

chapter 17



At the end of this chapter, the students should be able to:

- â€¢ Explain about the consolidation of the financial institutions in Nigeria;
- â€¢ Explain the meaning of commercialisation and its objectives;
- â€¢ Explain the meaning of privatisation and its objectives;
- â€¢ Explain about the activities of National Agency for Food and Drug Administration and Control.

17.1 Introduction

The developed countries of the world, at one time or the other, took to reformation of their economy to make it what it is today. Nigeria as a developing economy has its negative trends that include; underutilization of human and capital resources, inefficiency in financial sector, substandard products (either produced or imported into the economy), high level of crime and corruption, etc. The government is embarking on economic reforms that will reposition the economy positively. This chapter therefore examines the various economic reform programmes, which include the consolidation of the financial institutions, privatisation and commercialisation and agencies that fight crime and corruption.

17.2 Economic Reform Programmes

These are programmes that tend towards economic improvement. It further means a change for the better as a result of correcting abuses that leads to a positive change in the economy.

17.3 Consolidation of Financial Institutions

Consolidation is the reduction in the total number of banks, and other deposit-taking institutions, with a simultaneous increase in the size and

concentration of the consolidation entities in the banking sector. Further, it is also the combination of different financial entities to form a more solid financial entity.

The reason is to have a financial institution in the economy with a strong capital base.

It is a stated fact that financial institutions are the engine of growth in any given economy, taking into consideration the intermedial functions of the financial houses. In order for these financial institutions to carry out the mentioned functions, they must be healthy. The weaknesses identified in the Nigerian financial institutions necessitated the consolidation programme.

The reforms were designed to do the following:

(a) Enable the banking system develop the required capacity to support the economic development of the nation by efficiently performing its intermediary role in the economy

(b) Ensure the safety of depositors' fund

(c) Position the banks to play active developmental roles in the Nigerian economy

(d) To become major players in the subregional and global financial markets

(e) To create a stable and efficient banking system that will compete favourably in the international market Before consolidation, the history of Nigerian banks is as follows:

(a) There were 89 banks with 3,382 branches that predominantly were in the urban centres as at June 2004.

(b) The banking sector was dominated by many banks with low capital base.

(c) There were insolvency and liquidity challenges among the banks.

(d) The banks were overdependent on public sector deposits and foreign exchange trading.

(e) Nigerian banks could not effectively support the real sector of the economy.

17.4 Privatisation

Privatisation is the transfer of government ownership in different enterprises to private individuals and corporate bodies. It is a programme that encourages competition and emphasizes on price mechanism instead of the statutory restrictions.

Objectives of Privatisation

(a) To transfer public enterprises to private ownership in order to lessen the dominance of unproductive investments in that enterprise

(b) To encourage share ownership by Nigerians in productive investment hitherto owned wholly or partially by the government and in the process to broaden the Nigerian capital market

(c) To reorientate the enterprises for privatisation towards a new horizon of performance improvement, viability and overall efficiency

(d) To create a favourable investment climate for both local and foreign investors

(e) To provide institutional arrangements and operational guidelines that will

ensure that the gains of privatization are sustained in the future

- (f) To minimize wastage and corruption
- (g) To attract foreign technology and expertise
- (h) To raise the general standard of living through sale of shares to small investors
- (i) To generate employment opportunities
- (j) To generate additional government revenue

Methods of Privatisation

The technical committee of privatisation and commercialisation has adopted five methods of carrying out the privatisation of government enterprises, and they are as follows:

(a) Public Offer for Sales of Shares of Affected Enterprise: Privatisation has been said to be transfer of government-owned shareholding in differently designated enterprises to private shareholders. A share represents a unit of ownership of an organization. So these shares will be publicly offered for sales to the interested public members. The shares can be subscribed for totally or partially.

(b) Private Placement of Shares of Affected Companies: This is a situation whereby government holding in a given enterprise is so small that it cannot therefore force public offer of shares even though such enterprise(s) fulfil the stock exchange listed requirements.

(c) Sale of Assets: In this situation, assets of the affected enterprises will be sold, instead of sales by public offer of the shares or by private placement of shares. This situation where assets of the affected enterprise are sold is a reflection that the enterprise has a poor track record and a future outlook that is hopeless.

(d) Management Buy Out: The whole or substantial part of the enterprise is sold out to the workers.

(e) Deferred Public Offer: Deferred public offer is usually found with enterprises that have viability. If, however, the enterprise is disposed off by sales of shares, the value that will be realized will be out of tune with the value of the underlying assets of the enterprise.

17.5 Commercialisation

Commercialisation is the reorganisation of business enterprises either partly or wholly owned by the government into profit-making ventures such that government will not subsidize the output of such enterprises. Thus, if done, the commercialised enterprises shall operate as profit-making outfits that will not be funded by the government.

Objectives of Commercialisation

- (a)** To minimize government interference and encourage optimum performance in the organisation
- (b)** To initiate an operational and management autonomy
- (c)** To ensure positive returns on public sector investment in commercialized

enterprises

(d) To initiate the process of gradual cession to the private sector of such public enterprises that by the nature of their operations and other socioeconomic factors is best performed by the private sector

(e) To check the present absolute dependence of commercialised oriented parastatals on the treasury for funding and to encourage their approaches to the Nigerian capital market

(f) To provide institutional arrangements and operational guidelines that will ensure that the gains of commercialization are sustained in the future

Distinction between Privatisation and Commercialisation

The major distinction between privatization and commercialisation is that privatization encourages competition and emphasizes the role of market forces instead of the statutory restrictions and monopoly powers, whereas commercialisation has to do with the reorganisation of enterprises, wholly or partially, owned by government such that the enterprises shall operate as profit-making commercial ventures without subvention from the government.

17.6 National Agency for Food and Drug Administration and Control (NAFDAC)

The National Agency for Food and Drug Administration and Control (NAFDAC) is a Nigerian Government agency under the Federal Ministry of Health that is responsible for regulating and controlling the manufacture, importation, exportation, advertisement, distribution, sale and use of food, drugs, cosmetics, medical devices, chemicals and pre-packaged water.

NAFDAC was formed to checkmate illicit and counterfeit products in Nigeria in the year 1993 under the country's health and safety law. As at 1989, there was an incident in which over 150 children died because of the use of paracetamol syrup that contained diethylene glycol. To this extent, neighbouring countries such as Ghana and Sierra Leone banned the sale and consumption of foods, beverages and drugs produced in Nigeria. The formation of NAFDAC was inspired by a 1988 World Health Assembly resolution that requested that countries of the world should help to combat global health threat posed by counterfeit pharmaceuticals. By December 1992, the first governing council of NAFDAC was formed and by 1993 January, supporting legislation was approved as legislative Decree No. 15 of 1993. NAFDAC therefore replaced the Directorate of Food and Drug Administration and Control.

Structure of NAFDAC

The NAFDAC is headed by a Chairman who presides over a governing council appointed by the President of Nigeria on the recommendation of the Minister of Health. The other Council members include the following:

- 1.** The Permanent Secretary of the Ministry of Health
- 2.** The Director General of NAFDAC
- 3.** Standard Organisation of Nigeria (SON)

- 4.** The National Institute for Pharmaceutical Research and Development (NIPRD)
- 5.** The Chairman of the Pharmacists Council of Nigeria (PCN)
- 6.** The Chairman of the National Drug Law Enforcement Agency (NDLEA)
- 7.** A representative each of the Pharmaceutical Group and the Food and Beverages Group of the Manufacturers™ Association of Nigeria
- 8.** Three people from the general public are also represented on the council

Functions of NAFDAC

- (a)** Regulate and control the importation, exportation, manufacture, advertisement, distribution, sale and use of drugs, cosmetics, medical devices, bottled water and chemicals
- (b)** Conduct appropriate tests and ensure compliance with standard specifications designated and approved by the council for the effective control of quality food, drugs, cosmetics, medical devices, bottled water and chemicals
- (c)** Undertake appropriate investigation into the production premises and raw materials for food, drugs, cosmetics, medical devices, bottled water and chemicals and establish a relevant quality assurance system, including certification of the production sites and of the regulated products
- (d)** Undertake inspection of imported foods, drugs, cosmetics, medical devices, bottled water and chemicals and establish a relevant quality assurance system, including certification of the production sites and of the regulated products
- (e)** Compile standard specifications, regulations and guidelines for the production, importation, exportation, sale and distribution of foods, drugs, cosmetics, medical devices, bottled water and chemicals
- (f)** Undertake the registration of foods, drugs, cosmetics, medical devices, bottled water and chemicals
- (g)** Control the exportation and also issue quality certification of foods, drugs, cosmetics, medical devices, bottled water and chemicals intended for export
- (h)** Establish and maintain relevant laboratories or other institutions in strategic areas in Nigeria as may be necessary for the performance of the function

17.7 Standard Organisation of Nigeria

The Standard Organisation of Nigeria, otherwise known as SON, is a statutory body responsible for standardising and regulating the quality of all products in Nigeria. It was formerly known as Nigerian Standards Organisation under the administration of General Yakubu Gowon. It was established by the military regime through Act 56 of 1971. This original Act provided the Nigerian Standards Organisation (NSO) with the authority to specify and even elaborate standards and also provide a quality assurance system for commodities that fall into the categories of manufactured, industrial,

imported products and services.

By 1976, there was an amendment to the Act that established NSO by the General Olusegun Obasanjo military regime. Further, the Major General Muhammadu Buhari regime also amended the Act in 1984, while in 1990, the General Ibrahim Babangida regime also amended the Act. In 1984, there was an amendment to the original Act and the name was changed from Nigerian Standards Organisation to Standards Organisation of Nigeria (SON) because of the fact that the original acronym of NSO took after the Nigerian Security Organisation and there was confusion.

By 1990, the amendment of the Act conferred partial autonomy on the SON from the Ministry of Industry. The latest amendment was a great and remarkable turning point in the life and corporate existence of the Standard Organisation of Nigeria. This latest amendment provided for the strict enforcement of powers of seizure, certification and destruction of substandard products, including powers to seal up premises where defective products are manufactured or stored.

Functions of the Standard Organisation of Nigeria

- (a)** To investigate the quality of facilities, materials and products in Nigeria and establish a quality assurance system, including certification of factories, products and laboratories
- (b)** To ensure reference standard for calibration and verification of measures and measuring instruments
- (c)** To compile an inventory of products requiring standardization
- (d)** To foster interest in the recommendation and maintenance of acceptable standards by industry and the general public
- (e)** To develop methods for testing materials, supplies and equipment, including items purchased for use by state and federal departments and private establishments
- (f)** To register and regulate standard marks and specifications
- (g)** To undertake preparation and distribution of Standard samples
- (h)** To establish and maintain laboratories or other institutions as may be necessary for the performance of its functions
- (i)** To advise state and federal departments of government on specific problems relating to standards
- (j)** To sponsor appropriate national and international conferences
- (k)** To undertake research as may be necessary for the performance of its functions
- (l)** To use research facilities, whether public or private, according to terms and conditions agreed upon between the organisation and the institutions concerned

Objectives of the Standard Organisation of Nigeria

- (a)** To provide industries with up-to-date information on standardisation and its benefits
- (b)** To encourage participation of the Organised Private Sector (OPS) in standardisation and review

- (c)** To ensure improved competitiveness of Nigerian goods, at home and abroad, by encouraging quality assurance practices
- (d)** To provide information, advice and assistance to industries on quality management for improved cost effectiveness
- (e)** To ensure adequate technical support for Nigerian Industries to match the quality required for competitiveness in global trade
- (f)** To motivate the workforce through steady investment in human resources development for acquisition of skills in live technological advancement
- (g)** To collaborate with regional and international organisations in the areas of metrology, standards, testing and quality assurance for the enhancement of skills and the encouragement of free trade and capacity buildings

Summary

â€¢ This chapter examined economic reform programmes such as consolidation of financial institutions, privatisation and commercialisation.
â€¢ The chapter also examined the National Agency for Food and Drug Administration and Control and Standard Organisation of Nigeria

Class Activity

1. The teacher should ask students to pay a visit to the commercial bank nearest to them to ask the bank managers about their consolidation experience.

Revision Questions

Objective Questions

1. Consolidation of financial institutions means:
 - (a)** Reduction in the total number of banks and other deposit banking institutions
 - (b)** Increase in the total number of banks and other banking institutions
 - (c)** Simultaneous increase in the size and concentration of the consolidation entities in the banking sector
 - (d)** Combination of different financial entities to form a more solid financial entity
 - (e)** (a), (c) and (e)
2. Privatisation can be seen as:
 - (a)** Transfer of government ownership in different enterprises to private individuals and corporate bodies
 - (b)** A programme that does not encourage competition and does not emphasize price mechanism
 - (c)** A programme that does not create a favourable investment climate for both local and foreign investors
 - (d)** A programme that encourages wastage and corruption
 - (e)** A programme that raises the general standard of living through sale of shares to small investors
3. Commercialisation can be seen as a programme:

- (a)** That reorganises business enterprises that are partly or wholly owned by the government into profit-making ventures such that government will not subsidize the output of such enterprises
- (b)** That does not initiate an operational and management autonomy
- (c)** That provides institutional arrangements and operational guidelines that will ensure that the gains are sustained
- (d)** That ensures positive returns on public sector investment in commercialized enterprises

(e) (c) and (d)

4. NAFDAC's formation was inspired by a:

- (a)** 1988 World Health Assembly resolution
- (b)** 2008 World Health Assembly resolution
- (c)** 1908 World Health Assembly resolution
- (d)** 1978 World Health Assembly resolution

5. The Standard Organisation of Nigeria was established by the military regime through:

- (a)** Act 56 of 1981
- (b)** Act 65 of 1988
- (c)** Act 56 of 1971
- (d)** Act 86 of 2001
- (e)** Act 45 of 1991

Essay Questions

- 1. (a)** What do you understand by consolidation of financial institutions?
- (b)** Explain five reasons why the Nigerian Government embarked on the consolidation of financial institutions in Nigeria.
- 2. (a)** What is privatisation?
- (b)** Explain five objectives of privatisation.
- 3. (a)** What is commercialisation?
- (b)** Explain five objectives of commercialisation.
- 4. (a)** Explain the establishment of the National Agency for Food and Drug Administration and Control.
- (b)** What is the structure of National Agency for Food and Drug Administration and Control?
- (c)** What are the functions of National Agency for Food and Drug Administration and Control?
- 5. (a)** What is Standard Organisation of Nigeria?
- (b)** What are the objectives of Standard Organisation of Nigeria?
- (c)** What are the functions of Standard Organisation of Nigeria?

Glossary

Consolidation of financial institution: This is the reduction in the total number of banks and other deposit-taking institutions with a simultaneous increase in the size and concentration of the consolidation entities in the banking sector.

Privatisation: This is the transfer of government ownership in different

enterprises to private individuals and corporate bodies.

Commercialisation: This is the reorganization of business enterprises either partly or wholly owned by the government into profit-making ventures such that government will not subsidise the output of such enterprises.