these five because our fortunes as a nation depend heavily on their ability to live up to their expected roles. Each sector has its role to play. Our ability to synchronise all their roles and channel them to positive use will determine our speed of growth and the upliftment of the quality of living of our people. We have the potentials to do it and we can really achieve it.