

PRIVATIZATION IN NIGERIA

When President Olusegun Obasanjo became Nigeria's first elected civilian president in more than 15 years in May 1999, he made privatization of the state-run industries a major plank of his reforms to drive the ailing economy onto the path of sustainable growth and development. As he goes forward for re-election on April 19, foreign investors have taken advantage of opportunities in a range of sectors, but there is still vast potential to be tapped.

Nigeria needs to reduce its economic dependence on the oil industry, which accounts for more than a third of gross domestic product and 95% of foreign exchange earnings. Despite this wealth in hydrocarbons, poverty now affects around 70% of its 120 million people.

President Obasanjo is driven by the need to improve the social and economic conditions of Nigerians through a diversified and competitive global economy. The need for privatization to stimulate industry is clear-cut. It is estimated that successive governments have invested up to 800 billion naira (\$6.2 billion) in public-owned enterprises. Annual returns on this huge investment have been well below 10%, largely due to excessive inefficiencies, inappropriate technology, corruption and mismanagement. "We want to remove the financial burden which these enterprises constitute on the public and release resources for the essential functions of government," he says.

Privatization has already met with significant success. To date, 17 companies have been sold raising close to 50 billion naira (\$387 million). The National Council on Privatization headed by the Vice President Atiku Abubakar selects which companies should be privatized and it is the role of the Bureau of Public Enterprises (BPE) to oversee the process. BPE director general Nasir Ahmad el-Rufai acknowledges the achievements so far and stresses the transparency with which the process has taken place, but believes that Nigeria should be attracting \$20 to \$30 billion a year in foreign direct investment – 10 times the current level.

The biggest successes in the privatization program so far have been in tourism, with three major hotels now in private ownership.

TRANSFORMING TELECOMMUNICATIONS

Meanwhile, no fewer than 16 bids have been received for Nigerian Telecommunications (Nitel). Its management team has been transformed, and a fifth of shares will be sold in an IPO, the largest capital market issue in the history of the country. A pilot share purchase loan scheme of one billion naira (\$7.7 million) in 2002 was designed to bring one million disenfranchised Nigerians into share ownership, and this figure could be doubled in 2003. Four GSM licenses have been sold, the largest to South African MTN and Harare-based Econet Wireless.

"The major problem we face is a perception," says el-Rufai. "People still perceive Nigeria as a difficult place to do business, as unsafe, as corrupt, and in spite of our best effort to make the

privatization program perfect through transparency and accountability, we still have to deal with the legacy of the country as a whole. But as the program moves on and as more and more investors come and bid and win, the whole perception will disappear or change."

Other candidates for privatization include the National Electric Power Authority (NEPA), the Electricity Meter Corporation of Nigeria (EMCON) and the ports, as well as fertilizer, sugar and automobile businesses.

New technology is also in demand. "We have very bright people, but we need to train them. They need to acquire the know-how and the new technology to drive the country forward," says el-Rufai.



*Nasir Ahmad el-Rufai,
director general BPE*

PROMOTING INDUSTRY

The Government is working with conference, exhibition and publishing company CWC Associates – www.thecwcgroup.com – to promote energy and other burgeoning industrial sectors to international investors. CWC organises the well established annual Nigeria Oil and Gas conference, and in the last two years has added Telecommunications and Investment Summits to the annual events bringing together senior executives with government leaders. It has also run a roadshow for BPE to promote the reform and privatization of Nigeria's electricity sector.

African Solace Foundation

Seven out of ten people in Nigeria live below the poverty line and survive on less than \$1 per day. Yet with the necessary equipment, enough food could be grown to feed the whole country.

This is the goal of the African Solace Foundation (ASF), which aims to alleviate poverty by providing solace and succor to those in need within the country, and subsequently in the whole of Africa. The non-governmental, non-profit-making organization was founded in 1999 by Mrs Funmi Egbuche and other leading individuals and launched in October 2001.

Agriculture is the economic activity of 70 per cent of the population, and ASF sees this labor-intensive sector as key to reversing the tide of poverty. If agriculture can become more productive, it will improve living standards, prevent rural exodus, and provide national self-sufficiency in food, while any surplus can be used for agro-based industries to create jobs and increase exports, and any profits reinvested.

ASF hopes to begin the agricultural program in three pilot areas in early 2003, providing high quality seeds for the production of rice, maize and sorghum and improved stem cuttings of cassava, and replacing outdated equipment with modern threshing/shelling machines and chipping and drying facilities for cassava chips. The total cost of this phase is estimated at N52,124,000 (\$412,863). It is appealing for assistance and co-operation in joint ventures from international bodies.

Ultimately, ASF's overall goals are to stimulate education and vocational training among the poor, and to heighten awareness of the medical conditions which lead to social exclusion. Its support will be targeted at the least privileged, including women and children in or leaving violent family situations. It will liaise with other organizations with similar objectives to maximise the best use of resources. Funding will come from members' contributions and investments, and ASF is keen to attract additional support.

ASF Board of Trustees

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PROMOTING TOURISM

Following its latest acquisition of the Abuja Sheraton, the private hotel group Ikeja is leading the way for the development of tourism in Nigeria.

The group now owns three hotels and chairman Goodie Ibru sees great opportunities for both business travelers and leisure visitors. He welcomes the establishment of the Ministry of Culture and Tourism to diversify the oil-dependent economy into this potentially lucrative market.

The \$34 million Ikeja bid for 51% of the Abuja Sheraton, through its special purpose investment vehicle Hans-Gremlin Nigeria Ltd (HGNL), was accepted by means of a fair and transparent privatization process which was even broadcast on television. Ikeja was keen to add this hotel to its two Lagos properties, the Lagos Sheraton and Federal Palace Hotel, as Ibru explains:

“Lagos is the economic and commercial center and here we are focusing on meeting the needs of businesspeople. Abuja is the administrative capital; therefore most of the people living there are government officials. Their needs are different. Abuja is also more attractive than Lagos for large conferences and events such as the All Africa Games and the Commonwealth Conference.”

Abuja is the fastest growing conference center in Africa, and is becoming a major gateway to Nigeria with direct flights from international destinations. Ikeja plans to modernize the Abuja Sheraton, upgrading facilities and bringing them up to international standards.

Ibru is also president of the private umbrella organization, the Federation of Tourism Organizations. As such he has close contacts with the ministry and is constantly stressing that tourism should be a priority area for development.



Goodie Ibru,
chairman,
Ikeja Hotel plc

“Tourism cuts across many sectors of the economy,” he says. “Tourism is a tool for good international relationships and bringing investors into the country. It creates jobs, and is a good revenue earner, especially foreign exchange.”

LIVING STANDARDS



Princess Funmi Egbuche,
founder,
African Solace Foundation

Tourism is also a labor-intensive industry, and therefore is seen as one of the key sectors to create wealth and lead the majority of Nigerians out of poverty. The other is agriculture, which occupies 70% of the population. Government and state administration efforts to improve farming methods and resources are being complemented by non-profit making organizations such as the African Solace Foundation, which aims to improve living standards by introducing modern farming techniques. The organization was founded by Princess Funmi Egbuche, who is also chairman of Guaranty Shield Insurance Brokers Nigeria.

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POWER FOR THE FUTURE

Key to a successful economy is an adequate power supply, and over the past three years the government has invested over N350 billion (\$2.7 billion) in reviving the power sector.

The industry was certainly in a dire state, as managing director of the National Electric Power Authority (NEPA), Engineer Joseph Makoju, is the first to admit. "In May 1999, the sector was in a devastating condition, neglected for over 12 years. The major units were used below their capacity, the electrical infrastructure was not in place, capacity utilization was dropping, quality of power was deteriorating and, as a consequence, the nation has been suffering power cuts which have a multiplier effect."

The average capacity was 1700 to 1800 mega watts (MW) per day, while demand exceeded 2,000MW. The government immediately appointed a technical task force to take charge of the sector. By December 2001, capacity had risen to 4,000 MW and daily generation to a record 2,900MW.

Makoju was on the technical task force, and now heads the management board which took its place in January 2002. Generation capacity has continued to increase and hydro capacity has quadrupled. Progress is inevitably slow when restructuring such a huge sector, he cautions, but power supply can now be guaranteed.

RELIABILITY OF SUPPLY

In turn, this has had a positive effect on investors, particularly in manufacturing, who can now rely on the power supply rather than having to fund their own diesel generators.

Looking forward, NEPA is preparing the way for privatization. Laws have been drafted to guarantee rules and so offer security to investors in the long term, and a regulatory authority is being established.

Generation and distribution will be separated and privatized into 16 different companies. Existing power stations will pass into private ownership, with Independent Power Producers (IPPs) constructing additional power plants. Transmission will remain national, but ultimately will also pass into private hands.

Makoju expects the sector to develop quickly, especially in distribution, with a projected capacity of 10,000MW by 2005. This promises great returns for investors, who need to be committed to the industry in the long term.

"We have huge potential waiting to be discovered – energy, mineral resources, a big market and an educated population. Nigeria is one of the biggest producers of oil and potentially the biggest producer of gas, but most importantly, Nigerian people are very hospitable and welcoming to foreigners," says Makoju.

RIVERS STATE

Nigeria's oil and gas resources are concentrated in Rivers State, accounting for 80% of government revenues, 90 to 95% of exports earnings and over 90% of foreign exchange. Under governor Peter Odili, the state has instigated its own independent power program with the aim of being self-sufficient in energy by the elections in April 2003. This goal is likely to be achieved as the last phase is nearing completion with a third power station coming on stream soon.

The administration has also focused on rebuilding infrastructure such as road and transport networks and on enhancing security of



Joseph Makoju,
managing
director, NEPA



Peter Odili,
governor,
Rivers State

people and property. These steps should provide a conducive environment to stimulate industry and investment.

"The biggest thrust is in the area of job creation, and we need to find means and ways of stimulating growth and generating wealth, education and public enlightenment to create commerce," says Odili. "We also want to regenerate interest in agriculture, as this, more than any other sector, has the potential for generating jobs."

The state is the fastest-growing economic region in Nigeria, and the administration is set on fighting poverty through education. Governor Odili has committed to free education for all, and embarked upon a school building program to provide enough places, together with free transportation. Free healthcare is also now available to children under six and people over 60, and great improvements have been made in

water supply and housing provision.

The main priorities for future development are agriculture, industry and eco-tourism.



NEPA
NATIONAL ELECTRIC POWER AUTHORITY

FOR US... It's a new day!




At the National Electric Power Authority (NEPA) we are setting new standards to power the Nigerian nation for greater development as never before experience. Major changes are already in place. And are still taking place. The benefits of this new dynamism will promote greater customer service delivery and give impetus to a better NEPA-private investor partnership.

We are offering well-articulated programmes to meet the needs of our new vision and mission. Programmed rehabilitation and maintenance of our power generating plants have become a regular feature of our new outlook.

Under the Rehabilitate, Operate and Transfer (ROT) scheme, for instance, we have installed the necessary enabling environment for private investors to participate in our current efforts at improving electric power supply in Nigeria by investing to ROT power generating units under very attractive contractual arrangements.

We have also introduced the competitive bidding systems which is not only open but transparent, for a great deal of our power improvement schemes in the generation, transmission and distribution sub-sectors.

Our progressive unbundling/restructuring programme is envisioned to engender higher-level efficiency.

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It's a new day! And a refreshingly new hope

...providing power for national growth

GATEWAY TO AFRICA

The federal capital of Abuja was created in 1975 to act as a center of unity for the whole country. Today the city is growing rapidly with ambitious plans to become a portal to the whole of Africa.

Abuja was judged the most stable place for the new Federal Capital Territory (FCT) based on its location, availability of fresh water, developed agriculture and farming and room for expansion. Its 8,000 square kilometers are home to 1.2 million people, and this number is increasing all the time as Nigerians and foreigners collect to enjoy in its forthcoming prosperity.

The FCT is administered by the Ministry of Federal Capital Territory financed by the federal government. The ministry is headed by Muhammed Abba-Gana and is

responsible for municipal and social services, with more than 300 primary schools, 70 secondary schools and institutions, and a hospital in each district. It is in charge of the water and electricity supply, sanitation, environmental issues and infrastructure. Transmission lines from the Shiroro Hydroelectric scheme have been extended to Abuja to provide a more reliable power supply to the city and rural areas, and the water supply and telecommunications have been improved. An extensive house building program is under way with over 2,000 houses completed, together with new shopping malls and city beautification. The transport network is being upgraded, with a road building program and the establishment of rail systems and bus routes to avoid congestion.

The ministry is looking for private international investors to provide these municipal services, making tax breaks available and promoting the opportunities to embassies and international media. Bill Clinton was a recent visitor, while interested

business parties have included U.S. companies such as McDonalds, which plans to become the country's first fast food chain.

Airlines such as KLM and Lufthansa are also moving into Abuja, which is upgrading its international airport and preparing to host the All Africa Games in its new 60,000 seat stadium. The Commonwealth Heads of State meeting 2003 will also be held in Abuja, as well as other international conferences.

"We have gained in so many respects, such as laws and policies, respect of human rights, transparency in business, freedom of speech and the press and the anti-corruption crusade," says Abba-Gana. "However, if people are hungry it is difficult to think about democracy. We feel that the international community should do much more to support the democratic regime. A small amount of the GDP of most countries will be sufficient to eradicate poverty and support democracy in Africa." ■



**Muhammed
Abba-Gana,
minister, FCT**

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Rivers State – the Investor’s Choice

Business leaders visiting Rivers State of Nigeria today will find a State transformed over the past three and half years. Not only is it the source of most of the country’s oil and gas resources, which account for 80% of government revenues, 90-95% of exports earnings and over 90% of foreign exchange, but it is the fastest-growing economic region of the whole of Nigeria.

Since Governor Dr. Peter Odili came to power in May 1999, Rivers State has restored and rebuilt the infrastructure necessary for growth, and established a secure environment backed up by a well-equipped and motivated police force. The population of the State capital Port Harcourt has tripled over the period, with new people and businesses coming to the city every day. An efficient transport system has been established, with an improved road network, and inter-city buses within the State and across the country.

The administration has also initiated the most ambitious independent power program in the country, with the aim of achieving self-sufficiency in power. The fundamental cause is the fight against poverty, and one of the means of achieving this is through education. As soon as the administration took office, Governor Odili declared free education up to post-primary level and increased scholarships and bursaries for tertiary education. He also introduced free school buses and train shuttles for school children.

Young school leavers and unskilled youths and women are also proud beneficiaries of the Skill Acquisition Programme. Under the programme, Skills Acquisition Centres are built in the urban centres and rural areas for the training of youths and women in skills, ranging from paint-making to dressmaking, computer education, tie-and-dye, hair-dressing, barbing, catering, etc.

More than 150,000 new jobs have also been created. Free healthcare was offered to children under six and people over 60, health centres constructed or renovated and HIV/AIDS controls improved. More than 4,000 urban and low- cost houses have been built, and public water supplies restored in urban centres and most rural districts. Agriculture is a high priority, with services to farmers extended, including the subsidized loan of machinery such as tractors. With these foundations laid, Rivers State is moving to the next stage of development which is to stimulate the viable state industries. “Government will set the stage, jumpstart it, and let the private sector, in partnership with the public sector, work in reviving these industries,” says Dr. Odili, voted Best Performing Governor in Nigeria (Golden Governor) by 500 independent journalists in 2001.

A particular area of opportunity is eco-tourism. As its name implies, Rivers State is rich in natural beauty with many rivers and small islands and a favourable climate. “Agriculture, industry and eco-tourism are the main areas we are focusing on for foreign investment,” says Dr. Odili. “Our level of security of life and property is second to none, and our quality of governance is globally acceptable.”

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