

## ✓ WEEK 2: MEANING, FORMATION, AND MANAGEMENT OF PUBLIC ENTERPRISES

**Subject:** Commerce

**Class:** SS2

**Duration:** 60 minutes

**Theme:** Business Units

**Topic:** Public Enterprises

**Sub-topic:** Meaning, Formation, and Management

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### ✓ STEP 1: INTRODUCTION AND LESSON OBJECTIVES (5 mins)

#### ◆ Introduction

Public enterprises play a **vital role in economic development**, especially in developing countries like Nigeria. In this lesson, students will go beyond just understanding what public enterprises are — they will learn **how these enterprises are created, who manages them, and what structures are used to keep them running effectively**.

These organizations differ from private businesses because their **main purpose is public service**, not profit. Think of **NEPA/PHCN, NNPC, and NIPOST** — all created by the government to serve citizens.

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#### ◆ Lesson Objectives

By the end of this lesson, students should be able to:


1. Define and explain what public enterprises are
  2. Describe the **process of forming** public enterprises
  3. Identify and describe the **roles of different bodies and officials** involved in their management
  4. Understand the **legal framework** that establishes and governs public enterprises
  5. Discuss the **importance of control and accountability** in public enterprises
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### ✓ STEP 2: MEANING OF PUBLIC ENTERPRISES (5 mins)

A **public enterprise** is a **business organization that is owned, financed, and managed by the government** to provide essential goods and services to the public. These are **not created for profit**, although they may earn income.

They are **also known as**:

- **Public corporations**
- **Government parastatals**
- **State-owned enterprises (SOEs)**

 **Example:** The **NNPC** was established to manage Nigeria's oil industry — a strategic sector critical to national interest.

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### **Why Are They Needed?**

Some services — like electricity, rail transport, or water supply — are too **expensive**, **unprofitable**, or **risky** for private companies to manage alone. That's why the **government steps in**, ensuring these services reach everyone regardless of location or income.

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### **STEP 3: FORMATION OF PUBLIC ENTERPRISES (15 mins)**

The formation of a public enterprise is a **legal and structured process**. This ensures accountability and gives the enterprise a legitimate identity and authority to operate.

#### **A. By Act of Parliament or Decree**

This is the **most common method**. A **law is passed** by the National Assembly (or military decree during non-democratic regimes), specifying:

- The **name**
- **Objectives**
- **Powers**
- **Structure**
- The **Ministry responsible for oversight**

 *Example:*

- The **NNPC** was established by **Decree No. 33 of 1977**


- The **Nigerian Ports Authority (NPA)** was established by the **Ports Act of 1955**


This Act gives the enterprise **legal personality**, meaning it can:

- Sue or be sued
  - Own property
  - Enter into contracts
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#### ◆ **B. Incorporation under CAMA (Companies and Allied Matters Act)**

Some government-owned businesses are registered under **CAMA** to operate like **limited liability companies** — especially if they are commercial in nature.

 These enterprises are often more **efficient** than those created strictly by Act of Parliament.

 *Example:*

- **Bank of Industry (BOI)**
- **Nigerian Agricultural Insurance Corporation (NAIC)**

Such enterprises have a **Board of Directors** and are expected to operate competitively like private businesses.

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#### ◆ **C. By Executive Order or Policy Directive**

Occasionally, a **President or Minister** may establish a public enterprise temporarily to meet an urgent national need. These are usually formalized later through legislation.

 *Example:* A temporary COVID-19 intervention agency created by the President.

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### ✅ **STEP 4: MANAGEMENT STRUCTURE OF PUBLIC ENTERPRISES (15 mins)**

Once formed, public enterprises need **effective leadership and control** to function. Their management structure is **hierarchical**, and roles are clearly defined.

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#### ◆ **1. The Government (Owner)**

The government:

- **Provides capital**
- **Appoints board members**
- **Monitors performance**
- Is the **sole or majority shareholder**

Oversight is typically exercised through a **supervising ministry** (e.g. Ministry of Power, Transport, or Petroleum).

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## ◆ 2. Board of Directors (Policy Makers)

- Appointed by the government
- Includes experts in finance, law, business, engineering, etc.
- **Sets goals**, policies, and long-term direction
- Hires and evaluates the Managing Director
- Ensures transparency and compliance

💡 Think of the Board as the **brain** that provides strategy.

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## ◆ 3. Managing Director / General Manager (Administrator)

- Reports to the Board
  - **Oversees daily operations**
  - Coordinates departments
  - Implements the policies of the Board
  - Acts like the **CEO** of the organization
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## ◆ 4. Departmental Managers

- Head of departments like **Finance, Operations, HR, Legal**, etc.
- Responsible for departmental performance
- Report to the MD or GM

■ Example: In PHCN, the HR department hires and manages staff; the Engineering department maintains the grid.

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## ✓ STEP 5: LEGAL FRAMEWORK AND CONTROL (10 mins)

Public enterprises must be **legally controlled and monitored** to ensure they serve the public effectively.

### ◆ A. Establishing Acts or Decrees

These laws:

- **Create** the enterprise
  - Define its **powers**, structure, and responsibilities
  - Assign a **supervisory ministry**
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### ◆ B. Accountability and Audit

- Enterprises must submit **annual reports**
- Subject to **financial audits** by internal and external auditors
- May be summoned by the **National Assembly** or **Public Accounts Committee**
- Responsible to the **public** through government oversight

⚠ **Without proper oversight, mismanagement, inefficiency, or corruption can thrive.**

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## ✓ STEP 6: RECAP – KEY FEATURES OF FORMATION AND MANAGEMENT

Component	Description
<b>Ownership</b>	Government (Federal, State, or Local)
<b>Formation</b>	Act of Parliament, CAMA, Executive Order
<b>Funding</b>	Government subventions, internally generated revenue
<b>Board of Directors</b>	Policy-making body

Component	Description
<b>Managing Director</b>	Oversees day-to-day affairs
<b>Legal Status</b>	Separate legal entity; can sue/be sued

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✅ **STEP 7: CLASS PRACTICE AND DISCUSSION (10 mins)**

📌 **Class Activity – Questions**

1. List and explain **three ways** of forming a public enterprise.
2. Differentiate between **Board of Directors** and **Managing Director**.
3. Mention **two laws** that can be used to form a public enterprise.
4. Give two **examples of Nigerian public enterprises**, and the **laws** that established them.
5. State **two advantages** of establishing a public enterprise through CAMA instead of an Act of Parliament.