A Political Economy of Business Regulation in Nigeria:

an examination of the Nigerian Enterprises Promotion Decrees of 1972 and 1977

by

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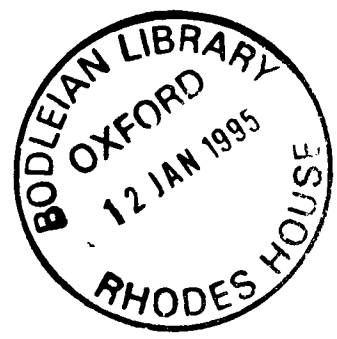

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To honour Mae and the memory of Herman

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CHAPTER ONE

INTERPRETING THE NIGERIAN ENTERPRISES PROMOTION DECREES

In February 1972, the Federal Military Government of Nigeria promulgated the Nigerian Enterprises Promotion Decree.[1] Schedule I of the Decree reserved 22 business activities for exclusive Nigerian participation. Firms engaged in the 33 activities of Schedule II were required to incorporate at least 40% indigenous equity ownership. Foreign companies already operating in Nigeria were ordered to divest in order to meet these requirements. The NEPD 1972 was replaced in 1977 by a new Decree under the same name.[2] This time all foreign companies were affected by its provisions. Expatriate firms were barred from participating in an expanded list of 40 Schedule I activities. The local equity component of businesses classified under the broader Schedule II was raised to 60%. All other foreign companies were assigned to a third Schedule, which stipulated 40% Nigerian ownership.

The "Indigenization Decrees", as the NEPDs are commonly known, have inspired dozens of conferences sponsored by business, government and academic groups, as well as innumerable articles and commentaries in the Nigerian press. They are still widely regarded as amongst the most important economic policies since the Nigerian Civil War and the central plank in the country's approach towards foreign investors. The Decrees have also attracted considerable attention from scholars, but often for the wrong reasons. Although the NEPDs receive mention in nearly all studies about Nigerian politics and business since the 1970s, those who have written most about them address broader, theoretical questions. Some of these scholars are interested in such concerns as explaining how forces of

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1. Nigerian Enterprises Promotion Decree (hereafter, NEPD 1972), No.4 of 1972.
2. Nigerian Enterprises Promotion Decree (hereafter, NEPD 1977), No.3 of 1977.

economic nationalism in the Third World come about,[3] and examining the problems of "the effective control of private foreign investment in developing countries".[4] However, most of their arguments about the NEPDs are devoted to an on-going debate about the nature of the Nigerian political economy, as informed by various notions of "dependency" and "under-development" in the Third World.

Thomas Biersteker, author of several articles on the Decrees as well as the most recent and comprehensive study of them, observes "dramatic changes in both the world economy and national economies located in its periphery". These include growth both in the role of the state in the Third World and in the willingness of these states to assert economic nationalism through policy actions. The NEPDs, Biersteker writes, promoted by a nation which exemplifies these changes, create an evidential problem for those who would advocate a "stagnationist theory" of development in the Third World.[5] The Decrees are well-suited to investigate these issues because, as he puts it,

> Indigenization does not encompass all aspects of the complex set of relationships between the state, local, and foreign capital in Nigeria. ... [It] does, however, reveal a great deal about these relationships and about the potential for capitalist development in the country.[6]

The present thesis argues that the NEPDs do not present sufficient material with which to model the Nigerian political economy or to make conclusions about the development -- or dependence -- of Nigerian capitalism. However, the evidence we do have about the Decrees suggests that existing theoretical formulations of Nigeria's political economy need revision.

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3. Balabkins (1982), pp.14, 41.
4. Hoogvelt (1980), p.257.
5. Biersteker (1987a), p.249.
6. Biersteker (1987a), pp.274-5.

PART ONE: A REVIEW OF THE LITERATURE

The models which scholars derive from the NEPDs are based on their understanding of the policy's design, implementation and effects. For the purposes of exposition, though at a cost of simplification, these models are grouped below into two categories: those which stress the foreign dependence of "local capital" and "the state"; and those which conceive of local capital as using the state to transform itself into an indigenous capitalist "class", sometimes in contradiction to foreign capital. As noted above, not all the literature on the Decrees is written from the perspectives of dependency and under-development theory. That which is does not always fit easily into either of the two categories. A few scholars see evidence for aspects of both. Others seem comfortable with neither. Moreover, theoretical interpretations of the Decrees appear to have shifted over time, from models of "foreign dependence" to those of "indigenous capitalism". However, this might reflect changing academic fashions more than it indicates advances of scholarship on the subject. The literature review which follows should be read with these caveats in mind.

Foreign Dependence

Basing her arguments on her researches in Kano, Hoogvelt contends that the NEPDs did nothing to undermine the dominant position of foreign businesses in Nigeria and might actually have fortified their control. The Decrees encouraged continued foreign dependence by directing expatriates into higher technology industries, which, she says, merely "follows and thus endorses, an already existing trend in the international division of labour".[7] In Hoogvelt's model, local capital is weak, narrowly-based, commercial in character, and dependent on foreign firms for credits and

7. Hoogvelt (1979), p.57.

products to distribute.[8] The small size and mercantile orientation of this indigenous "comprador" class simplified the task of foreign companies in selecting as shareholders Nigerians whose interests were harmonious with their own. By forging "a closer alliance between the Nigerian elites and foreign capital", the Decrees "may well adversely affect control over foreign investments by central government".[9] However, even if local "mercantile" elites had been inclined to redirect corporate policies along more independent lines, they would have been thwarted by the overwhelming technological, financial and organizational advantages retained by the foreign parent.[10]

Implicit in this model of expatriate domination of a dependent local bourgeoisie is the suggestion that the Nigerian state deliberately served the interests of both foreign and local capital with the NEPDs. Hoogvelt describes the NEPD 1972 as "remarkably (or suspiciously?) careless in design and sloppy in implementation".[11] It was careless because the government "omitted to consider" that the lack of a broad capitalist class in Nigeria would result in concentrated pattern of share ownership. It was sloppy because of the lack of adequate administrative machinery to supervise the exercise, which allowed foreign companies to evade the Decree, in part by employing Nigerian "fronts". According to Hoogvelt, the government's half-hearted attempt to rectify the mistakes of the first Decree with the NEPD 1977 also failed. By this time, foreign firms had entrenched their control through links with Nigerian businessmen and by enhancing the technological dependence of their local subsidiaries.[12]

Apart from sanctioning foreign control of more sophisticated industries, Hoogvelt maintains that the Decrees were a "welcome

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8. Hoogvelt (1979), pp.59, 63.
9. Hoogvelt (1979), p.67.
10. Hoogvelt (1979), p.64; (1980), pp.262-4.
11. Hoogvelt (1979), p.57.
12. Hoogvelt (1979), pp.59, 63; (1980), pp.261-3.

development" for expatriate firms, which used the financial involvement of prominent Nigerians to guarantee the security of their market outlets.[13] Moreover, these Nigerians were rewarded with cheap shares under the state's tutelage. Hoogvelt concludes that Nigerian businessmen, "for many years condemned [for] corrupt and unpatriotic practices, ... obtained new legal status ... in a manner which suggests official acceptance of the[ir] comprador roles in assisting foreign dominance".[14]

Akinsanya appears to agree with Hoogvelt's assessment that the NEPD 1972 reflected connivance between local and foreign business interests to the latter's persistent advantage. He notes that with the NEPD 1977, the state opened further opportunities for Nigerian collaboration with foreigners whilst permitting, even promoting, continued alien ownership and participation in the economy. In conclusion, Akinsanya expresses "small wonder that foreign investors and their home states have generally welcomed the provisions of the Decree."[15]

In a polemical account, Osoba regards the Decrees as an attempt by the "Nigerian national bourgeoisie" to secure a concession from foreign enterprise with the state's assistance. Though he sees the NEPDs as contrary to the interests of foreign capital, the state's intervention on the Nigerian bourgeoisie's behalf did nothing to promote genuine indigenous capitalism. Osoba says this was because of the "unwillingness of many foreign entrepreneurs to split ownership and control with Nigerians" and "the preference of many Nigerian businessmen for the easy and highly remunerative life of a commission agent over and above the hard and uncertain life of an entrepreneur".[16] Characterized by "intellectual and physical laziness", "lack of patriotism", "indiscipline" and

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13. Hoogvelt (1979), pp.64-5.
14. Hoogvelt (1979), pp.65, 67.
15. Akinsanya (1983a), p.181.
16. Osoba (1978), p.69.

"moral and spiritual decadence", the "good for nothing" national bourgeoisie, according to Osoba, could not and did not wish to reverse its "crippling dependence" on "foreign monopoly capital".[17]

Collins, who has written about the Decrees over a ten-year period, initially saw the NEPD 1972 as the product of an alliance between the ruling group (the military and bureaucracy) and local entrepreneurial and managerial élites. Their intention was to use state power not to alter Nigeria's structural dependence on foreign capital but merely to capture a larger share of the "surplus" for indigenous capitalists.[18] From the state's perspective, the NEPD 1972 was less "an abrupt policy shift" in government policy towards foreign business than an attempt to establish "a clearer division of labour between foreign private capital and an emerging indigenous sector".[19] According to Collins, even this modest attempt to adjust the relations between indigenous and foreign capital was hampered by the inadequacies of the government's administrative machinery and the reluctance of indigenous businessmen to invest in "new and unfamiliar ventures".[20]

In a subsequent article, Collins observed the Nigerian bourgeoisie's persistent dependence on foreign capital, but he gave greater emphasis to the opportunities the state's intervention created for Nigerians to enjoy "the fruits of collaboration".[21] This outcome, Collins contended, was not intended by all members of the government. It resulted because the "far-sighted strategists" who had conceived of the policy were confounded by other government officials who did not share the same outlook.[22] The latter group, he wrote, upheld a "laissez-faire" approach towards the

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17. Osoba (1978), pp.70, 75, 77.
18. Collins (1974), pp.502, 508.
19. Collins (1974, p.502.
20. Collins (1974), pp.499-500.
21. Collins (1980), p.147.
22. Collins (1980), pp.147-8.

policy's implementation, enabling foreign firms to select their own "indigenous auxiliaries" to whom they granted concessions, distributorships, and other "occupational roles". Thus, the NEPD 1972 served "to reinforce the tendency of many Nigerian businessmen to seek activities where profits can be made through fixed concessions and monopolies", leaving them as "dependent clients rather than entrepreneurs".[23]

According to Collins, the emergence of an "auxiliary bourgeoisie" was also assisted by the Decree's emphasis on ownership instead of control. This suited senior civil servants and top Nigerian executives for whom "property and shareholding are clearly the most convenient types of business activity".[24] Because the NEPD 1972 created profitable collaborative roles and lucrative shareholdings for members of the Nigerian bourgeoisie, it also spurred competition amongst Nigerians for a share of these benefits. At its upper levels, Collins argued, the Nigerian capital-owning class is characterized by unity of interest, and the distribution of the Decree's benefits reveals a diverse geographical mix.[25] But this is not to belie divisions within the Nigerian bourgeoisie, manifested in geographical terms, and in terms of the conflict between its elements in the private and public sectors.[26]

Indigenous Capitalism

Collins departed from his original position that the NEPD 1972 "promote[d] the development of indigenous capitalism within a framework of a continued dependence".[27] His most recent article, published seven years after the 1977 Decree, amplifies how both NEPDs have contributed to the rise of a formidable indigenous capitalist class in Nigeria.

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23. Collins (1980), p.153.
24. Collins (1980), p.154.
25. Collins (1980), pp.150-1.
26. Collins (1980), p.149.
27. Collins (1980), p.140.

Although the Decrees were not an adequate instrument for enhancing national control over foreign industrial enterprises as such,[28] he asserts that the Nigerian beneficiaries of the exercise did accumulate a great deal of capital from the dividends, bonus issues, and share price appreciation which accrued to them. Observing "the propensity of the indigenous bourgeoisie to make further investments on its own",[29] Collins rejects Hoogvelt's thesis that foreign capital has entrenched itself by co-opting Nigerians. Though still perhaps dependent on foreign capital, owing to historical patterns of accumulation, the indigenous bourgeoisie is now seen by Collins to be in conflict with it, "because it is precisely this domination by foreign capital which makes it impossible for it to emerge as an 'independent' (or 'national') industrial bourgeoisie".[30] Its present relationships with foreign capital are therefore only temporary; "indeed, underlying them there is at times a growing personal antagonism".[31]

Collins distinguishes a new class of indigenous industrialists from "the now famed 'comprador' class of distributors", and from the more "'passive' shareholder Directors drawn from the ruling group and allied classes".[32] Collins objects to a belittling of nascent indigenous industrialists on account of their commercial origins. He retorts that "a mercantile background could not be more relevant to the determination and bargaining skills often required in sponsoring industrial projects".[33]

Finally, Collins rejects the model of the Nigerian state as "rentier" or "comprador" which "*seen over time* cannot reflect accurately the ways in which its activity has evolved and improved upon itself".[34] He disagrees with others who conceive of the state as being in service of

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28. Collins (1984), p.39.
29. Collins (1984), p.49.
30. Collins (1984), p.48.
31. Collins (1984), p.48.
32. Collins (1984), p.47.
33. Collins (1984), p.49.
34. Collins (1984), p.44.

private interests, whether local or foreign. He does not think that such a notion can account for the Nigerian government's consistent and increasingly interventionist disposition towards the private sector since the late 1960s. He believes that these interventions have often been motivated independently by the "'technocratic' or more productive nationalist-capitalist" aims of state officials, not by the demands of capitalists. Collins views the Nigerian state as "a register of the balance of class forces", of which "local capitalists" are only one.[35]

Extending to the Nigerian situation the "Kenyan Debate" (about the relative standing of local and foreign capital vis-à-vis the state),[36] Beckman cites the Decrees as evidence that an increasingly powerful "Nigerian bourgeoisie" is using the state to "emancipate" itself from the "foreign bourgeoisie". By contrast with Collins' most recent formulation, Beckman believes the state was indeed promoting capitalist -- not "technocratic" -- concerns with the Decrees. Moreover, he does not see the indigenous capitalist class as being in conflict with foreign capital's long-term interests.[37] By promoting and realizing its own objectives through the state, the Nigerian bourgeoisie also "strengthen[ed] the domestic social and political basis of international accumulation in Nigeria".[38] Thus, what others regard as a state intervention against foreign capital on behalf of the local bourgeoisie, Beckman views as a policy to boost capitalism more generally. The accumulative process, according to Beckman, is not a "zero-sum game",[39] and "the advantages and disadvantages experienced by individual firms, foreign and Nigerian, in

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35. Collins (1984), p.45.
36. Beckman (1980); (1981); (1982).
37. Beckman (1982), p.44.
38. Beckman (1982), p.48.
39. Beckman (1981), p.16.

the course of the indigenization exercise, should not distract from its wider usefulness in the development of capitalism in Nigeria".[40]

Like Beckman, Williams appears to confer on the state little independence of action. In Williams' model, state policies serve the interests of either local capital, foreign capital, or sometimes both. Political conflict is a competition for control of the state in order to pursue private ends.[41] In the case of the NEPDs, this control was used by the local bourgeoisie to "renegotiat[e] the terms of the relations between foreign and local capital" in its own favour.[42] State institutions were then enlisted to finance acquisitions of shares and companies from foreign firms by Nigerian managers, bureaucrats and businessmen.[43] Foreign capital was not unduly disrupted by the state's intervention against it because foreigners managed to retain their dominant position. Williams contends that the policy even had some salutary effects for foreign enterprises in that it "institutionalized the collaboration of the Nigerian bourgeoisie ... as a 'junior partner'", provided them with an opportunity to realize their initial investments, and, simultaneously, enabled them to expand the scale of their operations using local capital.[44] Officials within the state apparatus also reaped private benefits from the Decrees both through their access to state sources of finance, and in their roles as "gatekeepers" of state resources and favours who exact a toll each time they open and close the gate for private interests.[45]

In contrast to Beckman, Williams sees a contradiction between foreign and local capital. Despite the persistent dependence of the latter, he does not rule out the possibility of further state interventions

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40. Beckman (1982), p.48.
41. Williams (1976) pp.42-3; (1980), p.68.
42. Williams (1980), pp.94, 102.
43. Williams (1980), p.94.
44. Williams (1980), pp.14-5, 102.
45. Williams (1980), p.89.

on behalf of the local bourgeoisie. However, the prospects for future conflict between foreign and local capital are constrained by the "ambiguous position" in which the Nigerian bourgeoisie finds itself. It wants to "appropriate resources back from the foreigner", but it must remain committed to foreign investment as a result of its "concrete dependence on the neo-colonial political economy".[46]

Less concerned with the contradictions between foreign and local capital than Collins, Beckman and Williams, Forrest focuses his attention on the ability of the "Nigerian bourgeoisie" to capitalize on state policy. He conceives of this bourgeoisie as a "managerial and supervisory class", which includes bureaucrats, technocrats, managers of parastatal corporations, executives and directors of multinational companies, as well as elements of large-scale local capital. According to Forrest, these people were in positions to exercise collectively "a general influence on the character of state policy".[47] The NEPDs reflected their "bourgeois national aspirations for a stronger local base for capital accumulation and the rise of a stronger state apparatus".[48] Forrest maintains that the policy strengthened the local capitalist class, both "through the increase in local share ownership and by the impetus given to local managerial classes in the longer term".[49] Even so, Forrest concludes that government policies to support local capital, including the NEPDs, "have generally been much less significant than the general expansion of state expenditures" on private indigenous capital accumulation, both in its scale and direction.[50]

Olukoshi is more impressed than Forrest by the Decrees' contribution to the development of indigenous capitalism. According to Olukoshi, the

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46. Williams (1976), pp.33-4.
47. Forrest (1987), p.334.
48. Forrest (1987), p.335.
49. Forrest (1987), p.336.
50. Forrest (1987), p.336.

NEPDs fostered capital accumulation on the part of Nigerian investors who acquired shares in profitable foreign enterprises, the returns from which they applied to further industrial investments.[51] Moreover, the policy reinforced an on-going trend towards the establishment of industrial joint-ventures between foreign and local businessmen. Although he cites the NEPD 1977 as evidence of the state's willingness to intervene against multinational companies,[52] Olukoshi says that foreign firms were able to put the Decree to their own use. He reports that the infusion of capital from Nigerian shareholders enabled foreign companies in his Kano sample both to increase their capital base and to undertake a host of new investment projects.[53] In this respect, he is in sympathy both with Williams, who notes that the Decrees prompted foreign companies to invest jointly with Nigerian interests to "meet part of their investment costs and ensure the safety of the remainder",[54] and with an editorial in the *Review of African Political Economy*, which ventures that the Decrees created "a handy means for multinational companies to raise extra finance locally".[55] Like Beckman, Olukoshi sees the NEPDs as conforming with the government's overall policy of offering investment incentives to promote the "reproduction" or "penetration" of foreign capital in the Nigerian economy.[56]

Biersteker, like other scholars mentioned above, argues that Nigerian businessmen pressured the state to enact the NEPDs on their behalf. With the first Decree, local capital wanted "a protected niche in the economy ... as well as a share of the proceeds of the most successful (foreign-dominated) sectors".[57] With the second, "indigenous business

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51. Olukoshi (1986), p.237.
52. Olukoshi (1986), p.288.
53. Olukoshi (1986), pp.163-4.
54. Williams (1978), p.7.
55. *Review of African Political Economy* 14 (January-April 1979), editorial, p.2.
56. Olukoshi (1986), pp.275-7.
57. Biersteker (1987a), p.259.

modified its objectives and pressed for a larger share of the proceeds".[58] However, contrasting with Williams and Beckman, Biersteker stresses that the NEPDs were not motivated solely by the state's interest in creating opportunities for private accumulation. He notes that the state had its own agenda when promulgating the Decrees, the pursuit of "national" objectives. These included the promotion of indigenous entrepreneurship, the reduction of foreign exchange leakages through personal and corporate remittances, domestic capital formation, local industrial linkages and, fundamentally, "Nigerian control over the economy in general, and over strategic enterprises in particular".[59]

Biersteker points out that there was dissenting opinion within the state about these aims and, more importantly, about how they were to be achieved. He recounts conflicts within the Federal government leading up to each Decree, conducted mainly along geographical lines prior to the NEPD 1972 and along ideological lines prior to the NEPD 1977. He acknowledges the influence of both local and foreign capital in the formulation of the policy but contends that the state was "captured" by neither. According to Biersteker, the Decrees reflected the coincidental interests of the state and local capital but not their common motivations.[60]

Divergent objectives within the state helped to "defeat" the ambitions of some state officials to reduce economic dependence on foreign capital. Biersteker contends that conservative officials moderated the 1972 Decree's scope because they feared the economic consequences of displacing large-scale foreign capital from the country.[61] Furthermore, because the state's administrative machinery was short of funds and staff,

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58. Biersteker (1987a), p.262.

59. Biersteker (1987a), p.259; see also (1987b), Chapter Two, esp. pp.76-81, for a full discussion of the "state's objectives".

60. Biersteker (1983), pp.191, 202-3; (1987a), pp.259-61.

61. Biersteker (1987b), p.171.

as well as lenient in enforcing the policy, the NEPD 1972, he claims, was widely evaded, even by the smaller foreign firms it affected.[62] However, the "economic nationalists" within the state "returned with a vengeance" in 1977.[63] The second Decree affected all foreign firms in Nigeria, managerial control become an explicit goal, and the enforcement apparatus was strengthened in order to fulfil its bolder mandate.

Despite the state's now "serious" intentions, Biersteker notes that control of foreign firms remained elusive. The evasive possibilities open to expatriate firms enabled them to "neutralize the Decrees and even entrench their control in some economic sectors. Though more restrictive than its predecessor, the NEPD 1977 never really threatened those firms employing the most sophisticated technologies which were still permitted to retain majority ownership. However, Biersteker alleges that even with a minority stake, foreign firms easily retained a controlling interest by developing legal and illegal strategies to thwart potential challenges from Nigerian investors.[64] Considering the capacity of foreign firms to circumvent the Decrees, Biersteker, like most other scholars, concludes that "virtually every transnational corporation involved in Nigeria has found ways to neutralize the indigenization requirements".[65]

Biersteker casts some of the blame for the Decrees' failure to wrest control from foreign companies on the "uneasy alliance" between indigenous businessmen and government officials. The difficulty, he says, was that "some of the strongest backers of indigenization among Nigeria's economic elite were more interested in a share of the proceeds of the economy than its control".[66] Unlike the state, most indigenous

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62. Biersteker (1987b), pp.105-6.

63. Biersteker (1987b), p.174.

64. See Biersteker (1983), pp.193-201; and (1987b), pp.117-22, 224-32, for elaborations of foreign companies' evasive practices.

65. Biersteker (1983), p.193.

66. Biersteker (1987a), p.262.

businessmen achieved their objectives through the Decrees "since they are largely satisfied with a comprador role and function (and never really wanted to control foreign enterprises in the first place)".[67] While both had employed the rhetoric of economic nationalism to bring about the "indigenization" policy, "only the state has pursued that objective with any conviction".[68]

Apart from the willing acceptance of a "comprador role" by most Nigerian businessmen, Biersteker maintains that foreign companies shifted financial risk to Nigerians without granting them commensurate control. Like Hoogvelt, Williams and Olukoshi, Biersteker claims that many firms used the capital of Nigerian investors to expand the scale of their local operations, often employing "capital intensive, anomalous" technologies.[69] Biersteker remarks that the use of local shareholders' funds for expansion purposes also enabled foreign companies to earn the same profits with a diluted equity stake as they had with total ownership of their subsidiaries.[70] Considering the compradorial tendencies of indigenous businessmen, and the overwhelming dominance of foreign companies, Biersteker concludes that the control of multinational companies is "beyond the reach" of states "with a political-economic composition comparable to Nigeria's".[71]

Despite foreign capital's persistent control and the continued dependence of local capital on its share of the proceeds, Biersteker, in agreement with Collins, maintains that the Decrees have "provided a basis for local accumulation in Nigeria".[72] He argues that the unequal shareholdings resulting from the Decrees exacerbated income inequalities

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67. Biersteker (1983), p.202.
68. Biersteker (1983), pp.191, 202-3; (1987a), p.273.
69. Biersteker (1987b), p.282.
70. Biersteker (1987b), p.156.
71. Biersteker (1987b), p.293.
72. Biersteker (1987a), p.255.

amongst Nigerians. This concentration of wealth abetted further capital accumulation by some Nigerians, especially after the NEPD 1977, when the Decree's beneficiaries were less given to spending their windfall gains on consumption than had been the case following the NEPD 1972.[73] Referring to changing patterns of company registrations, Biersteker asserts that Nigerians used the protection afforded by the Decrees and their new-found wealth to establish new business ventures, some of which "dominated" certain sectors and had become "strongly competitive" with foreign capital in other areas.[74] In conjunction with other developments in the Nigerian economy, the Decrees made manufacturing investments far more attractive to indigenous entrepreneurs, spawning a breed of "new manufacturers".[75]

Biersteker also notes how the state promoted local capital accumulation through the creation of institutions associated with the Decrees, such as the National Bank for Commerce and Industry, the Centre for Management Development, and the Industrial Training Fund.[76] Moreover, the government acquired equity in financial institutions, which not only expedited the indigenization of the financial sector but also forced the redirection of credit towards indigenous ventures.[77] In conclusion, Biersteker argues that although indigenization did not transfer control of individual foreign firms to Nigerians, it did contribute to the development of an indigenous bourgeoisie. This, he says, was perhaps "the most significant contribution" of the Decrees, without which "there is little evidence that such a development would have taken place".[78]

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73. Biersteker (1987b), p.270.
74. Biersteker (1987b), pp.246-60.
75. Biersteker (1987b), pp.253, 256.
76. Biersteker (1987b), p.92.
77. Biersteker (1987b), pp.273-5.
78. Biersteker (1987b), p.276.

PART TWO: A LITERATURE CRITIQUE

Applying their arguments to a broad theoretical debate, scholars tend to interpret the NEPDs out of context. Those scholars who trace the Decrees' antecedents begin their analyses at a point too late to appreciate consistencies of pattern in the Nigerian state's regulation of business. Others disregard the wider scope of state interventions which were justified in the name of "indigenization". As a result, they over-state the significance of the NEPDs. Failing to assess the policy on its own terms, scholars make considerable errors of interpretation and fact. They also neglect important evidence pertaining to what the Decrees have actually achieved.

The NEPDs Out of Context

In some of the literature on the NEPDs, a discussion of business regulation in Nigeria is avoided altogether. As seen in Part One, some scholars see the NEPDs in terms of somewhat static forces and alliances, be they foreign capital's efforts to entrench itself in the Nigerian economy, the pressures of a grasping national bourgeoisie, the ambitions of an interventionist state, or some combination of these. Those scholars who do explore the Decrees' historical origins commence their inquiries just before formal Independence, concurrent with the assumption of state power by Nigerians.

Anifowose comprehends the Decrees as a natural outgrowth of the desire of "emerging African leaders" to secure national economic benefits by means of their new-found political control. According to him, the NEPDs were an assertion of economic independence, necessary for "consolidating political independence and achieving equality in the family of nations."[79] Balabkins discounts "neo-colonial arguments", as well as

79. Anifowose (1980), pp.10-1.

several economic justifications which "must be taken with a grain of salt".[80] He attributes the NEPDs to the rise of economic nationalism in Nigeria which was generated by the "spirit of self-reliance" during the Civil War, by Nigerians' "fear" of multinational companies, and by the "anti-White sentiment ... of the many Africans who, after studying in the West as well as in the Soviet Union, had become black racists".[81]

Akinsanya provides a more sober historical analysis of state regulation of foreign and indigenous business during the period leading up to Independence and afterwards. He does so not to disclaim the role of economic nationalism in bringing about the Decrees, but to make the point that these forces culminated in a policy which was not as radical as many had supposed. Biersteker gives more consideration to the policy's genesis than anyone else. He rightly observes the Nigerian state's increasing confidence and willingness to intervene against foreign business, beginning with employment policies. He also traces the grievances of indigenous businessmen and their campaigns for state action dating back to the 1950s.[82] However, even Biersteker's detailed narration would suggest that government regulation of business, foreign or local, is a relatively recent phenomenon, a concomitant of indigenous control of the state apparatus.

In fact, the Nigerian state, whether under expatriate or indigenous control, has always regulated the respective economic opportunities open to foreigners and Nigerians. To regard the NEPDs as a product of economic nationalism, which could find expression only once Nigerians had gained control of the state, is to mistake means for cause. It is true that developments after Independence, such as burgeoning oil revenues and increasing state *dirigisme* under military rule, made it possible for the

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80. Balabkins (1982), pp.51, 53.
81. Balabkins (1982), pp.55, 51, 60-1.
82. Biersteker (1987b), pp.53-9.

Federal government to contemplate a mandatory foreign divestment programme. Furthermore, economic nationalism did play an important part in the discussions leading up to the Decrees, and many other government regulatory policies. However, these developments and sentiments facilitated and justified the NEPDs more than they can account for them.

As will be seen in Chapter Two, the protection of "Nigerian interests" against the foreigner has been a rationale for state regulation of the private sector since the days of Lugard. Having this "cause" for intervention, Lugard and his successors used state regulatory policies to apportion economic opportunity in ways sometimes only tenuously related to their stated objectives. In the case of the NEPDs, as will become evident in succeeding chapters, the government's regulatory intervention had greater *domestic* ramifications than it had for the position of expatriate business in the Nigerian economy.

Another misconception endemic in the literature is an exaggerated view of the Decrees' scope. This is evident even in the nomenclature of the subject. The scholarly (and popular) usage of the term "Indigenization Decrees" to refer to the NEPDs 1972 and 1977 implies an objective more far-reaching than actually provided for in either Decree. Nigerian governments have enacted numerous measures in the name of "indigenization" over the years, including: preferential credit provisions; discriminatory allocation of business licences; controls on expatriate employment; local content requirements; regulatory and fiscal concessions; controls on foreign remittances of capital, profit, and salaries; mandatory re-investment policies; and direct investments in industry and finance. Those instituted prior to the NEPD 1972 will be discussed at greater length in Chapter Two. The NEPDs protected indigenous businessmen from foreign competition in certain fields and transferred partial equity

ownership to Nigerian investors in others. As such, they comprised only one important policy amongst many others intended to promote "indigenization".

Despite their limited scope, the Decrees are discussed in grand terms. For example, General Obasanjo, then Head of State, proclaimed that the policy was "influenced by the need to place control of the Nigerian economy squarely in the hands of Nigerians and to ensure that Nigerians are the main beneficiaries from the resources of their country".[83] These aims were also incorporated into the texts of the Decrees.[84] Official rhetoric finds its way into the scholarship on the subject. The objectives scholars ascribe to the Decrees include: "to do away with the foreign domination of the country's commerce and industry";[85] "to enhance national control over foreign investments";[86] to promote local "ownership, control and management of economic activities in the country";[87] "to increase national control over mining and manufacturing";[88] to secure "Nigerian control over the economy in general, and over strategic enterprises in particular";[89] to ensure "full participation by Nigerians";[90] and "to redirect or reorganize the production process along more independent lines".[91]

Whatever the Decrees' stated aims, their *provisions* regulated only the ownership structure of foreign firms and expatriate competition in certain business activities. The regulations did not address any other aspect of the operations of foreign firms with which indigenization was supposedly concerned, such as Nigerian managerial participation, domestic

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83. Obasanjo, radio broadcast, quoted by Ezeife (1981), p.170.
84. NEPD 1972, section 1(2); NEPD 1977, sections 1(2), 1(2)(b).
85. Balabkins (1982), p.44.
86. Collins (1974), p.137.
87. Ezeife (1981), p.166.
88. Williams (1980), p.14.
89. Biersteker (1983), p.188.
90. Biersteker (1987a), p.262.
91. Hoogvelt (1979), p.59.

capital accumulation, use of appropriate technology and local resources, conservation of foreign exchange, and state regulatory control. Although most scholars recognize that the Decrees provided for a transfer of *ownership* to Nigerians, they evidently accept this as a strategy to achieve indigenous *control* of the economy.

Taking the government's stated objectives at face value, scholars criticize the Decrees for not achieving them. The exercise is blamed not only for leaving control of the economy in foreign hands but also for failing to bring about the broader aims of indigenization. Hoogvelt deplores the Decrees' failure to re-orientate the direction of industrial development.[92] She indicts the policy further for harmonizing the financial interests of foreign and local capital, which "may well adversely affect control over foreign investments by central government".[93] In the first chapter of his recent book on the Decrees, Biersteker states that managerial control of enterprises will be the "closest concern" of his work.[94] Yet, although he later faults the Decrees for not requiring indigenous participation in management, he scarcely mentions the government's use of expatriate quotas which directly regulated expatriate occupancy of managerial positions.

In this thesis, it will be assumed that the NEPDs did not transfer control of foreign enterprises to those Nigerians who bought only a partial equity stake. The Decrees contained no provisions to do so. Criticism of the Decrees on these grounds distracts attention away from those government policies intended to control the behaviour of foreign firms directly. Preoccupied with issues of control, scholars fail to evaluate the NEPDs on their own terms. As will be argued below, this has detracted

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92. Hoogvelt (1979), p.57.
93. Hoogvelt (1979), p.67.
94. Biersteker (1987b), p.21.

from a careful examination of whether or not the Decrees achieved what they actually did prescribe.

The NEPDs were neither the "serious attempt" to secure national control nor the boon for indigenous businessmen which is generally supposed. It will become apparent in the chapters which follow that the NEPDs cannot be realistically described as "the Magna Carta of Nigeria", "a landmark in the economic and social emancipation of the country",[95] or even as "the most prominent component of Nigeria's foreign investment policy".[96] Other state policies have had a much greater impact on the operation of foreign business in Nigeria; others have more profoundly assisted private capital accumulation by Nigerians. This is not to impugn the relevance of the NEPDs to a study of Nigeria's political economy. On the contrary, the NEPDs, seen in their proper historical and regulatory context, are noteworthy both as a state intervention in the economy and as a policy which advanced private Nigerian interests in some important ways. However, a model of the Nigerian political economy which is derived from the country's experience with the Decrees alone must either be unduly narrow in conception or inadequately supported by the evidence.

Failings of Interpretation

Keen to educe broad implications from the NEPDs, scholars abstract away some of the essential motivations and characteristics of "foreign capital", "local capital" and "the state", the three "actors" they claim to depict. An undue emphasis on the Decrees as a conflict between the state and foreign capital belies the policy's moderate scope. It also conveys a misleading impression of firms' responses to the NEPDs and exaggerates the extent to which foreigners broke the law. Scholars

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95. Chikelu (then Permanent Secretary, Federal Ministry of Economic Development) (1976), p.21.

96. Biersteker (1983), p.191.

maintain that foreign companies "defeated", "neutralized", even "benefited from" the Decrees. The state (or local businessmen, if they had been so inclined) is said to have been powerless to wrest control from foreign companies because of the latter's prodigious capacity for evasive action. Biersteker, for example, claims that "by employing benignly legal methods ... or blatantly illegal ones ... transnational corporations have had little difficulty retaining effective managerial control over their Nigerian operations".[97] Corroborating this, Balabkins observed that despite their divestment of partial ownership, "the expatriate companies kept the management firmly in their own hands. Thus was indigenization flouted, again and again."[98]

To be sure, some companies illegally "flouted" the Decrees' provisions. However, as will be demonstrated in Chapters Three and Four, most foreign companies did *legally* comply with the NEPDs. Because the regulations did not prescribe managerial control and addressed only ownership, it must be assumed that these scholars (and others) judge foreign firms against extra-legal standards of compliance. This is further suggested by Biersteker's elaboration of the "countervailing measures" employed by foreigners "to defeat the spirit" of the Decrees.[99] Even if the "spirit" of the Decrees was defeated, foreign companies (and the authorities responsible for enforcement) can hardly be faulted for failing to comply with the *intentions* of the policy-makers. Moreover, some of the corporate responses to the Decrees, condemned as evasions when they occurred in Nigeria, are not only perfectly legal but would be regarded as sound, even progressive, business practice elsewhere in the world.

Hoogvelt describes how foreign firms invited their Nigerian distributors to become shareholders, and sometimes extended credit to

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97. Biersteker (1983), p.201.
98. Balabkins (1982), p.184.
99. Biersteker (1987b), p.117.

facilitate their investments. Financial, and particularly distributive linkages, she argues, rendered them beholden to their foreign partners because "the distribution of the firm's product is the strongest weapon in the alien owner's arsenal of control retention".[100] Some would maintain that it was the distributor/investor, not the supplier/creditor, who gained the greater influence as a result of such transactions. Furthermore, if Nigerian investors were indeed "willing compradors", as Hoogvelt and other scholars maintain, it is not clear why foreign companies would need to resort to "weapons" from their "arsenal" in order to retain control. No matter whose control was enhanced, however, financial relationships of this kind between suppliers and distributors are hardly unusual and have economic advantages for both parties.

Biersteker cites the recruitment of "sympathetic" directors and investors as the most popular "strategic response" to neutralize the Decrees.[101] Yet it is difficult to imagine that any company would ever recruit directors and investors known to be hostile to its interests. He also casts aspersions on foreign firms' credit extensions to Nigerian managers for the purpose of financing share acquisitions.[102] Of course, this practice has been widely adopted not just in Nigeria, but in many other countries, where it has been recognized as a useful way to reward successful performance and encourage its continuation. Biersteker even cites as a "countervailing measure" the training programmes established by foreign companies for their Nigerian employees, which were designed "to create local managers who were so thoroughly socialized they only thought in terms of the company".[103] Apart from the fact that employees are unlikely to *want* to obstruct their employers' activities, it

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100. Hoogvelt (1979), p.63.

101. Biersteker (1987b), p.221; see also his Figure 5.1, "Strategic Responses of Schedule 2 Enterprises", p.230.

102. Biersteker (1987b), p.104.

103. Biersteker (1987b), pp.227.

is doubtful that the Nigerian government would view training programmes in such an invidious light, as it has always encouraged them as an important avenue for technology transfer.

The very label "foreign capital" homogenizes significant variations in response to the Decrees and obscures important distinctions amongst foreign companies which operate in Nigeria. Although they discuss at length the magnitude of foreign evasions, only a few scholars bother to differentiate between these tactics. Hoogvelt is one of them. Drawing on her Kano sample, she observes that Lebanese firms tended to recruit just a few prominent "Alhajis" as indigenous shareholders, in contrast to Western-based multinationals which preferred to distribute their shares widely in order to minimize the influence of any one Nigerian investor.[104] Yet, Hoogvelt makes little attempt to explain why these firms chose the approaches they did.

Biersteker goes furthest to distinguish the responses of foreign companies but, in analysing their respective motivations, he misinterprets the evidence. He characterizes Levantine firms as the "weak link" of foreign capital, vulnerable to the Decrees because of their small size, few intrinsic technological and financial advantages, and their lack of a powerful home-country government to lobby the Nigerian authorities on their behalf.[105] By contrast, the Western-based multinationals were in a much stronger position. Not only had they the resources of a "global network" upon which to rely but could also "invoke the power of the parent company or threaten to invoke the wrath of the home country".[106] In view of the weakness of the Levantines, Biersteker argues that their prominence amongst the 1972 Decree's defaulters is all the more

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104. Hoogvelt (1979), p.62.
105. Biersteker (1987b), p.91.
106. Biersteker (1987b), pp.117, 122-3.

revealing of the ease with which the multinationals could evade the NEPD's provisions.[107]

This inference, however, is contradicted by the evidence Biersteker himself presents. As will be seen in Chapter Three, data from the unpublished "Report of the Industrial Enterprises Panel" clearly indicate that the largest multinational companies, despite their comparative "strength", were less likely to default on their legal obligations than supposedly "weaker" Levantine and Asian firms, and also quicker to comply with the NEPD 1972. The Annual Reports of the Nigerian Enterprise Promotion Board, which will be referred to in Chapter Four, indicate that this was also the case with regard to the NEPD 1977. Preoccupied by evasive practices, scholars have ignored highly variant rates of compliance amongst foreign companies. As a result, they have failed to recognize that large multinational companies were both the most susceptible to the authorities' enforcement efforts and the least inclined to be seen in confrontation with the government.

The literature on the Decrees also renders only a sketchy outline of local capital in Nigeria. A few scholars, perceiving the Decrees mainly as a state intervention against foreign business, appear to reject distinctions within local capital altogether. Balabkins, for example, writes that "it did not matter whether a Nigerian was Hausa, Ibo or Yoruba. For indigenization presupposes the existence of a fully integrated society".[108] Others, although certainly mindful of disunity and competition amongst Nigerians, demarcate divisions with insufficient discrimination, roughly between "bourgeois elements" and everyone else. Olukoshi summarily refers to the Nigerian beneficiaries of the Decrees as "capitalists" and as members of "the bourgeoisie",[109] an appellation with

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107. Biersteker (1987b), p.117.
108. Balabkins (1982), p.43.
109. Olukoshi (1986), p.137.

which Beckman, Osoba and Williams concur.[110] Forrest identifies some of the constituent members of the "Nigerian bourgeoisie", giving it a more clearly defined profile. However, apart from mentioning opportunities for share ownership, he does not trace how the Decrees actually promoted the formation of this "class".[111] Collins, Hoogvelt and Biersteker go farthest to examine the Decrees' private rewards, yet each of their interpretations glosses over important distinctions amongst indigenous beneficiaries.

Collins describes how the "laissez-faire" approach of the NEPD 1972 enabled relatively few members of Nigerian commercial, managerial and bureaucratic elites to clinch most of the benefits.[112] Despite the intention to broaden share distribution during the exercise's second phase, "propertied elements" still predominated, as shares were acquired by "bureaucrats, managers of private companies, lawyers, ex-politicians, military officers, [and] traditional leaders, with the remainder taken up by commercial classes".[113] The Stock Exchange's estimate of one million shareholders in 1978, in a country of some 80 million inhabitants, Collins contends, "represents a strong concentration of ownership and accumulation".[114] This interpretation completely discounts the role of public and private institutional investors which, as will be seen in Chapter Four, acquired at least 26% of the shares sold by foreign companies through the Exchange. Moreover, like most other remarks about share concentration made in the literature, it overlooks the involvement of hundreds of thousands of Nigerians who cannot be regarded as members of any élite group or "capitalist bourgeoisie". Indeed, as will become clear

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110. Beckman (1981), pp.16-7, (1982), pp.44, 48; Osoba (1978), p.69; Williams (1976), p.33.
111. Forrest (1987), p.334.
112. Collins (1980), pp.147, 154.
113. Collins (1984), p.35.
114. Collins (1984), p.34.

in Chapters Four and Five, the very extensiveness of shareholder registers, replete with names of people who bought minute holdings, *masks* the true nature of the inequalities which resulted from the Decrees.

Hoogvelt's analysis neglects consideration of the numerous means by which Nigerians gained from the Decrees. Corresponding to her conception of the local "comprador", she stresses distributive, financial and directoral links between foreign companies and Nigerians, to the exclusion of other forms of participation. Her perceptions might have been coloured by the small size and peculiarities of her Kano sample, in which resident-expatriate firms, many having long-standing associations with prominent local businessmen, were preponderant. By her own admission, however, Nigerian "compradors", particularly those who acquired a major equity stake, were more active in company affairs than she had anticipated.[115] Whatever the level of involvement of this group of indigenous businessmen, it is misleading to cite them as evidence of the "co-optation" of Nigerian investors by foreign companies. Most of the Decrees' beneficiaries were purely portfolio investors for whom a principal attraction of shareholding was the opportunity to invest without assuming managerial responsibilities. Hoogvelt's analysis overlooks the phenomenal rise of portfolio share ownership as a form of investment in Nigeria. As a consequence, it bears little relation to the motivations and benefits of the great majority of Nigerians who participated in the exercise.

Biersteker describes a richer diversity of indigenous business interests, but like Hoogvelt's, his analysis sometimes treats "local capital" as if it were a monolithic entity. When recounting the lobbying by Nigerian businessmen preceding the NEPD 1972, he describes their two-fold aim: to secure protection from foreign competition in some

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115. Hoogvelt (1979), p.64.

industries, and to share the profits of successful foreign firms.[116] Schedule 1 of the Decree addressed their first objective and Schedule II their second. But in his critique of the Decree, Biersteker blurs the distinction he had previously drawn between these two functions. The impact of Schedule I is described mainly in terms of share transfers rather than of protection,[117] while that of Schedule II is noted primarily for its failure to force foreign firms to relinquish control to Nigerian portfolio investors.[118] For the NEPD 1977, Biersteker says, "indigenous business modified its objectives and pressed for a larger share of the proceeds of foreign enterprises".[119] However, in his most recent study, he claims that senior Nigerian managers wanted the Decree to push for indigenous *managerial* control of foreign enterprises,[120] and that the powerful Lagos Chamber of Commerce, although by this time supposedly under local control, nevertheless *opposed* an extension of the Decree in this direction (and in others).[121]

If the juxtaposition of these accounts appears confusing and contradictory, it is because the divergent interests of "local capital" have been inappropriately united under that heading. Contradictions become inevitable unless due attention is paid to the distinctions within "local capital". For example, Biersteker presents the withdrawal of a proposal to force Nigerians to divest those holdings acquired through the NEPD 1972 which exceeded the newly prescribed limit as "local capital's biggest accomplishment" when lobbying for the NEPD 1977.[122] Evidently, he had a particular group in mind in this reference to "local capital". For if large-scale investors had been required to sell some of their shares,

116. Biersteker (1987a), p.259.
117. Biersteker (1987b), pp.125, 132.
118. Biersteker (1987b), p.128.
119. Biersteker (1987a), p.262.
120. Biersteker (1987b), p.178.
121. Biersteker (1987b), pp.179-81.
122. Biersteker (1987b), pp.195-6.

presumably other Nigerian investors would have been able to buy them. With only a limited pool of shares available, the "victory" of one group of indigenous businessmen is the "defeat" of another. At one point, Biersteker concludes that Nigerians were satisfied with opportunities for portfolio investment in foreign firms.[123] However, at several other points he argues that these *portfolio* investors employed returns from their shareholdings to establish enterprises of their own.[124] It will become clear in this thesis that "local capital" in Nigeria is a multifarious entity. Its various elements benefited from the Decrees in a variety of ways, perhaps least of all through portfolio investments.

Biersteker's analysis draws most critical comment here because his portrayals of foreign and local capital have greater depth than those of anyone else. Similarly, his characterization of the state is more detailed than any other developed by scholars from their work on the NEPDs. By contrast, Balabkins seems to negate the role of the state completely, as if the Decrees came about by a spontaneous expression of national feelings: "The times were ripe for an indigenization decree. The people, especially the governing elite, officer corps and opinion shapers, felt the need in their marrow."[125]

More probing scholarship on the NEPDs regards the state either as an instrument of private interests, as a vehicle to pursue generally defined "national interests", or as a combination of both. Beckman stresses that the state was mainly interested in serving private capital's interests with the Decrees. But he also claims that by subjecting foreign capital to its regulative authority, the state enhanced its "national authenticity".[126] Olukoshi rightly maintains that the state was not solely

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123. Biersteker (1983), p.202; (1987b), pp.175-7.
124. Biersteker (1987b), p.148 and Chapter Six, esp. pp.247-8, 250-60, 270.
125. Balabkins (1982), p.27.
126. Beckman (1982), p.48.

at the behest of private interests because it used the Decrees to assay objectives of its own. Yet he does not identify fissures within the state, either about the definition of national objectives or the determination of how they should be attained.[127] Biersteker addresses himself to this task. He points out an ideological division between the state's "economic nationalists" and "limited interventionists",[128] and a geographical division between state officials who wanted to promote and protect private interests in their respective parts of the country.[129] Moreover, he usefully elucidates the immediate political considerations of state officials who were anxious to garner popular support for the government following an attempted coup,[130] and contributions of bureaucrats within the state in formulating and implementing the Decrees.[131]

Although several scholars, like Biersteker, present evidence to show that the Decrees were intended by the government to promote both private *and* national interests, they do not take much account of other state aims which were in no sense "national". Biersteker describes how the NEPD 1977 was supposed to bolster the Obasanjo Government, but he misses how the Decrees and associated government programmes advanced the various interests of state officials as well. He regards the Federal government's initiative to establish the Nigerian Bank for Commerce and Industry (NBCI) as an effort to meet the exigencies of the NEPD 1972.[132] As will be seen in Chapter Three, despite the official justification for its creation, the NBCI found greater use as a source of employment for civil servants. Likewise, public sector share acquisitions were propelled less by fears of inadequate funds in the private sector than the wish of

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127. Olukoshi (1986), pp.288-9.
128. Biersteker (1987b), pp.161-2.
129. Biersteker, (1987b), pp.78, 160, 174.
130. Biersteker (1987b), pp.159-60, 170.
131. Biersteker (1987b), pp.76-9, 168-70, 203.
132. Biersteker (1987b), pp.89-90.

government officials to magnify the economic resources under their control, protect sectional interests, and patronize businessmen with whom they were corruptly associated.

Williams cites the Federal government's credit provisions during the programme as yet another example of a state intervention which promoted the financial gain of government officials.[133] However, it should not be assumed that "national" objectives were inspired only by the personal interests of state officials (or of their private clients). As will be seen in Chapters Three, Four and Five, state interventions associated with the Decrees furthered the institutional goals of public sector agencies. These included the creation of new government bureaucracies, the expansion of existing ones, the extension of the public sector's direct participation in the economy, and the enhancement of the state agencies' regulatory control over the private sector. The NEPDs, and indigenization more generally, became a functional justification for an increase in the role and powers of the state, regarded by many of its officials as a desirable end in itself.

Failings of Evidence

It has been argued above that the literature on the NEPDs displays an insufficiently differentiated view of the three "actors" on which it focuses. In this section, some of the interpretations advanced about the Decrees' effects on "foreign capital", "local capital", and "the state" are challenged. It is found that, lacking adequate detail and short on evidence, conclusions drawn by scholars in support of their models of the Nigerian political economy are both unsubstantiated and, in some cases, plainly incorrect.

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133. Williams (1980), p.40.

The allegation that the NEPDs actually benefited foreign companies in Nigeria is dubious. As will be seen in Chapters Three and Four, compliance with the NEPDs was a very expensive undertaking. Firms not only incurred steep administrative costs but were also forced to sell equity to Nigerians at a punishing discount. In no sense were the Decrees "welcomed" by foreign firms. Had they regarded share sales to Nigerians as "a handy means to raise finance locally," they might well have financed their activities in this manner earlier, without waiting for government regulations requiring them to do so.

"Evidence" for foreign capital's "penetration" of the Nigerian economy is also not convincing. A large number of foreign firms raised new capital through equity subscriptions, but this was because the Securities and Exchange Commission (previously known as the Capital Issues Commission) and the Federal Ministry of Finance had *prohibited* many foreign companies from selling existing shares outright. Furthermore, to observe that foreign companies expanded their share capital base in Nigeria is not to prove that these funds were invested in local production. As will be argued in Chapters Three and Four, many firms increased their outstanding equity prior to and after the Decrees in order to facilitate the *expatriation* of capital from Nigeria.

Biersteker is correct to maintain that very few important companies withdrew from Nigeria entirely. However, he too misinterprets the evidence in a manner which under-estimates the withdrawal of foreign capital. Referring to statistics published by the Central Bank of Nigeria (CBN), he notes that direct foreign investment rebounded very quickly after each of the Decrees.[134] But Biersteker does not distinguish between new inflows of capital from abroad and existing foreign funds lodged in Nigeria. The Bank's periodic surveys of foreign investment reveal that a

134. Biersteker (1987b), pp.261-3.

majority of net inflows of foreign capital after the NEPD 1972 was attributable to the oil sector, as Biersteker notes. In other sectors, however, only a small proportion of "Direct Foreign Investment" after the NEPD 1977 (especially after 1980) constituted new inflows of capital. What impresses Biersteker as healthy levels of foreign investment were mainly liabilities to parent companies, trade and suppliers' credits and unremitted profits.[135] Relatively little comprised an increase in share capital. Even this, as will be argued in Chapters Three and Four, arose from the conversion of company reserves into equity, though usually not for the purpose of productive investment. The Central Bank acknowledged that the surge in foreign investment in the late 1970s and early '80s was "traceable to tighter exchange control regulations which curtailed the freedom of the companies to repatriate funds abroad".[136] Thus, much of Nigeria's foreign "investment" actually consisted of funds which had been blocked by the CBN, awaiting authorization from the Finance Ministry for remittance.

Hoogvelt concludes that the Decrees entrenched foreign capital's commanding position in Nigerian industry. This occurred, she argues, because the NEPDs pushed expatriate firms into high-technology fields in which they could retain a larger proportion of their equity, and because foreign companies were prompted to install new machinery as part of a strategy to ensure their technological control following compliance.[137] Although her argument might have carried greater force had it been empirically supported, it is suspect on two points. First, while correctly noting that foreign parent companies profited more from their Nigerian subsidiaries as customers than as producers, Hoogvelt contends that this

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135. CBN, *Economic and Financial Review*: Vol.17, no.1 (June 1979), pp.14-25, esp. p.25; Vol.18, no.1 (June 1980), pp.10-15; Vol.19, no.2 (December 1981), pp.17-25, esp. p.22; Vol.21, no.3 (September 1983), esp. pp.20, 22; Vol.22, no.3 (September 1984), esp. pp.12-5.

136. CBN, *Economic and Financial Review*, Vol.22, no.3 (September 1984), p.22.

137. Hoogvelt (1979), p.57; (1980), p.264.

"radically" altered orientation was a direct response to the threat posed by the Decrees to foreign control.[138] Second, she fails to recognize that foreign control was not fundamentally challenged by the Decrees, not least because Nigerian subsidiaries were *already* dependent on their foreign parents for technology, and for other human and material resources. Since the 1950s, local import-substituting industries had channelled foreign exports of finished or semi-finished goods to the Nigerian market under the guise of local manufacture. Evidence presented in Chapter Five suggests that the Decrees, along with other regulations, diminished Nigeria's attractiveness as a venue for foreign capitalist production.

Apart from encouraging continuity in the commercial character of foreign investment in Nigeria, there is little reason to believe that the Decrees affected production processes at all. Biersteker contends, without supporting evidence, that the Decrees promoted greater use of domestic resources by foreign firms because Nigerian investors brought with them "knowledge about and willingness to use local materials".[139] It seems improbable that Nigerian portfolio investors knew more about the availability of local resources than did foreigners already engaged in the business. Foreign companies would be expected to employ domestic resources when it is profitable (or mandatory) for them to do so. It would also be surprising if Nigerians goaded foreign firms to utilize more costly local materials, because this would conflict with their own financial interests as fellow investors. If foreign firms were making greater use of local inputs, it was because these could be more profitably employed or, more probably, because foreign exchange constraints restricted the

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138. Hoogvelt (1980), pp.261, 265-6.
139. Biersteker (1987b), p.234.

availability of government licences then needed to import goods from parent companies.

Virtually all scholars who have worked on the NEPDs allege that the exercise aggravated income inequalities in Nigeria because relatively few people enjoyed most of the benefits. Hoogvelt stresses the lucrative collaborate roles the Decrees provided for a small compradorial élite.[140] Balabkins points to share maldistribution which "created an extremely small but rich class".[141] Since unequal shareholdings perpetuate élitism and inequalities of wealth, Akeredolu-Ale foresees "explosive levels" of discontent amongst Nigerians.[142] For the same reason, Akinsanya regards the Decrees as "obviously and certainly grossly *unfair* and, *potentially, politically* dangerous".[143] Aboyade argues that because the Decrees "would definitely make some of the present generation of Nigerians much richer. ... [they] might further widen the gap of economic opportunities for the next and succeeding generations of Nigerians".[144] Olukoshi comments that the concentration of wealth resulting from the Decrees promoted the development of an indigenous class of industrialists,[145] an argument to which Collins eventually subscribes.[146] Biersteker remarks that "there is little question that the first indigenization decree contributed to inequality in Nigeria", but that the second decree, for which arrangements were made to broaden share distribution, avoided this defect.[147] Nonetheless, "many of [those who] had gained their wealth during the first decree", eventually used it to propel themselves into a class of "new manufacturers".[148] The development of a Nigerian capitalist bourgeoisie,

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140. Hoogvelt (1979), pp.57, 67.
141. Balabkins (1982), p.201.
142. Akeredolu-Ale (1974), p.70.
143. Akinsanya (1983a), p.182.
144. Aboyade (1977), p.381.
145. Olukoshi (1986), p.237.
146. Collins (1984), p.49.
147. Biersteker (1987b), p.268.
148. Biersteker (1987b), pp.217, 252-3.

he says, "may ultimately be the most significant contribution of the indigenization program".[149]

As can be seen, the widely held assumption that the NEPDs promoted inequalities is the basis for other conclusions about class formation and the development of indigenous capitalism in Nigeria. However, few scholars describe the mechanics by which Nigerians were presumed to have benefited from the Decrees, and fewer still present evidence which indicates that they actually did. Some scholars highlight maldistribution of shareholdings, but they do not address the question of whether this was caused by the Decrees or merely reflected existing inequalities. Those who document the advancement of indigenous businessmen in the economy fail to establish that the Decrees were the cause of this development.

As in other respects, Biersteker is most forthcoming on details about the specific gains derived by Nigerians from the NEPDs. For this reason, his work will be criticized here at greater length to illustrate the evidential problems which can be found in the rest of the literature on the Decrees. Citing changes in new and cumulative company registrations following the NEPDs, he claims that Nigerians now "dominate" most commercial activities and "continue to dominate" areas associated with commerce such as freight forwarding and customs services.[150] Biersteker writes that by 1980, local businessmen also "dominated" in furniture production and electronics-assembly, enjoyed "parity" with foreign firms in printing, publishing, and rubber processing, and were "strongly competitive" with multinational companies in the production of household goods, appliances, textiles, packaging materials, paints, plastics and shoes.[151] He also observes important gains for Nigerian managers and states that

149. Biersteker (1987b), p.276.
150. Biersteker (1987b), p.250.
151. Biersteker (1987b), p.251.

"Nigerians now effectively control their domestic financial system" as a result of the programme.[152]

Although Biersteker maintains that the expatriate and indigenous businessmen whom he consulted (but does not identify) confirmed the trends he finds in his data, one is left with the impression that his evidence obscures more than it illuminates. First, the various "advances" made by local businessmen and the "consolidations" of position he describes, as reflected by shifts in the cumulative population of privately-owned Nigerian firms, do not amount to much statistically. Private Nigerians owned 38% of the 258 registered firms in the "services sector" in 1980, up from 33% of the 150 enterprises in 1970. If we extrapolate from his data, we find that the increase was just 13 firms. In manufacturing, the increase over the ten-year period was only ten firms (of the 337 registered in 1980) and, in commerce, a slightly more convincing increase of 44 in a 1980 total of 371 firms.[153] Considering that these shifts occurred during the most expansive period of economic growth in Nigeria's history, they would not impress many, let alone signify the development, rapid or otherwise, of an "accumulating indigenous bourgeoisie".

However, more suspect than the magnitude of the changes which Biersteker finds so compelling is their reliability as an indicator of indigenous progress in business. To know the number of "Nigerian-owned companies" registered in a given sector tells us nothing about their size,

152. Biersteker (1987b), pp.265, 245.

153. Calculated from Biersteker (1987b), Tables 6.2-4, pp.248, 251, 256.

market share, profitability, or even if these businesses were functioning.[154] Officials at the Commerce Ministry, as well as others who may have observed at close hand the operation of import licensing under the Shagari and Buhari Administrations, were well aware that many firms registered with the notoriously inefficient -- and corrupt -- Company Registrar (the primary source of Biersteker's data) because this was a prerequisite for securing a licence.[155] Biersteker warns his readers in a footnote to exercise caution with his evidence,[156] but some of his conclusions make it apparent that he has not heeded his own good advice.

Biersteker contends that, following the NEPD 1977, state participation in commerce was "minimal" and that local capital was "at parity" with foreigners or "dominated" all areas of commerce apart from department stores and the sale of technical goods. It is true that state-owned trading companies were few in number but erroneous to conclude on that basis that their participation was "minimal". Indeed, during the period in which Biersteker was conducting his field-work in Nigeria, government bodies such as the Nigerian National Supply Company, the Nigerian Food Company and the Presidential Commission on Essential Commodities were directly importing commodities worth hundreds of

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154. We also find in Biersteker's (1987b) Appendix B(3) that some companies which he defines as "local" might well have been joint-ventures with foreign capital. Biersteker classifies joint-ventures between foreign and Nigerian capital as "local" when Nigerian investors (private or government) owned 80% or more of the equity. He does not explain why he chooses 80% as the "cut-off" to signify local ownership, but it is possible that some foreign companies, even with a stake of 20% or less, retained overall control, as Biersteker himself argues. For example, by Biersteker's definition, the Union Bank of Nigeria, Barclays' Nigerian affiliate and one of the so-called "Big Three" foreign banks in the country, would be a "local" company, a designation some would dispute.

155. Stated official priorities guiding import licence allocation during this period also led many firms to emphasize their credentials as "manufacturers" (and as producers in "integrated agriculture"). For example, membership in the Manufacturers Association of Nigeria (MAN) surged from 312 in 1980 to 422 in 1981. This expansion was attributable more to the fact that the Federal Ministry of Commerce agreed to use MAN's membership list in adjudicating licence allocations than to any sudden increase in the population of genuine manufacturers, as Biersteker might have us believe. See address by Chief T. Odutola to the 10th Annual General Meeting of MAN on 26 February 1981 (photocopy); and MAN's memorandum to the Federal Minister for Industries on "Economic Stabalisation Measures", 1 July 1982 (photocopy), for details.

156. Biersteker (1987b), p.132, note 73.

millions, perhaps billions, of Naira.[157] For example, government agencies were awarded 32.3% of the licences allocated to import rice in 1980.[158] If indigenous businessmen were advancing in commerce following the NEPD 1977, it was in large part due to the Commerce Ministry's deliberate use of import licences to dispense political patronage.[159] Even so, contemporary press reports and other, albeit unpublished, sources reveal that many large foreign firms continued to enjoy a large slice of the vast import trade, especially after the 1983 "New Year's coup", and that they transacted business in consumer goods which were in no way "technical".[160]

The gains Biersteker reports of Nigerians in business services and in manufacturing also defies the evidence of even casual observation. To note that indigenous businesses had achieved numeric "parity" with foreigners in terms of population does not imply, far from prove, that they were "strongly competitive" with multinationals in the areas he mentions. Despite the "wealth of evidence" to which Biersteker refers,

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157. The Presidential Commission on Essential Commodities was initially mandated to advise on import licence allocations. However, by 1983, the Commission had been granted the authority to *allocate* licences for "essential commodities" and had become a major importer in its own right. For details, see *National Concord*, 22 June 1983; and *Nigerian Observer*, 13 December 1983.

158. Calculated from lists published by *National Concord*, 11 October 1980; *New Nigerian*, 30 October 1980; *Daily Sketch*, 31 October 1980; and Federal Ministry of Information Press Release, 30 October 1980.

159. Alhaji Bello Maitama Yusuf, Shagari's Commerce Minister, summed up the government's approach towards diffusing commercial opportunities (and political patronage to the ruling party's northern supporters) with import licences as follows: "instead of giving it [an import licence] to one man, it will be divided for example between 100 people, so that the number of people who will be benefiting from those licences will be far more than the number who would have benefited under the Military regime[.] [B]ecause we're operating a civilian political regime the pressure is there and it has to reflect the Federal Character". Quoted in *Financial Punch*, 5 July 1982.

160. See Committee on Finance, House of Representatives, "Report on Pre-Shipment Inspection of Imports to Nigeria", (unpublished, n.d. [submitted 9 December 1981]); "Report of the Special Committee of Inquiry into Allegations of Corrupt Dealings by the Finance Committee of the House of Representatives", (printed but not published, 1982 [submitted 8 July 1982]), Exhibit 21; *Guardian*, 4 August 1984; and Federal Ministry of Information Press Release, 16 July 1985. The Federal Minister for Commerce and Industries vowed to restore import licences to "genuine" importers. See "Press Briefing with Dr Mahmud Tukur", in *New Nigerian*, 4 February 1985. This was meant both to criticize the import licence abuses of the civilians and to reassure multinational firms that in future they would be given priority.

Nigerians had come nowhere near to challenging the dominance of foreign-controlled firms such as Panalpina, Alraine and Triana in clearing and forwarding, large British publishing houses such as the Oxford University Press, Longman and Thomas Nelson in the Nigerian book market, or multinationals such as Metal Box, Van Leer Containers and Alcan in the packaging industry. We can accept that by 1980 Nigerians were "in competition with" foreigners in these fields but not that they were "strongly competitive" with them.

Even if we subscribe to his conclusion that indigenous businessmen moved into "productive economic activities" following the Decrees,[161] Biersteker fails to convince us that the NEPDs had anything to do with it. He contends that most of the funds received by Nigerians after the first Decree were channelled into consumption expenditure and real estate. However, Biersteker claims that following the second Decree some Nigerian investors "began accumulating dividends and going into productive ventures of their own".[162] This might be so, but Biersteker makes no attempt to determine whether the returns Nigerian shareholders received from their investments in foreign companies would have been adequate for them to undertake new industrial investments. The evidence presented in Chapter Five suggests that they were not.

Biersteker maintains that "the second decree enabled the Nigerian state to assume control over its domestic financial system".[163] He is referring here not only to the indigenization of foreign banks and insurance companies but also to the development of the Nigerian Stock Exchange, Exchange branches and stockbroking firms, which have "made it easier for small businesses to raise capital".[164] As will be seen in

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161. Biersteker (1987b), p.245.
162. Biersteker (1987b), p.270.
163. Biersteker (1987b), pp.248-9.
164. Biersteker (1987b), p.250.

Chapter Five, the latter claim is the antithesis of what actually happened: the stock market stagnated following the Decrees; Exchange branches were moribund; and some of the private individuals who benefited most from the programme saw to it that small businesses would *not* find it easy to raise capital through the Exchange. He is on firmer ground when maintaining that banks and insurance companies had come under indigenous control. However, it is ironic that the two "sub-sectors" he chooses to highlight as successes of the NEPDs were indigenized more effectively by government interventions not prescribed by the legislation. Apart from being heavily regulated by the Central Bank and Finance Ministry, banks and insurance companies were *nationalized*, not "indigenized" into the hands of the private sector. They were thus atypical of most foreign enterprises affected by the Decrees.

Biersteker also concludes that personnel indigenization (Nigerianization) was one of the "substantive changes" brought about by the NEPDs.[165] Here too, the evidence he cites in support of his claim is not compelling. He writes that "more than 17%" of the Schedule II firms he interviewed reported that Nigerian managers had been employed more extensively. Considering that his sample size was only 36 firms, just six firms experienced this rise. Few people would doubt that Nigerians have made significant inroads into senior management of foreign-affiliated firms, but Biersteker fails to establish that the Decrees were the cause. He reminds us that the NEPDs did not include any prescription for Nigerianization, but he concludes nevertheless that the Decrees "served to reinforce this tendency".[166]

It is likely that other factors, some specified by Biersteker himself, were more important in promoting Nigerianization. He notes that the

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165. Biersteker (1987b), p.235.
166. Biersteker (1987b), p.266.

Federal government used its equity stake in foreign banks to appoint Nigerians to key managerial posts.[167] He also acknowledges that the rising cost of maintaining expatriates in the country "undoubtedly played a major role in the thinking" of many companies which accelerated Nigerianization.[168] Biersteker does not mention that by the early 1980s, (when the last of his surveys was conducted), qualified Nigerian managers were in greater abundance. Indeed, many Nigerian post-graduates were unemployed and looking for work. If any government regulation had promoted Nigerianization, it was more likely to have been the expatriate quota system, which was applied by the Ministry of Internal Affairs with increasing vigour during the late 1970s and early 1980s.

It should be reiterated that Biersteker's work on the Decrees is better supported empirically than any other in the literature on the subject. Other scholars simply assume that distributorships, directorships, and shareholdings acquired during the exercise were highly remunerative for Nigerians. No one has actually measured the extent to which this was so. If we are to conclude that Nigerian shareholders employed their returns to establish new ventures or, indeed, developed into a "class", then surely we need to know first the level of dividend payments, capital distributions and price appreciation which they realized from share investments. These calculations will be undertaken in Chapter Five. There it will be argued that a particular group of Nigerian businessmen has been advanced by the NEPDs, but more though the regulatory environment to which the Decrees contributed.

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167. Biersteker (1987b), p.249.
168. Biersteker (1987b), p.266.

Objectives of this Thesis

It has been seen in this chapter that scholars have regarded the NEPDs as suitable to inform broad propositions about the Nigerian political economy. By so doing, they exaggerate the ambitions of the Decrees, misinterpret the evidence, and neglect aspects of the regulations and the NEPDs' effects which, as has been suggested above, contradict their theoretical conceptions of "local capital", "foreign capital" and "the state". It is clear that our understanding of the NEPDs and their impact on the Nigerian political economy require reconsideration.

The primary purpose of this thesis is to provide an accurate account of the NEPDs and their immediate aftermath. To do so, it will be necessary to place the Decrees in their historical and regulatory context. This is the aim of Chapter Two. A further objective is to evaluate the implementation and effects of the Decrees against a more realistic appraisal of their provisions. To this end, the success of the government's attempt to transfer equity *ownership* in foreign firms will be reviewed. Issues of control will not be our concern, as they are not addressed directly by the regulations under consideration. Building on the work of other scholars and incorporating new material, these tasks will be undertaken in Chapters Three and Four with regard to the NEPDs 1972 and 1977 respectively. In Chapter Five, evidence relating to the Nigerian Stock Exchange will be introduced. This will serve two functions. First, it will be possible to investigate, up to and including the end of 1984, the rewards which accrued to most of the indigenous beneficiaries of the programme. Second, the Exchange, which remains the foremost arbiter of the financial gains which Nigerians have realized from their investments under the NEPDs, provides an interesting example of the regulatory process at work in Nigeria.

What follows is a detailed examination of how a state regulatory policy has served the interests of Nigerians in both the private sector and the state. It is hoped that this undertaking will enhance our understanding of one of the most significant recent developments in the Nigerian political economy, the proliferation of business regulations. An appreciation of the regulatory process becomes ever more important as other forms of state-sponsored private accumulation in Nigeria, such as government contracts, appear to be in abeyance.

CHAPTER TWO

THE NIGERIAN ENTERPRISES PROMOTION DECREES IN CONTEXT

The purpose of this chapter is to position the NEPDs in their regulatory context. What follows is a synoptic history of the state's regulation of business in Nigeria. Important developments will be highlighted, especially during the period leading up to the NEPD 1972. It will be seen that Nigerian governments have always regulated business competition in order to protect and promote indigenous interests. Ideological justifications have evolved and interventions have intensified, but business regulations have consistently expanded the state's powers and afforded governments greater capacities to allocate opportunities in the private sector. The NEPD 1972 emerged at a time when the government's disposition to intervene in the economy was endorsed by the requisites of "indigenization". Although the Decree shared common regulatory antecedents with other policies of "indigenization", it was distinguishable from them in its approach.

PART ONE: FULFILLING A "DUAL MANDATE": 1900-1939

The ideology for most state policies during the early years of British rule in Nigeria was voiced in terms of "trusteeship". This notion of "trusteeship" was different from Joseph Chamberlain's imperialist idea, first advocated in 1895,[1] that Britain should *develop* her "tropical estates" in Africa, "as Trustees for Civilisation, for the Commerce of the World".[2] Lugard, the first Governor-General of the Federation of Nigeria, elaborated upon his concept of imperial responsibility in his justifying

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1. Williams (1976), note 2.

2. Joseph Chamberlain (then Colonial Secretary), quoted by Lugard (1926), p.60. See also Hopkins (1973), p.190.

meditation on colonial rule, *The Dual Mandate in Tropical Africa.* According to Lugard, Britain, in the role of trustee, could neither claim an exclusive right to the exploitation of her territories, nor could "the races which inhabit them ... deny their bounties to those who need them".[3] Thus, by allowing the "invisible hand" of the market to guide economic developments, Britain fulfilled her "dual mandate", for the "mutual benefit of her own industrial classes, and of the native races in their progress to a higher plane".[4]

In practical terms, the dual mandate endorsed a style of government in which the state was concerned primarily with political, judicial and administrative matters, avoided direct investment in economic ventures apart from the infrastructure needed by private enterprises (notably railways), and operated on a self-financing basis. Frankel notes that, as of 1936, Britain had indeed invested very little in Nigeria -- much less per caput than in any other British colony.[5] Even the railways were financed through loans on the London money market, which were serviced entirely by Nigerian revenues.[6] Whilst the colonial government usually, but not always, upheld the dual mandate's *laissez-faire* ideals, it did not ensure that international commerce advanced the economic welfare of "native races".

Restrictions on Land Ownership

Rejecting Chamberlain's ambitious proposals to invest in African agriculture, the Administration generally prohibited foreigners from gaining title to native lands and restricted their acquisition of leaseholds. In the North, government intervention was simplified because the Crown claimed actual ownership of much of the land by right of military conquest and

3. Lugard (1926), pp.60-1.
4. Lugard (1926), p.617.
5. Frankel (1938), p.170.
6. Ekundare (1973) p.137.

through the titles it acquired from the Royal Niger Company in 1899. Elsewhere, particularly in the South, the colonial government recognized native ownership of land but enacted a series of ordinances which reserved for itself control over its disposal. In each case, state involvement in land allocation was justified in terms of the interests of the native occupants.

Controls on land leasing were imposed to prevent foreigners from establishing plantations without official consent.[7] These regulations were vital, it was claimed, to avert the alienation of Africans from their lands, which would force them into waged labour and undermine their "development" and "self-respect".[8] When foreigners needed land for trading sites, the Administration acquired it from natives and then leased it to expatriate traders because "the native owner would not ... obtain so good a bargain".[9] The Native Councils and Forests Bill of 1901 was enacted to safeguard "the people up country" who "wanted to be protected" against Yoruba chiefs who had been selling title to their lands to foreigners.[10] An amendment to this bill in 1905 authorized the Administration to appropriate native lands for the purpose of creating forest reserves, essential, according to the Government Forestry Officer, to control the rate of exploitation and to conserve the country's natural wealth.[11]

Between 1902 and 1916, various Minerals Ordinances regulated foreign mining firms and stipulated at least some compensation for displaced farmers.[12] However, the Administration did not recognize Africans' minerals rights, alleging (without justification, in view of the

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7. Native Lands Acquisition Ordinance, No.32 of 1917.
8. Lugard (1926), pp.294-5.
9. Lugard (1926), p.311.
10. Governor MacGregor, quoted by Ofonagoro (1979), p.226.
11. Ofonagoro (1979), pp.219-20.
12. Bower (1948), pp.6-7.

long-extant indigenous mining industry,[13]) that effective exploitation "depends on scientific methods and machinery imported by Europeans".[14] The government also maintained that the fees and royalties it collected from foreign concessionaires contributed to the economic development of the African population by lightening their tax burden.[15] Finally, the Public Lands Acquisition Ordinances of 1903 and 1905 empowered the government to acquire compulsorily ownership of any land in Southern Nigeria needed "for public purposes".[16] This legislation was applied to procure land for the state-owned railway, roads, harbours, colliery, and public buildings, and to furnish trading sites for foreign merchants.

A desire to protect and promote African interests cannot adequately account for the colonial state's restrictions on foreign land ownership and occupancy. In some of Britain's other colonies, including elsewhere in British West Africa, the principle of trusteeship had been used in support of foreign-owned plantations. The British government had considered plantation schemes for Nigeria too. The attendant problems of land alienation were acknowledged, but many officials believed these obstacles could be surmounted, as they had been in India.[17] Moreover, the Nigerian Administration did permit foreigners to acquire a few agricultural leaseholds as well as extensive forestry and mining concessions. Through the Public Lands Acquisition Ordinance, the government was itself actively engaged in land alienation. Clearly, the colonial state's regulation of land usage was motivated by concerns beyond those of African welfare.

One reason the Administration opposed European plantations in Nigeria was their decided lack of economic promise. Few of the

13. Bower (1948), pp.4-5.
14. Lugard (1926), p.348.
15. Lugard (1926), p.348.
16. Lugard (1926), p.216.
17. Ofonagoro (1979), pp.217-9.

plantations established elsewhere in British West Africa had been successful. Cocoa plantations in the Gold Coast and Sierra Leone were beset by labour shortages and disease. Although Europeans could boost the productivity of the land, their plantations floundered when world market prices were depressed. This was because Europeans engaged in specialized commodity production and had to carry higher fixed costs than did indigenous farmers.[18] Thus, a collapse in the rubber market prior to World War I thwarted initial efforts in Southern Nigeria to grow what had seemed the most promising plantation crop.

By contrast, African export agriculture had demonstrated to foreign investors and government officials alike its viability and enormous capacity to expand production to meet international demand.[19] Even if some foreign planters remained hopeful, the colonial government was reluctant to tamper with an agricultural system that had become a mainstay of the import-export economy, upon which public finances were almost entirely dependent.[20] However, where European firms could use native lands at considerable profit to themselves, local chiefs and the government treasury, (as in the cases of tin mining and forestry), the Administration granted them access.

A second reason for official resistance to European plantations was their potential impact on existing foreign commercial interests. Sir William Lever's failed attempts to gain agricultural concessions in Southern Nigeria are instructive on this point.[21] In 1906, Lever lobbied the Colonial Office for land to establish palm plantations which he claimed were essential to produce raw materials of sufficient quality and

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18. Hopkins (1973), p.213.

19. See remarks made in 1920 by Governor Hugh Clifford to the Nigeria Council, rejecting plantation schemes proposed by William Lever (see below), quoted by Usoro (1977) p.123.

20. See Pim (1948), pp.225-263.

21. The following discussion is informed mainly by Ofonagoro (1979), pp.230-4; Hopkins (1973), pp. 211-4; and Crowder (1962), pp.236-7, 318-9.

quantity for his soap factories. Manchester and Liverpool merchants, rightly perceiving Lever's scheme as an attempt to circumvent and undercut their oligopsony in the palm oil trade, mounted strong opposition. The government rejected Lever's request. In 1911, having amassed greater influence in Parliament, Lever put forward a new plan in which he would gain exclusive rights to purchase native palm produce from a vast concession, in return for his investment in processing facilities within the demarcated area.[22] As before, the real issue was trade not land. Despite strong protests from European traders and African middlemen, officials proceeded with the Nigerian application and granted Lever similar privileges in Sierra Leone. Lever was, however, foiled again, but this time by legal technicalities and the difficulties of negotiating with a multitude of African chiefs, not by the authorities' refusal to redistribute a large share of the palm produce trade in his favour.

In 1923, shortly before his death, Lever launched one more attempt to establish palm plantations in Nigeria. By this time, he had silenced much of the opposition in the trading community through corporate amalgamation. Moreover, his proposals attracted renewed official interest because of rising fears that palm plantations in other parts of the world would render indigenous producers in West Africa non-competitive. Nonetheless, the Secretary of State for the Colonies reaffirmed the government's stance against land alienation and any other form of agriculture which relied upon state compulsion of labour.[23] However, he left open the possibility of plantations for "educative purposes". European planters were granted 14,566 acres over the next ten years "to demonstrate" modern techniques to indigenous farmers.[24]

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22. Ofonagoro (1979), p.230.
23. Crowder (1962), p.319.
24. Crowder (1962), p.319.

A third reason the authorities regulated land tenure was to enhance their political control. In the North, Crown ownership of the land provided the initial justification for British governance. Expected to be self-financing, Britain's territories in Nigeria were administered cheaply by a small corps of expatriate officers. Out of financial necessity, a system of "indirect rule" evolved by which the Administration governed a large native population through African "leaders" whom it supervised and sometimes even appointed. These "traditional" rulers were allocated land to reward them for their loyal service to the Administration, to enhance their prestige amongst the general population and to supplement their official incomes. In the South, indirect rule required the perpetuation of village communities in which local chiefs and elders retained their authority over important matters such as the distribution of land within the community. In both North and South, the colonial government's control over indigenous leaders would have been threatened if outsiders, whether expatriates or "alien" Africans, had been permitted to secure land and local influence through private transactions.

With only a skeletal staff in Nigeria, the Administration was also anxious to avoid the political problems that might result from the introduction of a settler population and the creation of a landless peasantry. Lugard maintained that without land, a peasant "loses respect for caste and faith in his religion. He has no guiding spirit to help him, and he becomes degraded, demoralized, and ultimately degenerate". Under such conditions, Lugard warned, "there will be no lack of labour leaders eager to organize agitation on the worst models of the West".[25]

Finally, land regulations vested in the Administration a capacity to influence economic developments. Oversight of land leasing enabled the government to regulate the private exploitation of forest reserves and

25. Lugard (1926), p.515.

mines. By granting a favourable trading site or mining concession, it could also affect the competitive position of particular firms. Furthermore, public land ownership and an ability to appropriate private lands were prerequisites for the colonial government's ventures in coal mining, in harbour development, and in railways. Land restrictions also enabled the authorities to protect the government's own enterprises, as was done by discouraging the construction of private roads (and the development of private motor transport services) where these competed with the state-owned railway.[26] Although the early colonial government was less apt to intervene in the economy than its post-War successors, land restrictions provided it with an instrument to redirect opportunities in the private sector when it was considered desirable to do so.[27]

Restrictions on Trade

Apart from a few extractive industries, foreigners were concentrated in and dominated the country's external trade. With colonial rule more or less established throughout Nigeria by the beginning of the 20th century, European firms accelerated their commercial penetration of the interior. Under imperial protection, they invested in trading stations up-country, at which agricultural products were bought and imported goods sold. These outlets enabled European traders to develop local markets for foreign manufactures and to by-pass large-scale African middlemen in the export trade, some of whom had controlled substantial produce supplies during the 19th century. Concurrent with their expansion away from coastal bases, the most important expatriate traders incorporated as

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26. Hopkins (1973), pp.196; Williams (1976), p.18.

27. The Land Use Decree, No.6 of 1978, vested powers to expropriate, allocate and confirm titles of land in State governors. In principle (but not always in practice), the Decree restored the system of land regulation to that operated in Lugard's day. See "After the Ball: A Special Survey on Nigeria", *Economist*, 3 May 1986, pp.35-6, for an assessment of the Decree's implications for economic development and political patronage by State governors.

limited liability companies.[28] During the inter-War period, foreign trading firms consolidated their control over the economy's external sector. As they did so, the significance of foreign trade for the Nigerian economy increased as well. Helleiner estimates that commodities exported in 1900, worth nearly £2m, represented just 2% of GDP. In 1929, by which time the value of exports had increased seven-fold and their volume five-fold, exports comprised 5-7% of Nigeria's GDP.[29]

The nature of the export trade promoted its concentration into a few European hands. Volatile swings in commodity prices bankrupted lesser firms in times of depression and left those that could survive prey to acquisition by larger competitors. Restrictive practices by the largest European firms, such as the formation of buying pools, abetted business concentration.[30] A few African traders attempted to circumvent the European firms by marketing cocoa directly to America, financed by banks they had established.[31] But these efforts failed. Indigenous traders could not compete with the dominant, vertically-integrated foreign firms, which enjoyed superior access to bank credit, shipping (which was itself governed by a cartel), marketing facilities, and the Colonial Administration.[32] At the outbreak of World War II, fewer than a dozen European firms handled virtually all produce exports from Nigeria. The largest, the United Africa Company, controlled about 57% of the total export trade and nearly 75% of palm oil exports.[33] In the 1930s, the only

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28. Hopkins (1973), p.199.

29. Helleiner (1966), pp.4-5.

30. Restrictive practices by produce exporters have been well documented by Bauer (1954), Part 3; Mars (1948a), pp.74-87; and Williams (1985), pp.6-10, and (1976), p.19. See also *Report of the Commission on the Marketing of West African Cocoa*, Cmd. 5845 (London: HMSO, 1938), p.241, for an official account of buying pools in cocoa and other products.

31. Hopkins (1973), p.256.

32. See Hopkins (1966); Williams (1976), p.23.

33. For a statistical review of concentration in the export trade before World War II, see Mars (1948a), pp.55-7. See Bauer (1954), pp.220-1, for a review of trade concentration after the war (1949-50).

noteworthy competition to the European oligopsony came from a Syrian exporter of groundnuts and a few African cocoa traders.[34]

Some Native Administrators made superficial attempts to promote competition amongst traders for native produce. Foreign firms, particularly Syrians, were sometimes denied licences to establish rural buying stations in order to preserve African traders access to local markets.[35] Although foreigners might have encountered some difficulties with Native Administrators at the local level, senior government officials, both in Lagos and London, usually co-operated with *European* merchants, not least because many regarded "petty trade", of the kind practised by African and other non-European traders, as exploitative. Lugard wrote:

> ...as he is a mere unproductive exploiter of the labour of the peasant, the middleman is without justification, and can only be an ephemeral incubus until the producer learns, with the assistance of Government, to do without him.[36]

As with land restrictions, when the authorities did intervene, supposedly on behalf of African producers, their actions often entrenched the commercial positions of established foreign interests, usually at the expense of African and other foreign competitors.

The most notable example was the colonial government's unsuccessful attempt to foster a cotton industry in Northern Nigeria. Apart from building a railway for this purpose,[37] the government granted exclusive purchasing rights between 1905 and 1924 to the British Cotton Growing Association (BCGA), a cartel of cotton *manufacturers.* The official justification for the BCGA concession was that it would protect native farmers from "exploitative middlemen".[38] The Cotton Regulations of 1935 restricted cotton buying to government-licensed dealers in

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34. See Hancock (1942), Chapter 2.
35. Scott (1946), p.267.
36. Lugard (1926), p.480.
37. Hogendorn (1970), pp.31-2.
38. Williams (1985), p.7.

designated "market areas", again to stamp out "abusive" (i.e. competitive) trading practices.[39] At the request of major exporting firms, the Produce Regulations of 1922, 1926 and 1928 were instituted, which required government inspection and grading of oil palm, groundnuts and cocoa.[40] According to the official rationale, produce inspection served the long-term interests of African producers because it safeguarded the Colony's standing in international markets against indiscriminate exportation of sub-standard produce by "native exporters who have no business reputation to lose".[41] The minimum standards established by the inspection system raised prices for African producers of premium quality crops, but it destroyed the market for those African (and non-European) traders who specialized in produce of lower grades.

As export production expanded, imports increased more or less in tandem. Rural trading stations, as well as economies of scale in transport and finance, linked import and export activities and, with few exceptions, the same foreign firms dominated both trades. However, gradually imports became the more important in generating profits. To boost sales of imported goods, the trading firms extended credit to African farmers and sometimes took a loss on their produce purchases.[42]. According to the War-time Food Controller,

> Before the war [produce] was practically a form of remittance. They [British firms] made a nominal profit on the produce and saved the cost of a money remittance. The profits of the firms were made on imports.[43]

As with exports, the largest European firms succeeded in organizing import cartels, which fixed import prices and divided up the market

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39. Williams (1985), pp.7-8; Leubuscher (1948), p.145.
40. Leubuscher (1948), p.144.
41. Lugard (1926), p.489. See also Leubuscher (1948), pp.144-5.
42. Mars (1948a), p.83.
43. Memorandum written by T.F. Burrows, quoted by Shenton (1986), p.56.

amongst participants according to past performance.[44] Almost invariably, these cartels excluded all but members of the London-based Association of West African Merchants (AWAM), which consisted of the dominant European commercial houses.[45] In 1934, AWAM members signed the Staple Lines Agreement, which covered imports such as corrugated iron sheets, cement, sugar, flour and salt. This was replaced in 1937 by the Merchandise Agreement, which affected almost the entire range of products imported to Nigeria, and which remained in effect (with some modification) until after the War.[46] These agreements limited "over-importation" which, in competitive conditions, would have led to price-cutting and lower profits.

Despite the formation of European import cartels, competition persisted. When imports were plentiful, numerous trading opportunities were available for African middlemen. Even when the cartels operated effectively, the higher import prices which resulted created openings for smaller, non-participating importers to make inroads in certain lines of goods.[47] A notable example was A.G. Leventis, who made spectacular advances in both the import and export trades in the Gold Coast after resigning his position at an AWAM member-firm in 1937.

Adhering to an "open-door" policy on trade, the Colonial Administration made few overt attempts to favour British, or even foreign, importers. Customs tariffs were imposed as an instrument of fiscal, rather than commercial, policy. Until the 1930s, when the need for additional revenue became acute because of the decline in the volume of imports, tariffs were kept low and were usually applied without intent to discriminate against exporting countries or specific importers.

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44. Mars (1948a), p.63.
45. Bauer (1954), p.67.
46. Bauer (1954), p.77.
47. Bauer (1954), p.78.

However, the policy of non-discrimination was clearly breached in 1934, with the introduction of the Importation of Textiles Ordinance. The legislation imposed strict quotas on Japanese textiles, in deference to the Lancashire textile industry.[48] This was followed by further discriminatory measures against imports from Japan. These policies were conceived solely with the interests of British exporters in mind. Their impact on consumers in colonial markets were not even mentioned in the pertinent House of Commons debates.[49] In a feeble attempt to answer local protests, the Acting Governor of Nigeria acknowledged that higher consumer prices would result but argued that the restrictions "will drive consumers as a whole to spend less on imports, to keep Nigerian money in Nigeria, and thus to increase the purchasing power of the country".[50]

It can be seen that the colonial government's support for "open competition" allowed foreign commercial combines to gain control Nigeria's external trade. Some scholars maintain that whilst colonial policies during this period were usually designed without discriminatory intent (concessions to the British Cotton Growing Association and the Lancashire textile industry aside), African, Levantine and Asian traders were disadvantaged by administrative practices. Hopkins argues that government officials preferred to deal with large and well-established firms for the sake of bureaucratic convenience.[51] Bauer contends that this affected government decisions with regard to such matters as immigration, the allocation of transport facilities and building plots, and taxation.[52] He also accuses many colonial administrators of harbouring distrust and dislike for Levantine businessmen.[53] Mars points out that the

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48. Hopkins (1973), p.176.
49. Leubuscher (1948), pp.159-60.
50. Leubuscher (1948), p.161.
51. Hopkins (1973), p.202.
52. Bauer (1954), pp.143-7.
53. Bauer (1954), pp.148-9.

largest firms had good connections at the Colonial Office and in Parliament, understood Nigerian business and economic conditions better than most of the Colony's administrative officers and both "believe[d] themselves to be part of the governing elite of the country" and were often treated as such.[54] This may be so, but with the few exceptions noted above, the European firms came to dominate Nigeria's external trade not as a result of state intervention but because of its *absence*.

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54. Mars (1948a), pp.123-5.

PART TWO: PLANNING "DEVELOPMENT": 1940-65

In 1940, the British government published a White Paper which explicitly renounced the dual mandate concept of trusteeship.[55] The government no longer demanded that colonies be self-financing, or that the state concern itself merely with maintaining the conditions under which international commerce could thrive. The Colonial Development and Welfare Act, promulgated that year, accepted that an imperial power should take an active part in promoting the economic and social welfare of its colonies. The Act allowed for the allocation of up to £5m per year to be spent on colonial development, though little more than 10% of that sum was spent by 1944.[56] The post-War Labour Government renewed the Act, extended it to 1956 and, in 1946, introduced Nigeria's first "Development Plan",[57] which was to be followed by many others. By assigning to the state a role to plan economic development, the government was in sympathy both with Fabian notions of trusteeship and aspects of Chamberlain's ill-fated "Doctrine of Development".[58] Ideas of "planning" and "development" provided justification for state interventions which suited the needs of both British and, later, Nigerian governments.

War-time Planning

The transition to "development" was accelerated by the government's need to fit the Nigerian economy into Britain's War-time economic plan. However, government intervention in the export trade was precipitated not by the exigencies of war but by the 1937 crash in cocoa prices and the ensuing "hold-up" in the Gold Coast. The Nowell Commission,

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55. *Statement of Policy on Colonial Development and Welfare*, Cmd. 6175 (London: HMSO, 1940).

56. Perham (1946), p.14.

57. *A ten-year plan of development and welfare for Nigeria, 1946.* Sessional Paper No.24 of 1945, as amended 7th February 1946 (Lagos: Government Printer, 1946).

58. Michael Cowen, "Development and Trusteeship", paper presented to Political Economy of Development Seminar, University of Oxford, 25 October 1988. See also Hopkins (1973), p.190.

appointed by the Colonial Office to investigate the crisis, recommended the withdrawal of AWAM's cocoa pool agreement. In its place, it proposed collective marketing arrangements, with the government to license buying agents who would pay producers an officially-determined price. The justifications offered were to shield cocoa farmers from middlemen whose "excessive" competition for produce was considered undesirable, and to guarantee producers a fixed price.[59]

No immediate action was taken on the report but, in November 1939, the Ministry of Food bought the entire West African cocoa crop at the prevailing world price.[60] In 1940, the Cocoa Control Board was established and put under the direction of the Colonial Office. The Board commissioned the merchant firms, in proportion to their pre-War market share, to buy and export cocoa on its behalf at a price it determined. The new arrangement, supposedly instituted to protect indigenous farmers and to ensure continuity of supplies for the Empire, implied statutory confirmation and official patronage of the private cocoa pool which had operated previously. Until 1942, the exportation of most other products was directed by the Controller of Customs, who held powers to accredit "reputable" firms to export produce in quantities of his choosing.[61] Thereafter, the system was consolidated under the command of the West African Produce Control Board, which extended the arrangements for cocoa to most other agricultural exports.

A 1944 White Paper on War-time cocoa controls upheld the principle that the government should shield indigenous farmers from competitive middlemen and short-term price fluctuations.[62] The White Paper recommended that all cocoa be bought at uniform prices and sold in

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59. See Williams (1985), pp.8-10; Hopkins (1973), p.266; Helleiner (1966), pp.153-4.
60. Scott (1946), p.269.
61. Customs (Prohibition of Export) Order, No.4 of 1939.
62. *Report on Cocoa Control in West Africa, 1939-43*, Cmd. 6554 (London: HMSO, 1944).

world markets by organizations responsible to colonial governments which would "act as trustees for producers". The profits accumulated from the 1939-43 trade could be used to finance purchases and fund cocoa research. Maintaining that "the experience of the war years has shown that Government can achieve a stabilization of seasonal prices to the West African producers," the authorities accepted these proposals as the basis for post-War policy.[63] Marketing boards were set up for cocoa in 1947, and for groundnuts, oil palm produce and cotton in 1949.[64]

Apart from protecting indigenous farmers, ensuring price stability and funding research, numerous other justifications were advanced to retain marketing boards after the War. Bauer noted (and contested) most of these in his critical study of the boards: maintaining the quality of agricultural exports and the colony's market share; easing congestion in the ports; increasing food production; controlling the rise of a "kulak" class; enhancing the government's macro-economic control; extending the national tax base; and promoting savings by peasants needed to finance economic development.[65] The last argument became particularly important after 1954, when marketing boards and their accumulated surpluses were regionalized, given new functions and deployed to promote economic development in Nigeria.

Extensive import controls were instituted during World War II to bolster Britain's balance of payments, to suppress the demand in West Africa for scarce imported goods, and to allocate available imports to what the government deemed priorities. Importers were licensed under regulations imposed in December 1939. Thereafter, importation to Nigeria was restricted to those registered by the Controller of Imports before 31

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63. *Statement on Future Marketing of West African Cocoa*, Cmd. 6950 (London: HMSO, 1946).

64. Nigerian Cocoa Marketing Ordinance, No.33 of 1947; Nigerian Groundnut Marketing Ordinance, No.11 of 1949; Nigerian Oil Palm Produce Marketing Ordinance, No.12 of 1949; Nigerian Cotton Marketing Ordinance, No.13 of 1949.

65. Bauer (1954), pp.327-39.

January 1940.[66] This was followed in 1941 by the licensing of all imported goods. These regulations prohibited the importation of any goods not accorded a "Specific" or "General" licence by the authorities.[67] Various other types of licences were introduced over the next three years, including "Quota Licences" in December 1943, which were allocated specially to ensure that importers would maintain their pre-War market share of the total import trade.[68] In addition to these formal controls in Nigeria, additional import restrictions were applied indirectly in the UK, through the allocation of shipping space and the licensing of British exports. Moreover, the Nigeria Supply Board was established in February 1942. This government body was empowered to import certain goods directly, and compulsorily, on behalf of private importers.[69]

Owing to continued pressures on sterling and shortages of goods, import restrictions remained in force after the War. As in Britain, the controls were tightened in certain lines of trade. Under the peace-time arrangements,[70] the Financial Secretary gained powers to operate import quotas and licensing, and to discriminate against non-Sterling Area countries when authorizing payments. In practice, he delegated his powers to four commercial banks which, along with the few expatriate firms that dominated the import trade, were essentially self-regulating.[71]

Government regulation of external trade entrenched the dominant position of established foreign trading interests in Nigeria. Contrasting with pre-War notions of a *laissez-faire* state, the preservation of the commercial status quo became a matter of public policy during World War II. The marketing boards insisted that prospective Licensed Buying Agents

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66. Defence (Control of Imports) Regulation Order, 29 December 1939.

67. Defence (Control of Imports) Order, No.2 of 1941.

68. See Mars (1948a), pp.108-9, for details.

69. Mars (1948a), pp.107-8.

70. Exchange Control Ordinance, No.35 of 1950, esp. section 34.

71. These were the British Bank of West Africa; Barclays Bank (D.C.O.); the British and French Bank; and the indigenous-owned National Bank of Nigeria.

(LBAs) possess prescribed levels of capital and trading experience, stipulations which excluded new and many small firms. Moreover, the London-based AWAM, comprised of the existing European cartel, was invited to divide the export market amongst its members and given a strong voice in the determination of producer and export prices.[72] John Cadbury, a principal in a cocoa buying firm (apart from his manufacturing interests), was even assigned an official role as a War-time administrator of the cocoa pool.

Even after the War, the dominant European firms influenced the administration of export restrictions. From 1947 onwards, African traders were deliberately included in the arrangements, both to mollify their complaints and to secure their acquiescence. Thereafter, a larger proportion of LBAs were allocated in their favour.[73] The marketing boards consulted indigenous produce-buyers' unions on the appointment of new LBAs, and some Africans, along with representatives of the major expatriate firms, were officially represented on appointment committees.[74] Predictably, both European and African traders with licences resisted the appointment of new LBAs because their own profits depended almost entirely on their share of a finite market. This explains why the Cocoa Marketing Advisory Committee, comprised of existing LBAs, put forward a motion in 1953 calling on the Cocoa Marketing Board to grant no licences to any agents other than British or African firms. The Board rejected the motion but agreed that only agents who could fulfil the Board's conditions would be licensed.[75] Bauer maintains that Levantine and Asian

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72. Bauer (1954), p.199.

73. Baldwin (1954), p.21.

74. Bauer (1954), pp.218-9.

75. Minutes of the 24th Meeting of the Nigerian Cocoa Marketing Board (29 April 1953), as noted by Gavin Williams (photocopy).

merchants were foremost amongst those traders who failed to satisfy the marketing boards' conditions.[76]

Farmers, on whose behalf the regulations were primarily justified, probably suffered most from state intervention in the export trade. With fixed prices and competition amongst buyers diminished, farmers could no longer bargain with traders for higher prices. Moreover, both Bauer and Helleiner demonstrate that the colonial government's attempts to stabilize prices did not achieve income stability for indigenous farmers because the *volume* of produce exports continued to fluctuate.[77] The boards fixed producer prices below the world price in times of prosperity, ostensibly to create reserves for slack periods. But when commodity prices waned from the mid-1950s, the boards continued to accumulate surpluses, albeit on a reduced scale. Hopkins estimates that the nationalization of producer surpluses cost Nigerian farmers on average 27% of their gross incomes between 1947 and 1961.[78] Because these surpluses were lodged in London, the government had, in effect, taxed Nigerian farmers to help finance post-War reconstruction in Britain.

As in the export trade, War-time import arrangements gave official sanction and support to the pre-War import cartel comprising the dominant European commercial firms. In order to make its allocations of licences, the government called upon the large, established traders to furnish estimates of their annual import requirements. Licences were often granted collectively to associations of importers, such as AWAM, which were permitted to allocate these amongst their members in accordance with past performance. Price controls were imposed by the government to curtail inflation, and prices were fixed to yield profit

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76. Bauer (1954), p.219.
77. Bauer (1954), pp.271-5; Helleiner (1966), pp.193-6, 199-200.
78. Hopkins (1973), p.286.

margins determined in consultation with the foreign trading firms.[79] Mandatory licensing of importers after 1940 excluded Africans who had long traded without licences and the many who imported by parcel post. Because import licences were allocated according to past market shares, the growth of Levantine and Asian firms, some of which were only beginning to challenge the existing European cartel, was curtailed.[80]

The Administration did make some concessions to *African* importers who were shut out by the government's reliance on AWAM members. In 1943, the Director of Supplies was mandated to favour Africans when allocating licences, and local businessmen were to be given special consideration when redistributing the trade of "extinct" firms (i.e. those from enemy countries). In practice, members of AWAM continued to secure most of the licences because Africans were said to be incapable of importing goods in the requisite quantities.[81] The "Small Merchants' Licence" was introduced in 1944, but only 100 of these were allocated that year, worth in total just £55,000.[82]

The continuation of import controls after the War aggravated discontent, not just amongst indigenous traders but amongst African consumers as well. Members of the Merchandise Agreement Group still held 58% of the import trade in 1949, with the UAC taking up more than half of that. Excluding imports of capital goods, the Group's share was about 66%.[83] These statistics obscure even greater foreign control in certain commodities and local markets. With imports in short supply and prices high, Nigerian traders and consumers blamed both the dominant

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79. Mars (1948a), p.111.
80. Mars (1948a), p.108.
81. Mars (1948a), p.110.
82. Mars (1948a), p.110.
83. Bauer (1954), pp.69-72, including Table 8.

European firms, which profited handsomely from the post-War licensing regime, and the Administration, which operated the controls.[84]

Although the authorities renewed attempts to channel a larger share of the import trade to indigenous businessmen, Levantine and Asian traders did not fare so well. This was highlighted by the controversy surrounding the 1947 report of the Martindale Commission. The Commission confirmed allegations raised by AWAM members regarding improper dealings by A.G Leventis who, as mentioned above, emerged as a significant competitor during the War. The charges were refuted. After months of agitation, a new commission was set up which reversed Martindale's findings and accused the Colonial Administration of giving unfair advantage to AWAM members, at the expense of foreign traders outside the cartel such as Leventis.[85]

The operation of immigration regulations during the post-War period reinforced the effect of trade restrictions on the pattern of commercial competition. Under the 1945 Immigration Ordinance, the authorities could bar immigrants from settling in Nigeria if their businesses were likely to impede the local population's economic progress.[86] An informal system of quotas guided the authorities in making this determination. Small-scale retail trading, road transport and, later, semi-wholesale businesses were deemed unsuitable for further alien participation. Because permits to employ expatriates were based on past levels of employment, additional foreigners were discouraged from entering the market, and the growth of emerging Levantine and Asian-owned firms was restrained. This is why the largest foreign commercial houses, already engaging a full complement of expatriates, actively supported the government's efforts to use

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84. Bauer (1954), pp.154-5. Foreign commercial stores were the main target of riots following the 1949 Enugu coal strike and the shooting of strikers. See Sklar (1963), p.77.

85. Bauer (1954), pp.81-3.

86. Immigration Ordinance, No.30 of 1945. See also Immigration (Amendment) Ordinance, No.5 of 1948.

immigration controls to protect Nigerian traders against (other) foreign competitors.[87] However, according to Bauer, administrative procedures deterred prospective immigrants more than the controls themselves.[88]

Government trade restrictions not only strengthened the market positions of entrenched commercial interests but enhanced the state's economic control. The government used this power to manage the colonial economy to suit British needs. Export restrictions prevented American firms from gaining access to Nigerian produce, thus earning dollars for Britain, which sold to the Americans through London commodity markets. Import controls conserved Britain's dollar reserves by restricting imports to Nigeria from outside the Sterling Area. Moreover, by licensing imports and produce exports, the government both increased its capacity to allocate goods *within* the Nigerian economy and gained powerful macro-economic instruments of fiscal and monetary control. The marketing boards' pricing authority provided the government with direct means to tax African farmers, bringing a larger proportion of national savings under the state's command.

Apart from increasing the government's ability to manage the economy, trade regulations elevated the state's position *vis-à-vis* private firms. In export marketing, the government appropriated the most important economic function (and the attendant risk) formerly undertaken by the merchant houses, that of an underwriter in the trade. The government's authority to influence the fortunes of individual firms was made explicit in the establishment of the produce marketing boards. For example, amongst the cocoa marketing board's other responsibilities, it was directed to

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87. Bauer (1954), pp.159-61.
88. Bauer (1954), p.158.

> control and regulate the activities and remuneration, by licence or otherwise, of all persons or classes of persons connected with the sale, purchase or other disposition of cocoa and if necessary prohibit any person or class of persons from dealing in cocoa.[89]

By licensing buying agents, the government afforded comfortable profit margins to some traders. Those not so favoured had to concede a proportion of their own profits to the LBAs, to whom they had no choice but to sell. Moreover, traders who might have been willing to accept slimmer margins in order to capture market share lost this opportunity to compete. Similarly, import licensing increased the profits of those traders awarded licences but restricted trade (and raised prices) for everyone else. Thus, government interventions in external trade both created profitable business concessions and situated the authorities to allocate them.

Planning Indigenous Development

Having been squeezed out by foreign combines between the World Wars, most Nigerian businessmen were disabused of notions once held that collaboration with foreigners would expand business for themselves. They responded in the 1930s and '40s by agitating for greater opportunities within the now-established context of foreign economic control. However, the colonial authorities seemed indifferent to their plight, particularly after sanctioning the commercial cartels during the Second World War. Indigenous businessmen found allies amongst Nigeria's emerging intelligentsia who were anxious to secure their own economic niche. Educated Nigerians were not satisfied with humble positions as clerks and agents for foreign firms and as petty functionaries in the Colonial Administration. Their frustration fuelled nationalist sentiments.[90] Local

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89. Nigeria Cocoa Marketing Ordinance, No.33 of 1947, section 17(e).

90. See Zachernuk (1988); Thomas Hodgkin, "The African Middle Class" (1956), excerpted in Allen and Williams (1982), pp.165-6; and Abdulraheem and Olukoshi (1986), pp.64-8.

discontent deepened during and after the War, as the government organized the Nigerian economy to meet Britain's needs.[91]

Following the Labour Government's 1947 switch to a policy of decolonization, mass elections were introduced, party politics emerged, and Nigerians acquired high political and administrative offices. Successive constitutions in Nigeria devolved power to the Regions, which acquired separate executives, legislatures, judiciaries and civil services. The fiscal relations between the Regional and Federal governments were guided by the principle of "derivation", by which national revenues were allocated to the Regions in proportion to the imputed contributions of each. The devolution of state power, coupled with the escalation of political activity, led to the formation of alliances between local politicians and businessmen. State authority, wielded in the name of "development", was used to promote the interests of both groups.

Trade

Nigeria's export earnings surged during the late 1940s and early 1950s, owing to improving terms of trade and expanding agricultural production. Flush with external reserves, import controls were relaxed, and the country experienced a consumption boom. Imports increased more than eight-fold between 1946 and 1958.[92] Rising private incomes boosted consumer expenditure almost 50% in the 1950s. Government consumption, fuelled by expanded revenues and later sustained by depleting foreign reserves, rose even faster, from 3.5% of GDP in 1950 to 14% in 1960.[93]

A larger, more diverse market attracted new business competition. The established expatriate firms, saddled with the cost of maintaining networks of rural buying/retailing outlets, were squeezed on two fronts.

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91. See Coleman (1963), pp.230-67.

92. Kilby (1969), p.61.

93. *National Development Plan, 1962-68*, (Lagos: Federal Ministry of Economic Development, n.d.[1962?]), pp.15-6.

Operating on lower profit margins, indigenous, Levantine and Asian traders undercut their prices in general retailing, whilst foreign manufacturers and importers of consumer durables and capital goods threatened their dominance at the high end of the market. The commercial houses could no longer control all lines of the expanded trade. Selectivity replaced comprehensiveness as a strategy for exerting market power. The firms abandoned their "bush stations", withdrew from general merchandising, and concentrated instead on wholesaling and higher-value trades: consumer durables; large-scale retailing in more prosperous urban markets; importing and servicing capital equipment. The UAC, sensitive to official sympathies, termed its new commercial policy "Development in Depth".[94]

Economic growth, combined with changing patterns of competition, reduced business concentration. The share of the import trade held by the three largest foreign firms declined from 49% in 1949 to 16% in 1963.[95] Meanwhile, indigenous traders expanded their share of the import trade from 5% in 1949 to 20% in 1963, though their participation was mainly confined to less profitable lines.[96] The main beneficiaries of Nigeria's growth as a market for imports were other expatriates. By the late 1950s, A.G. Leventis (Greek Cypriot) and K. Chellaram (Indian) ranked amongst Nigeria's five largest importers.[97] Nigerians made gains in the local distribution of imported commodities, but foreigners still held most of the lucrative distributorships of imported manufactured goods (and tariff-protected, domestic manufactures -- see below), and they owned the majority of the supermarkets and department stores.

In 1956, the four Nigerian governments issued a statement which warned that opportunities would be limited in the commercial sector,

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94. United Africa Company (1963), p.14.
95. Hopkins (1973), p.277.
96. Bauer (1954), p.70; Hopkins (1973), p.272.
97. Kilby (1969), p.61.

"which is reasonably well served by existing African and non-African enterprise".[98] Two years before Independence, Dr Kingsley Mbadiwe, then Federal Minister for Commerce, appointed a committee to consider the appropriate role of foreign enterprise in the economy and methods by which African traders could be assisted. The report is worth quoting at length; its views on the justifiability of state intervention on behalf of the "indigenous population" mirror those which supported many "indigenization" regulations to follow:

> true progress of any country requires not only active but also dominant participation by the indigenous population in its economic development. It follows that ... it is legitimate for the government to encourage and protect domestic effort in economic development. Any economic set-up in which the share of the indigenous inhabitants is no more than supplying a labour force or distributing consumer goods imported by expatriate firms, is the antithesis of progress.[99]
>
> ... Unfortunately, some people are still wedded to laissez-faire economics in which they appear to find a panacea for all economic ailments. ... They seem blind to the abnormalities of the situation and appear to forget that drastic diseases call for drastic cures.[100]

In practical terms, the report departed little from established colonial policy. Its attack was directed at Levantine and Asian businessmen, whose exclusion from retail trading (but not importation) was recommended, and it merely called for measures to discourage European firms from entering those trades in which Nigerians were considered competent.[101] No further action was taken on these recommendations until 1961, when Alhaji Waziri Ibrahim, the Federal Minister for Economic Development, stated in Parliament that the government *required* expatriate middlemen to withdraw from road transportation and all

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98. National Economic Council, *Opportunities for Foreign Investors in Nigeria*, (Lagos: Federal Government Printer, 1956), p.1.

99. *Report of the Advisory Committee on Aids to African Businessmen* (hereafter, *Aids to African Businessmen*), (Lagos: Federal Ministry of Commerce and Industry, Federal Government Printer, 1959), p.49.

100. *Aids to African Businessmen*, p.3.

101. *Aids to African Businessmen*, p.50.

distributive trades except supermarkets and technical goods.[102] However, he did not make clear what steps, if any, the government would take to implement its policy. In 1965, amidst rising criticism of the government's "lukewarm attitude" towards the indigenization of the distributive sector, Mbadiwe, then as Federal Minister for Trade, appointed yet another committee (on the "Nigerianisation of Business Enterprises"), whose report was neither published nor implemented.[103]

By contrast with the import trade, state regulation of export marketing was both direct and effective in creating opportunities for Nigerian businessmen. In accordance with the 1954 constitution and the "derivation" principle, the national marketing boards, along with their accumulated surpluses, were divided and transferred to the control of the Regional governments. Thereafter, the boards cut back sharply on purchases of agricultural produce by foreigners. For example, in the 1954/5 season, expatriate LBAs purchased 80.6% of the cocoa crop for the Western Nigeria Cocoa Marketing Board. Nigerian LBAs bought 6.5%. Ten years later, by which time the largest foreign commercial firms had withdrawn from the trade, expatriates bought only 19.9% of the cocoa crop, and indigenous traders now held a 61.7% share. (In both seasons, the remainder was bought by farmers' co-operatives.)[104] At the outbreak of the Civil War, 283 Africans were licensed to buy cocoa in Western Nigeria, versus only nine expatriates, eight of whom were Levantine traders.[105] An important reason why the boards indigenized the produce-

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102. *Ministerial Statement on Nigeria's Economic Planning Policy and its Relationship with Distributive Trades and Road Transportation*, (Lagos: Federal Ministry of Economic Development, 1961).

103. "Report of the National Committee on the Nigerianisation of Business Enterprises", (unpublished, 1965), referred to in Ogunsheye (1972).

104. Beer (1976), Table 7, p.132.

105. Williams (1985), pp.11-2 and Table 1.

buying trade with such vigour was that lucrative LBAs were means by which Nigerian politicians patronized influential supporters.[106]

The marketing boards served other political purposes as well. In 1954, the Regional boards inherited £87m in surpluses which had been accumulated by the national marketing boards.[107] Over the next seven years, they amassed another £21.8m from those producers who continued to grow crops for export.[108] Little of this money was ploughed back into agriculture, as was mandated by the boards' statutes. Some was applied to implement party manifestos, such as the Action Group's universal primary education scheme in the Western Region. Some was used to build roads, in areas sympathetic to the ruling party of the Region, and to furnish urban amenities for vocal constituencies. Much was channelled to Regional Development Boards and banks, which not only financed industrial projects, many of dubious value, but also subsidized political activities and the business interests of prominent party members.[109] By 1960, the marketing boards abandoned any attempt to stabilize producers' incomes. The economic wisdom at the time, including that advanced by the World Bank, encouraged the deliberate use of marketing boards to tax farmers for the sake of industrial development.[110]

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106. See Sklar (1963) pp.449-453; Beer (1976), pp.15-7; Williams (1985), p.11.

107. Marketing Boards (Transfer of Funds and Assets) Ordinance, No.28 of 1954.

108. See Helleiner (1966), pp.160-4.

109. See Sklar (1963), pp.158-85, 449-53. See also *Report of the Tribunal appointed to inquire into allegations reflecting on the Official Conduct of the Premier of, and certain persons holding Ministerial and other Public Offices in, the Eastern Region of Nigeria*, Cmd. 51 (London: H.M.S.O., 1957); and *Report of the Coker Commission of Inquiry into the affairs of certain Statutory Corporations in Western Nigeria*, (Lagos: Federal Ministry of Information, Printing Division, 1962), for a review of the allegedly corrupt and ill-conceived ways in which board funds were spent by the Eastern and Western governments.

110. See I.B.R.D. (1955), pp.88, 164-72. See also Helleiner (1966), Chapter 6, for a description of the fiscal role of the boards and pp.178-84 for his critique.

Industry

Indigenization in the industrial sphere was initially equated with local production. Industrialization was put forth in the 1950s as an antidote to Nigeria's external economic dependence.[111] Because local manufacturing *per se* was a means of indigenization, the Nigerian governments actively promoted industrialization without much attention to the type of industry established or its source of ownership.

During the 1950s and 60s, the Federal government offered various fiscal inducements to stimulate industrial investment, such as tax holidays, accelerated depreciation allowances and customs duty rebates.[112] In a departure from its previous emphasis on revenue generation, the tariff system was restructured in 1958 to enhance protection for fledgling domestic industries.[113] The Federal and Regional governments extended financing to industrial investors through public sector credit institutions, development finance companies, and loan guaranties.[114] In many cases, the governments sought to attract foreign investment in industry by taking an equity stake for themselves.[115] The Regional governments "borrowed" reserves held by their agricultural marketing boards for this purpose.[116] According to a 1964 Federal policy statement, direct investment by the Federal government was intended to "prime the pump" and to give foreign investors "an insurance" of government support.[117]

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111. See Zachernuk (1988), p.19, n.74, for examples.

112. For examples see: Aid to Pioneer Industries Ordinance, No.10 of 1952, extended by Industrial Development (Income Tax Relief) Ordinance, No.8 of 1958; Industrial Development (Import Duties Relief) Ordinance, No.27 of 1957, followed by Customs (Drawback) Regulations, Legal Notice No.70 of 1959; and the Approved User Scheme of 1964 (see Phillips (1967), pp.323-4, for details).

113. Customs Duties (Dumped and Subsidized Goods) Ordinance, No.9 of 1958.

114. Industrial Loans (Lagos and Federation) Ordinance, No.17 of 1956; Statutory Corporations (Guarantee of Loans) Ordinance, No.19 of 1959; Borrowing by Public Bodies Act, No.35 of 1965.

115. See Ekundare (1973), pp.300-8, for descriptions of joint-ventures established on this basis between 1949 and 1959.

116. See Helleiner (1970), pp.131-6; and Nixon (1970), pp.157-62.

117. *Statement on Industrial Policy*, Sessional Paper No.6 of 1964, (Lagos: Federal Ministry of Information, 1964), p.5.

Foreign development institutions, such as Britain's Commonwealth Development Corporation and the World Bank's International Finance Corporation, encouraged state participation in industry by providing Federal and Regional investment companies with administrative support and supplementary sources of capital.[118]

Manufacturing output expanded at an average rate of 17% per annum from 1958 to 1963, tapering off only slightly to 15.7% by 1967.[119] Taking advantage of government fiscal concessions and capital, foreign manufacturers invested in Nigerian industry both to protect and enhance their shares of the local market.[120] For example, Michelin and Dunlop established local tyre factories in the early 1960s to maintain their 80% share of what had been exclusively an export business.[121] In both cases, Regional governments took a major equity stake. As former suppliers became competitors, the established commercial houses invested in domestic manufacturing, usually in conjunction with their foreign suppliers and with state financial assistance, to produce locally the goods they had once imported. The UAC's first investment of this kind was a joint-venture with Heineken Breweries, formed in 1949. In 1958 it established plants to assemble lorries and bicycles, followed in 1959 by another joint venture with a foreign supplier to manufacture building supplies.[122] In 1964, the stock of foreign capital in industry exceeded that invested in commerce for the first time.[123]

The scale of foreign manufacturing investment, and the extent to which the commercial firms redeployed their assets into industry, must

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118. Proehl (1965), pp.22-3, 31-2; Helleiner (1966), pp.267-9.

119. *Second National Development Plan 1970-74*, (Lagos: Federal Ministry of Information, 1970), p.137.

120. See Kilby (1969), Chapter 3, for a discussion of his "competitive threshold" theory of foreign industrial investment.

121. Kilby (1969), p.74.

122. Kilby (1969), pp.68-74.

123. Kilby (1969), p.21.

not be over-stated, however. Manufacturing output increased five-fold during the 1950s but from an extremely small base. At 0.45% of Nigerian GDP in 1950, manufacturing contributed the lowest proportion of domestic output of any country which kept national income statistics that year.[124] Furthermore, manufacturing firms in Nigeria were so reliant on imports that it was frequently difficult to distinguish them from importers. Contrasting with agricultural and timber processing industries operating before the War, these new import-substituting industries consumed rather than generated external earnings.

It should also be noted that the established commercial firms, despite their forays into manufacturing, remained essentially mercantile in character. The UAC invested extensively in industry, but its investments in commerce still represented an absolute majority of the company's total capital expenditures during the five-year period from 1956 to 1961.

Table 2.1:
Sectoral Composition of Capital Expenditure by the UAC, 1936-61

Period	Total (£'000s)	Commerce (% of Total)	Industry (% of Total)	Transport (% of Total)	Agriculture (% of Total)
1936-41	951	39.4%	27.2%	33.3%	.0%
1941-46	820	35.9%	60.0%	4.2%	.0%
1946-51	6,429	42.2%	34.1%	23.7%	.0%
1951-56	8,309	47.3%	30.8%	21.9%	.0%
1956-61	12,511	50.8%	28.6%	9.8%	10.7%

Source: Calculated from data in UAC, *Statistical and Economic Review* (various years).

Moreover, as Table 2.1 indicates, the trend during the period after World War II was *towards* commerce and *away from* industry.

Government industrial policies were attracting considerable criticism by the early 1960s. Doubts about the effectiveness of financial inducements to attract foreign investors,[125] concern about the absence of

124. Liedholm (1970), p.54.

125. See surveys of foreign investors conducted by May (1965), whose conclusions seem to contradict the evidence from his survey; Hakam (1966); and Phillips (1967; 1968a; 1968b; 1969).

private Nigerian participation in industry (see below), and scepticism about the value of some industrial ventures, prompted the Federal authorities to reconsider the way in which costly fiscal incentives had been disbursed. The 1964 Progress Report on the *National Development Plan* faulted the indiscriminate extension of government loan guarantees which it said had been exploited by "foreign peddlers" of "antiquated machinery" in criminal collusion with Nigerians.[126] Observing in his 1964 Budget Speech that "laissez-faire is no more", Chief Okotie-Eboh, the Federal Finance Minister, announced the following year that "in future rather more selective incentives than hitherto will be offered".[127] If the government was willing to offer financial inducements to foster industrialization in the first instance, it was not a great leap to tailor them in accordance with more specific industrial goals. From the mid-1960s onwards, the government adopted an explicit policy of using industrial incentives to channel foreign capital towards new industries, disperse their geographical concentration, foster linkages amongst domestic manufacturers and, wherever possible, favour indigenous investors.[128]

Finance

Until 1911, the Bank of British West Africa (BBWA) was the sole bank of issue in Nigeria. The West African Currency Board (WACB), founded the next year, assumed formal control over the Colony's monetary affairs, which in practice entailed harmonizing policies with those prevailing in Britain.[129] Both the WACB and the Nigerian government continued to rely extensively on the BBWA and Barclays

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126. *National Development Plan, First Progress Report 1964*, (Lagos: Federal Ministry of Economic Development, n.d.[1965?], pp.20-1.

127. *The National Budget* [1964-5], (Lagos: Federal Ministry of Information, 1964); *The Rededication Budget* [1965-6], (Lagos: Federal Ministry of Information, 1965).

128. Asiodu (then Permanent Secretary, Federal Ministry of Industries) (1967), pp.163-7.

129. Hopkins (1973), pp.207-8.

(D.C.O.) to run the Colony's financial system.[130] The arrangement remained virtually intact until 1958, when the Central Bank of Nigeria (CBN) was established. However, the "Big Three" (as the foreign banks were known following the entry of the British and French Bank in 1949), dominated Nigeria's banking sector long afterwards. In 1975, they accounted for 65% of all commercial bank loans, 69% of deposits, 80% of the banking system's reserves and most of its profits.[131]

Expatriate domination of private finance in Nigeria was a source of concern for indigenous businessmen and government officials alike because of the banking sector's impact on other aspects of the economy. Foreign banks, controlling most of Nigeria's private credit facilities, were widely faulted for having refused to lend to Nigerian businesses preferring to finance the trade of foreign firms.[132] Alhaji Waziri Ibrahim, Minister for Economic Development during the First Republic, claimed that if only foreign banks would extend Nigerians credit "nothing will stop [indigenous firms] from growing in the same way as foreign firms have grown".[133] However, not until after the Civil War did government attempts to address the problem have much effect.

Some Nigerian businessmen established their own banks which would be more responsive to their needs. But only one of these banks, founded in 1933, achieved any success.[134] The special hardships suffered by indigenous businessmen were an important justification for establishing a host of government-owned banks and lending boards during the 1950s and

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130. Bauer (1954), pp.180-1.

131. "Report of the Committee on the Nigerian Financial System" (hereafter, "Okigbo Committee Report"), (unpublished, submitted 23 December 1976), pp.32-3.

132. See poll of indigenous businessmen by Akeredolu-Ale (1975), pp.76-81; Alhaji Garba Hamza, National President, Organisation of Nigerian Indigenous Businessmen, quoted in *Daily Times*, 13 March 1971; *Daily Times*, editorial, 9 September 1971; and "Okigbo Committee Report", pp.32-3.

133. W. Ibrahim, quoted in *West Africa*, 11 April 1964.

134. The National Bank of Nigeria was nationalized in 1961. It is now owned by the O'dua Investment Co., an investment-holding company of the Ogun, Ondo and Oyo State governments.

1960s. The Regional lending boards "borrowed" marketing board funds for this purpose. However, the Federal government operated its financial institutions as industrial investment banks and granted most of their credits to foreign investors.[135] As for the Regional lending boards, "They were used to sustain the party in power and to reward party supporters. Original intentions of promoting economic development were soon relegated to the background."[136]

The foreign orientation of the country's largest banks gradually gave rise to Federal efforts to assert some regulatory control over them. The Central Bank of Nigeria was established in 1958 to regulate Nigeria's financial system.[137] However, during its early years of operation, the CBN merely enforced British banking regulations, and several of its key officers were expatriates.[138] In 1964, the CBN initiated informal credit guide-lines, which included special provisions for indigenous businessmen.[139] But the guide-lines did little more than express the government's wishes (and deflect local criticism). At this stage, it does not appear that they had any effect on the credit policies of foreign banks.

Federal government policies to indigenize the financial system prior to the Civil War were mainly concerned with the domestication of capital. The Income Tax Management Act of 1961 attempted to induce private institutions to repatriate their foreign holdings by offering tax exemptions.[140] In 1962, the Federal government ordered all public sector institutions to repatriate assets lodged abroad and to invest them in

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135. See "Report of the Industrial Enterprises Panel" (hereafter, "IEP Report"), Volumes 1-3, (Unpublished, submitted 25 March 1976), paragraphs 7.18-20; and "Okigbo Committee Report", Chapter 3.

136. Schatz (1977), p.230. See also Schatz (1970), pp.51-89; and *Second National Development Plan 1970-74*, p.141.

137. Central Bank of Nigeria Ordinance, No.24 of 1958.

138. See CBN, *Annual Report and Statement of Accounts* (various years).

139. *The Modernisation Budget, 1963-4*, Budget Speech by F.S. Okotie-Eboh, Federal Minister of Finance, (Lagos: Federal Ministry of Information, 1963).

140. Income Tax Management Act, No.21 of 1961.

Nigerian securities. The same year, the government extended this initiative to public sector pension funds and allowed them to invest a portion of their assets in "blue chip" equities listed on the Lagos Stock Exchange (LSE).[141] A 1964 Act directed insurers to invest progressively higher proportions of premiums paid by Nigerian policy-holders in local securities. The Act also created incentives to attract non-Nigerian premium income into the country.[142]

A prime motive behind measures to indigenize savings was the Federal government's aim to raise public finance from domestic sources. Shortly after the Central Bank was established, legislation was passed to empower the CBN to issue securities denominated in local currency which could then be sold to indigenous subscribers.[143] The government's participation in the founding of the LSE in 1960 was allied to this effort, since the Exchange was seen as the medium through which government stocks could be issued and traded (see Chapter Five). Due to the paucity of liquid financial instruments in Nigeria, investors had little choice but to buy government securities with their repatriated funds.

Foreign exchange controls, enacted in 1962 but not imposed until the 1966 political crisis, rendered all existing legislation to indigenize savings obsolete. Imposed to counteract balance of payments pressures, the controls made it illegal for any Nigerian citizen or institution to hold foreign assets without official approval. The government also gained powers to restrict remittances of capital and profits by foreign firms, of wages by expatriates, of interest by foreign and domestic borrowers, and of external payments for imported goods and services.[144]

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141. Trustee Investment Act, No.13 of 1962.

142. Insurance (Miscellaneous Provisions) Act, No.19 of 1964.

143. See the Treasury Bills Ordinance, No.11 of 1959, and Government Promissory Notes Ordinance, No.6 of 1960. See also Treasury Bills Acts [Decrees] of 1961 (No.5), 1962 (No.8), 1967 (No.21), 1968 (No.31), 1969 (No.32) and 1970 (No.15), which raised the proportion of public revenues for which government securities could be issued.

144. Exchange Control Act, No.16 of 1962.

Personnel

Immigration restrictions were the primary device by which the government promoted "Nigerianization", the indigenization of senior management posts. The colonial authorities regarded immigration restrictions mainly as a device to regulate patterns of business participation rather than to encourage Nigerian involvement in existing, foreign-owned firms.[145] Once Nigerians administered the controls, slightly more emphasis was placed on indigenous participation within firms. Though still mainly orientated towards restricting new entrants into distributive trades, the immigration policy adopted in 1956 established formal expatriate quotas which were to be applied to firms in order to keep out all but "necessary" foreign personnel.[146] Nonetheless, Nigerianization in the private sector lagged behind that in the public sector. During the 1950s, the Colonial Administration underwent vigourous Nigerianization, especially in the Regional governments, both to cut costs and appease a growing and educated Nigerian élite.[147] In the private sector, however, it was said that expatriates were needed more urgently than ever to meet the government's industrialization plans.[148]

Even under full indigenous control, the Federal government maintained a conservative approach towards Nigerianization in the private sector. This was evident from the Prime Minister's first speech to Parliament, in which his call for Nigerianization was both patient and equivocal: "We thank them [expatriates] for what they are doing and we

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145. *Statement of the Immigration Policy of the Government of the Federation of Nigeria*, (Lagos, Government Printer, 1952).

146. *Statement of the Immigration Policy of the Government of the Federation of Nigeria*, (Lagos, Government Printer, 1956).

147. See Sir Sidney Phillipson and S.O. Adebo, *Nigerianization of the Civil Service*, Sessional Paper No.4 of 1954, (Lagos: Government Printer, 1954); and *Statement of policy on the Nigerianization of the federal public service and the higher training of Nigerians, 1956-60*, Sessional Paper No.4 of 1956, (Lagos: Government Printer, 1956).

148. *National Development Plan, 1962-68*, p.15.

ask them to continue to do more and if possible to increase the training facilities already provided both in technical and in managerial skills."[149] With Independence looming, such conservatism was no doubt inspired by a presumed need to reassure "European" investors on whom the economy was still very much dependent. It also reflected the ideological leanings of the ruling NPC party and the concerns of its Northern leadership that better-educated Southerners would grab the choice positions in commerce and industry if expatriates left.

As before, immigration controls were applied mainly to curtail the participation of foreign businesses rather than their expatriate managers, and non-Europeans bore the brunt of the restrictions. The latter were "called in to fill a gap and they have served their usefulness", but now that Africans have gained in efficiency, the 1959 *Report of the Advisory Committee on Aids to African Businessmen* concluded, "it is not only expedient ... [but also] just and equitable" to reserve retailing, aspects of the wholesale trade, textiles and road transport exclusively for Nigerians.[150] The report added that if existing immigration controls could not achieve this aim then further legislation was needed.

The report distinguished "Syrians and Lebanese", whom it accused of property speculation, usury and tax evasion, from the "European expatriate". Whilst the former added "nothing new" to the economy, the latter was said to have "not only capital, but also managerial and technical skill" to contribute. Thus, "it is really to him that Nigeria must look for partnerships which can truly be of mutual benefit".[151] With regard to Nigerianization, the report stopped short of proposing government intervention. However, it criticized unequal pay scales applied to expatriate and indigenous personnel, cautioned that "a vigilant

149. Balewa (1964), p.5.
150. *Aids to African Businessmen*, p.51.
151. *Aids to African Businessmen*, p.51.

eye" should monitor the personnel policies of foreign firms, and encouraged the government "by persuasion, advice and supply of junior managers from technical schools" to further the progress of Nigerians into managerial ranks.[152]

The 1963 Immigration Act marked the growing determination of the government to regulate the participation of aliens in the economy.[153] The Act, which led to the formation of a fully-fledged Immigration Department, required foreigners to obtain prior ministerial approval before practising a profession, establishing, or taking over any trade or business in Nigeria. After securing a "business permit", foreign firms were assigned an expatriate quota, the breach of which could lead to the revocation of the permit. Furthermore, every expatriate businessman and employee required a visa or permit before taking up residence. Companies wishing to employ additional expatriates were obliged to apply for a supplementary quota. Although the Federal Minister for Internal Affairs assured the foreign (European) business community that the Act was not intended to jeopardize their interests, he warned that expatriates would only be allowed "in those categories of employment which cannot be filled adequately by Nigerian citizens, and only in respect of those enterprises not adequately served by Nigerians".[154]

Ownership

Restrictions on foreign ownership of assets in Nigeria were not new. However, early controls were applied mainly to delimit fields in which foreigners could not compete with Nigerians (as in agriculture) and with the government (as in railways and coal mining). After World War II, Nigerian governments began to focus attention on the ownership structure

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152. *Aids to African Businessmen*, p.37.
153. Immigration Act, No.6 of 1963.
154. S. Shagari, quoted in *West Africa*, 13 April 1963.

of individual firms. Their attempts to promote Nigerian ownership in foreign-owned enterprises will be referred to here as "equity indigenization".

In 1956, all four Nigerian governments expressed their support for enterprises animated by the "spirit of partnership" between overseas and local capital. However, their joint statement disavowed any intention to require indigenous financial participation.[155] The 1959 *Report of the Advisory Committee on Aids to African Businessmen* echoed earlier calls for partnerships between expatriate and local investors, but it went a little further, urging the government to "persuade" foreigners to make partnerships "more genuine" by allowing Nigerians to acquire shares.[156]

The *National Development Plan, 1962-68* articulated the Federal government's ambition to reduce the economy's dependence on foreign capital. Moreover, for the first time, indigenous *control* of the economy was declared a Federal policy objective.[157] In the opinion of the plan's authors, this could best be realized through private Nigerian ownership of businesses.[158] The plan also called for an "equitable distribution", a reference not only to the income of individuals but also to the ownership of enterprises -- between Nigerians and foreigners and amongst the three Regions.[159] Investment from abroad was still considered necessary for Nigeria's "industrial take-off", but foreign capital was to be gradually phased out. It was anticipated that by the third or fourth development plans, at which time the economy was expected to be self-sufficient, Nigerian resources would have supplanted foreign capital.[160]

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155. National Economic Council, *Opportunities for Foreign Investors in Nigeria*, Joint Policy Statement by the Nigerian Governments, (Lagos: Federal Government Printer, 1956).
156. *Aids to African Businessmen*, p.52.
157. *National Development Plan, 1962-68*, pp.3, 60.
158. *National Development Plan, 1962-68*, pp.21,50.
159. *National Development Plan, 1962-68*, pp.23-4.
160. *National Development Plan, 1962-68*, p.23.

Prime Minister Balewa's 1964 statement in Parliament expressed the plan's high hopes but cautious approach towards equity indigenization:

> We have never concealed our belief that Nigerian enterprise and Nigerian capital must play, and must be enabled to play an ever increasing part in the economic life of the Nation. ... But we are realists, and we say that so long as there is a dearth of Nigerian capital, so long must there be opportunity for foreign capital in Nigeria.[161]

Like the plan, Balewa did not clarify how the government would realize its ambitions to promote indigenous ownership of businesses. A government Sessional Paper published that year offered one modest proposal. It announced that new awards of "Pioneer" tax concessions would be contingent upon local incorporation, use of domestic inputs, and at least 10% equity involvement by Nigerian businessmen, institutions or government agencies. Foreign enterprises which included Nigerian financial participation were also to be given preference in the allocation of government contracts.[162]

The government's aim to promote *private* Nigerian ownership of businesses conflicted with its industrialization plans because indigenous businessmen were presumed to lack sufficient capital and technical expertise needed to invest in industrial ventures. This contradiction was reconciled by the notion that governments could act as the "indigenous" partner in foreign joint-ventures until Nigerian entrepreneurs were ready to accept this role. For example, in March 1949, the Chief Secretary spoke enthusiastically in the Legislative Council about the Federal government's ownership of economic enterprises. Without a hint of irony, he opined that "the greatest advantage" of (colonial) government

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161. Balewa (1964), p.150.

162. *Statement on Industrial Policy*, Sessional Paper No.6 of 1964, (Lagos: Federal Ministry of Information, 1964), p.3.

investment "is the advantage of *Nigerian* participation"[italics mine].[163] Throughout the manufacturing boom of the 1950s and '60s, Nigerian governments, especially at the Regional level, formed dozens of industrial joint-ventures with foreigners. They justified their direct investments as necessary to pursue both industrialization and indigenization. Claiming to serve as "trustees" for Nigerian investors, they retained their rhetorical commitment to private enterprise, even though partnerships between foreign and private Nigerian capital seldom materialized.

All Nigerian governments maintained that their investments were means to foster both industrialization and indigenization. However, by the early 1960s, some variations in approach were evident. The Federal government pledged that it would dispose of its shareholdings to the public once an enterprise was "on its feet".[164] The Eastern Region government claimed that joint-ventures between the indigenous private sector and foreigners were preferred. However, it stood ready to invest public funds as a "custodian" for private Nigerian investors.[165] Emphasizing the shortcomings of local entrepreneurs, the Northern Region favoured a more limited programme of public investment. The most conservative and parochial of the three Regional governments, the Northern government maintained that its investments were meant to create positions for Northerners on foreign company boards and to ensure a *northern* presence in local industry, not to attain Nigerian ownership *per se*.[166] The Western Region expressed the greatest enthusiasm for reducing economic dependence on foreign capital. Alone amongst the Nigerian

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163. Quoted by Blunt (1964), p.337. On this point, also see *The Role of the Federal Government in Promoting Industrial Development in Nigeria*, Sessional Paper No.3 of 1958, (Lagos: Government Printer, 1958).

164. *The Stability Budget* [1960-1], Budget Speech by F.S. Okotie-Eboh, Federal Minister of Finance, delivered in House of Representatives in Lagos on 4 April 1960, (Lagos: Federal Government Printer, 1960), p.33.

165. *National Development Plan, 1962-68*, pp.257-8.

166. *National Development Plan, 1962-68*, pp.138-41.

governments, its investment policy projected a glimmer of "socialist" ideology. It warned that foreign investors would be not be welcome at any cost, especially if their ventures clashed with its "small beginnings" strategy of industrialization. The Western Region also favoured government investments in both "strategic" and profitable industries, not just for eventual resale to private investors but to hold in trust for the *permanent* benefit of the general public.[167]

The Western Region was unique in its advocacy of government investment for the sake of state ownership, but its position was not as "socialistic" as might appear. Its policy stemmed from the notion of "Democratic Socialism" adopted in 1960 by the Action Group (AG), the ruling party in the West. "Democratic Socialism" entailed nationalization but only of foreign enterprises; private ownership was acceptable if the proprietors were Nigerians.[168] Indeed, "the national bourgeoisie [i.e. businessmen who supported the AG] ... who are fighting hard to exist" against foreign competition, were seen as "natural allies" of those "elements fighting for socialism".[169] Chief Awolowo, leader of the AG, called for nationalization in order to help Nigerian businessmen "take over some fields of economic activity now monopolised by foreign investors".[170] As another AG politician explained, "There will, I daresay, be no need to nationalise if the economy of our country is in the hands of the indigenous Nigerians".[171]

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167. *National Development Plan, 1962-68*, p.304.

168. Action Group of Nigeria (1960), pp.7-8.

169. Samuel G. Ikoku (Federal Secretary, Action Group), in Action Group of Nigeria [1963?].

170. See Chief Awolowo's address to students at University College, Ibadan, 22 January 1962, quoted by Mackintosh (1966), p.437.

171. Chief Akin-Olugbade (Opposition Chief Whip), quoted by Blunt (1964), p.348. It is interesting to note that "pragmatic socialism" was also supported by members of the AG's rivals in the National Convention of Nigerian Citizens, who, at their 1962 party meeting, defined "socialism" as "the right of everyone to start his own business". Proehl (1965), Chapter 9, note 24.

Although "socialism", as the AG defined it, was a means to promote indigenous rather than foreign *capitalism*, those like Chief Awolowo who openly advocated nationalization were denounced as "communists".[172] Yet the vociferous hostility of most Nigerian politicians towards state ownership during the 1950s and early '60s did not reflect their own ideological commitment to a liberal economy.[173] Rather, theirs was a practical concern not to frighten off foreign investors on whom *they* believed opportunities for indigenous businessmen depended. To assuage foreign investors' fears, the Federal government concluded a number of agreements during the period which offered guaranties against expropriation.[174] As recently as 1968, the Federal government still maintained that its investments were merely an unavoidable response to a shortage of capital in the indigenous private sector and therefore "should not be misinterpreted as a movement away from a free-enterprise economy".[175] Not until the Civil War had reached an advanced stage did the Federal government make explicit that its investments were to fulfil a purpose beyond the cultivation of local industries and Nigerian share ownership. As public sector investments and the drive for equity indigenization accelerated after the War, these other state concerns gained prominence.

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172. Dr M. Okpara (Premier of the Eastern Region), quoted in *Daily Times*, 1 November 1960.

173. See Blunt (1964), pp.341-4, for numerous statements by politicians during the 1950s and early 1960s against public sector ownership of industry.

174. For examples see: National Economic Council (1956), *Opportunities for Foreign Investors in Nigeria*; "Independence Constitution" (1960), section 30; "Republican Constitution" (1963), section 31, (under Chapter III, entitled "Fundamental Rights"); United Nations General Assembly Resolution, No.1803 of 1962, "Permanent Sovereignty over Natural Resources"; and "Investment Guarantees Agreement between the United States of America and Nigeria", 24 December 1962, quoted by Proehl, note 11, p.230.

175. See *Establishing a Business in Nigeria*, (Lagos: Federal Ministry of Information, 1968), p.6.

PART THREE: PROMOTING "INDIGENIZATION": 1966-1972

As was seen above, War-time planning in Britain was exported to Nigeria, where it established a precedent that the state could and should manage the economy to promote development, regulate the balance of business competition and serve the needs of the government. Under Nigerian control, the state's role was expanded further by the demands of "indigenizing" the economy, whether in commerce, industry, finance or management. However, Nigerian governments were hampered by administrative weakness and by the very fact of the economy's continued reliance on foreign business. Indigenization, if too rapid, also threatened to aggravate regional inequalities, to the detriment of the ruling party's main power base. As will be seen below, the government's caution gave way to contrary pressures from local businessmen and civil servants. The former, as ever, were anxious to expand their place in the economy; the latter wanted to gain and operate the economic levers which were supposed to help them along. Military rule and civil war catalysed more resolute attempts at indigenization, and state ownership was to succeed where regulation had failed. Extended to the private sector, the logic that ownership brings control formed the basis for the government's approach towards equity indigenization with the NEPDs.

Institutional Developments

The factors responsible for the collapse of civilian rule, the seizure of power by the armed forces in 1966, and the Civil War (1967-70) need not concern us here. What is important for our purposes is that these events brought about a significant expansion of the state's role in the economy and the centralization of power in the Federal government.

Three developments -- political, fiscal and administrative -- require further attention.[176]

Under military rule, political authority shifted from the Regions to the Federal government. The Federal Military Government's (FMG's) first legislative act after assuming power established its supremacy over the Regions with respect to any matter. Thus by decree, "the federal arrangement ceased".[177] However, General Ironsi's instinct for centralization took him too far. His attempt in May 1966 to expunge regionalism from Nigerian politics by abolishing the Regions ended in national (and personal) disaster. By imposing a unitary form of government, Ironsi under-estimated the power of regional economic and political interests which had benefited under the federal system, thereby reinforcing the centrifugal forces of secession. Ironsi lost his life in the July 1966 coup. General Gowon, who emerged as the new Head of State and Commander of the Armed Forces, was quick to repudiate his predecessor's approach towards national unification and restored the federal structure to its previous form.[178] Efforts to draw up a constitution acceptable to all Regions failed. In May 1967, in an attempt to undermine the Eastern Region's secession, Gowon abolished the Regions and divided the country into twelve States. The Supreme Military Council (SMC) installed soldiers at the helm of all State governments, and each governor took orders from Lagos.

Having divided the Regions into States and subordinated the States to the centre, the FMG pressed through fiscal reforms. The rapid

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176. The following discussion is informed mainly by two collections of essays: *Soldiers and Oil*, K. Panter-Brick, ed. (1978), esp. contributions by Panter-Brick (1978); Bennett and Kirk-Greene (1978); Bienen (1978); Dent (1978); Rimmer (1978); and Yahaya and Oyovbaire (1978); and *Nigerian Government & Politics under Military Rule, 1966-79*, Oyediran, ed. (1979), esp. Oyediran (1979); Muhammadu and Haruna (1979); Iwayemi (1979); Asiodu (1979); Olugbemi (1979); Oyediran and Olagunju (1979).

177. Oyediran and Olagunju (1979), p.196.

178. Panter-Brick (1978), p.16.

expansion of the petroleum industry as a source of government revenue made it necessary to realign the basis on which public funds were allocated. Despite a temporary interruption of production during the War, petroleum revenue rose nearly twenty-fold between 1966 and 1971. As a proportion of total Federal revenues, the share attributable to petroleum increased from 11.1% in 1966 to 52.5% in 1971 (and to 80.8% in 1974).[179] Because oil production was geographically concentrated, it was not possible to adhere to a strict principle of "derivation" without aggravating disparities amongst the States. The FMG imposed an interim arrangement for 1967 and appointed a committee of civilians in July 1968 to consider the matter further. The committee proposed a significant extension of the Federal government's financial powers at the expense of the States, especially the oil-producing ones. Though the SMC rejected these recommendations in 1969, it proceeded to implement most of them.[180]

A 1970 decree (effective in April 1969) raised the proportion of Federal revenues applied to the "Distributable Pool Account" (DPA).[181] Unlike "derived" revenues, the DPA was allocated partly on the basis of equality amongst the States and partly according to population (later, other assessments of the States' "needs" were taken into account). Derivation was further undermined in 1971 by the FMG's appropriation of all government revenues from off-shore oil production (in which coastal States would otherwise have derived a share), and again in 1973, when the Federal government assumed the pricing authority previously held by the State marketing boards. Thus, the States were denied another independent source of revenue.[182] Flush with oil money (much more so after the War), government spending at all levels grew rapidly. State

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179. Iwayemi (1979), Table 3.8, p.69.
180. Oyediran and Olagunju (1979), pp.199-200.
181. Constitution (Distributable Pool Account) Decree, No.13 of 1970.
182. Oyovbaire (1978), pp.228-9.

governments were able to spend vastly more than their own resources would have allowed. Whilst the States retained budgetary authority, the erosion of derivation meant that the funds they needed to finance public spending (and dispense local patronage) were increasingly subject to revenue allocation formulae which were under Federal control.

The armed forces introduced a different style of government. Legislating by decree, the FMG was able to promulgate policies free from the "rivalry and rigidities of party politics",[183] and from the need to secure a popular mandate. Under war-time conditions, the FMG was able to impose extensive economic controls which might otherwise have encountered greater opposition. Moreover, it had become widely accepted that stronger control from the centre was necessary if national unity was to be restored and maintained. Such control was provided by Gowon's "Emergency Powers" declaration of 27 May 1967, decreed at the height of the secessionist crisis.

Military rule also introduced new norms of public administration. Following the January 1966 coup, the politicians at both State and Federal levels were sacked from ministerial office. Permanent secretaries served as acting heads of ministries. Under the Delegation of Statutory Functions Order of 1 September 1966, the responsibilities of members of the former Federal Executive Council (FEC) were delegated to Federal permanent secretaries.[184] Although "commissioners" were appointed in June 1967 to head Federal and State ministries, permanent secretaries often retained effective ministerial control. According to Phillip Asiodu, one the so-called "super perm-secs" of the Gowon Administration, this was because many soldiers blamed Nigeria's ills on the politicians and encouraged top civil servants to tender their advice directly to them.[185]

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183. Ayida (1973), p.5.
184. Olugbemi (1979), p.98.
185. Asiodu (1979), pp.82-3.

Having direct access to the military leadership, permanent secretaries extended their traditional function of executing policy to that of *defining* policy.[186] Allison Ayida, another "super perm-sec", implicitly acknowledged the higher civil service's political role when he accounted for the bureaucracy's expanded influence as follows:

> It is unusual for the political class in Africa to formulate, independent of the civil service, the national goals and development objectives. ...The group or groups which control the machinery of government tend to dominate the formulation of national development objectives. Thus, the bureaucratic group ... play a disproportionately significant role ... particularly where the political class [the military, in this case] is not articulate.[187]

The experience of both formulating and operating War-time controls instilled in the bureaucracy considerable confidence in its administrative prowess. Asiodu recalled that "in matters relating to the management of the nation's finances and the economy some civil servants showed great distrust of the business sector. They appeared to claim a monopoly of patriotism".[188] Convinced of their ability to manage the economy,[189] and supported by military decrees, senior civil servants pushed for more state intervention to pursue "national" economic goals, as they defined them.

Rising *Dirigisme*

Moves to indigenize trade under civilian administration had been stalled by the lack of effective policy instruments. Import licensing, reactivated by the FMG during the Civil War because of balance of payments pressures, presented more fruitful possibilities for administrative intervention. Chief Awolowo, the War-time Commissioner for Finance, announced that goods traded by indigenous businessmen would receive

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186. See Bienen (1978), pp.27-57, for an interesting discussion of this development.

187. Ayida (1969), p.4.

188. Asiodu (1979), p.83.

189. The World Bank Mission of 1974 was also impressed by the performance of Nigeria's economic managers during the Civil War, citing it as one of the factors which "augurs well for the future, when a substantially larger role of the public sector in the development effort than ever before will be called for". See I.B.R.D. (1974), p.25.

preferential licence allocations.[190] In his 1970-1 Budget Speech, General Gowon indicated that special consignments of foreign exchange would be reserved for indigenous importers.[191] Nonetheless, an examination of the categories established by the Central Bank to guide disbursements of foreign exchange that year reveals a continued bias towards foreign enterprises, whilst goods most often imported by Nigerian businessmen were accorded lower priority.[192]

The *Second National Development Plan 1970-74*, to take effect after the War, stated that "generous allowances" afforded to expatriate traders would no longer be tolerated and renewed the government's pledge to indigenize the distributive sector during the plan period.[193] This was to be achieved by applying expatriate quotas more stringently, discouraging foreigners from holding sole distributorships, creating and assisting indigenous co-operatives, favouring Nigerian merchants when allocating trading sites and contracts for government procurement (an ever-increasing share of total consumption), and using the National Supply Organisation to teach Nigerian traders "modern" commercial practices.[194] Another policy then being formulated (but not articulated in the plan) was the NEPD 1972.[195]

Once it became evident that import controls had boosted domestic manufacturers during the Civil War, licensing was to become an important feature of Nigeria's industrial policy.[196] Import licensing was retained in the years immediately after the War, in part to supplement tariff protection. During the Civil War, the FMG reduced depreciation

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190. *Daily Times*, 30 April 1970.

191. Y. Gowon, quoted in *Morning Post*, 23 April 1970.

192. See the Central Bank of Nigeria's published "Foreign Exchange Guide-lines", reproduced in *Daily Times*, 30 April 1970.

193. *Second National Development Plan 1970-74*, pp.227, 230.

194. *Second National Development Plan 1970-74*, pp.230, 232-3.

195. Interview: A. Ayida.

196. See *Four Steps to National Stability*, Broadcast on the 1968-9 Budget by Major-General Yakubu Gowon, 29 April 1968, (Lagos: Federal Government Printer, 1968).

allowances and discontinued "Pioneer" tax holidays in response to revenue pressures.[197] But when tax holidays were reinstated in 1971, the authorities gained flexibility to withdraw concessions from enterprises that failed to meet official criteria such as efficiency, "contribution to the economy", use of local materials and training of Nigerian personnel.[198] The recast scheme also established more stringent requirements for foreign investors than for indigenous investors, both to answer criticism that only foreigners had benefited from incentives in the past and to promote industrial enterprises owned by Nigerians.

The *Second National Development Plan 1970-74* summarized the government's new approach towards industrial incentives by stating that "Pioneer Status" had given way to "Priority Status". As such, tariff protection and depreciation allowances would be administered in a discriminatory manner.[199] The Industrial Inspectorate Division of the Federal Ministry of Industries was established in part to provide the civil servants with independent information on which to make these judgments.[200] The plan also announced that Federal industrial research institutions would henceforth focus on developing technologies appropriate for local conditions and offer technical assistance to indigenous industrialists, and that Federal industrial estates would be constructed (by Nigerian contractors) to provide facilities for domestic manufacturers.[201]

In finance, the Central Bank's credit guide-lines were formalized in 1968, and the CBN gained legal powers to prescribe, amongst other things, specific levels of bank lending to Nigerian businesses.[202] The Banking Decree of 1969 increased the CBN's powers to supervise these

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197. Phillips (1977), p.349.
198. Industrial Development (Income Tax Relief) Decree, No.22 of 1971, sections 1-2, 10.
199. *Second National Development Plan 1970-74*, p.286.
200. Industrial Inspectorate Decree, No.53 of 1970.
201. *Second National Development Plan 1970-74*, pp.145-6, 150-1.
202. Central Bank of Nigeria Act (Amendment) (No.3) Decree, No.50 of 1968, section 2.

regulations and others, raised the operating standards and reporting requirements expected of banks, granted the CBN additional powers of intervention, and extended its purview to most other financial institutions.[203] The Decree was also supposed to promote indigenization by requiring foreign banks to register in Nigeria and relaxing the regulations applicable to locally-owned banks.

Despite the CBN's enhanced authority, the *Second National Development Plan 1970-74* concluded that the existing regulations could not ensure that commercial banks provide ample credit for Nigerian businessmen, and that public sector institutions had not been able to fill the void.[204] The plan also expressed concern that Nigerians had not enjoyed any of the profits generated by foreign banks in the country.[205] The FMG followed up by urging foreign banks to divest themselves of equity "voluntarily". Early in 1971, the three largest banks sold a token proportion of their shares to indigenous subscribers through the Lagos Stock Exchange. These transfers were not only considered inadequate but did nothing to satisfy the authorities' ambition to control the banking sector themselves. So, in 1973, the Federal government bought 40% stakes in each of the "Big Three". The government's aim, according to General Gowon, was to become "intimately involved in commercial banking activities so as to guide them to operate to the maximum benefit of the economy".[206] In practice, this meant government board representation and influence in executive appointments.

The FMG adopted a similar approach towards indigenization with respect to foreign-owned insurance companies: state financial participation was thought necessary to gain *regulatory* control. As described above,

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203. Banking Decree, No.1 of 1969.
204. *Second National Development Plan 1970-74*, pp.34, 71, 227-8, 231.
205. *Second National Development Plan 1970-74*, p.228.
206. 1973-4 Budget Broadcast, quoted in "Okigbo Committee Report", p.48.

state regulation of the industry initially focused on capital repatriation. As in banking, foreign insurers were also required to register in Nigeria, and indigenous firms were subjected to less rigorous regulatory standards than expatriate firms.[207] In 1969, the government established the National Insurance Company of Nigeria (NICON) to compete with foreign insurers, provide discounted coverage for state-owned companies, and to indigenise a share of the industry's profits.[208] From 1 October 1969, insurers were ordered to cede 10% of their *private* underwriting business to NICON. The government eventually sought to control this "strategic sector" by obliging foreign insurers to sell 49% of their equity (raised to 60% in 1976) to Federal and State governments. The move coincided with, but was independent of, the NEPD 1972.

Immigration regulations were also tightened during the Civil War. In 1967, ostensibly as a war-time security measure, the government introduced an "Entry Permit", which extended to all Commonwealth citizens the immigration vetting procedures applied to other foreigners. This new restriction was used by the Immigration Department to harass "resident foreigners" (mostly Asians, many of whom held British passports) because of their alleged "complicity" with the Biafrans. The Department had to "pipe down", however, because of diplomatic protests.[209]

Despite the immigration controls imposed during the 1960s, officials expressed continued dissatisfaction with the presence of expatriates in certain businesses and with the slow progress of Nigerianization. At the 1969 "Conference on Reconstruction and Development", Ime Ebong, then Deputy Permanent Secretary in the Finance Ministry, observed that

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207. Insurance Companies Act, No.53 of 1961, sections 7, 44.

208. National Insurance Company of Nigeria Decree, No.22 of 1969.

209. [Untitled] memorandum prepared by the Public Relations Office of the Federal Department of Immigration to summarize the Department's history and activities for the Federal Minister of Internal Affairs, (unpublished, dated 3 April 1985).

> it is obvious from the evidence that ... [Nigerianization] is not necessarily an inevitable process, at any rate in the lifetime of our generation. Thought must be given to active but intelligent intervention, aimed at the achievement of more significant results in this field.[210]

Whilst acknowledging that some progress had been made, Asiodu said "there is a new situation, a new urgency, and that the leisurely patterns of doing things in the past will no longer suffice". He proposed that expatriate quotas should be given only to those firms committed to Nigerianization, that quotas become conditional on the training of Nigerians, and that the number of expatriates permitted any firm should be reduced from year to year.[211]

The *Second National Development Plan 1970-74* addressed the issue of Nigerianization at length and indicated that the problem was high on the government's economic agenda. Nigerianization had also become a political priority because a growing number of educated Nigerians were presenting themselves for high-level employment, and more were certain to come with the Civil War's end in sight. Noting that policies to attract foreign investment were motivated in part by the expectation that job opportunities for Nigerians would be created, the government

> ...cannot therefore continue to tolerate a situation in which high-level Nigerian personnel, educated and trained at great cost to the nation, are denied employment in their own country by foreign business establishments. ... There is, in any case, no feasible alternative to accelerated Nigerianisation, because Nigerians have no place to go for employment but their country.[212]

The plan also criticized the widespread practice of positioning Nigerians as "window dressing", employees who, it said, "are in effect little more

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210. Ebong (1969), p.401.

211. Asiodu (then Permanent Secretary, Federal Ministry of Industries) (1969b), pp.196-7.

212. *Second National Development Plan 1970-74*, pp.288-9.

than glorified clerks".[213] The government's ambition was to replace most expatriate workers by 1980.[214]

To this end, the plan announced further restrictions on expatriate employment. In future, strict time-tables were to be established to force foreign companies both to train indigenous personnel and promote Nigerians to management cadres. Foreigners were to be prevented from entering various professions, and existing quotas for professional practices were to be phased out. Other fields for which expatriate quotas were to be progressively withdrawn included wholesale and retail distribution of general merchandise and technical goods, textile distribution, road transport, banking and insurance. A review of the construction industry was to be undertaken with a view to phasing out quotas in that industry as soon as practicable.[215] To implement Nigerianization, an "Enforcement Agency" was to be set up which would liaise with the Expatriate Quota Committee. The new agency would be given powers to rescind the existing quotas, fiscal incentives, import licences and business permits of any firm considered to be making insufficient progress.[216]

Apart from stricter employment controls, the FMG established several new training schemes in the early 1970s. The "Industrial Training Fund" imposed a levy on all companies to finance industrial training of indigenous personnel.[217] The Council of Management Education and Training was founded to identify indigenous managerial deficiencies and to co-ordinate management training programmes.[218] In addition, a "Centre for Management Development" was created to conduct management

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213. *Second National Development Plan 1970-74*, p.288.
214. *Second National Development Plan 1970-74*, p.36.
215. *Second National Development Plan 1970-74*, pp.318-9.
216. "Nigerianisation and Control of Companies", Government Policy Statement, in *Sunday Times*, 15 November 1970.
217. Industrial Training Fund Decree, No.47 of 1971.
218. *Second National Development Plan 1970-74*, pp.262-4.

training courses and, through its "Indigenous Advisory Service", to offer business guidance to Nigerian managers.[219]

Indigenization of Ownership

As seen above, the FMG's increasing proclivity to regulate business activities, whether in trade, industry, finance or management, was supported by the need to "indigenize" the economy. In this section, fuller consideration will be given to the multi-lateral forces which culminated in formal controls on foreign equity ownership and mandatory divestment, the subject of this thesis. It should be borne in mind, however, that equity indigenization represented just one aspect of a range of state interventions to regulate opportunities in the private sector.

The *Second National Development Plan 1970-74* proclaimed a much larger role for the state in the economy. In making its case, the plan made no secret of the fact that the government's effective economic influence had not been equal to its *dirigiste* aspirations, particularly where foreign businesses were concerned. The Administration's mistrust of foreign enterprises, especially the oil companies, was heightened by the latter's grudging co-operation with the Federal government during the Civil War.[220] This experience was probably in mind when, in 1969, Asiodu announced that the Federal government would take up 55% of the equity in "strategic industries",[221] of which oil was now the most important. Foreigners not only dominated the economy's "strategic" industries but most other industries as well, especially the most profitable ones.[222] Moreover, foreigners retained a controlling interest in most joint-ventures,

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219. Centre for Management Development (1974b), p.5.

220. de St. Jorre (1972), pp.138-41.

221. Asiodu (1969b), pp.194-5.

222. See Hakam (1966), p.49; Kilby (1969), p.20; Vielrose (1970), p.146; Teriba, Edozien and Kayode (1972), pp.7-8.

even when state capital was involved, and the proportion of equity held by foreigners was greatest in the largest firms.[223]

Federal officials were becoming acutely aware of the costs of harbouring a large foreign presence in the economy and of their inability to extract greater economic benefits with the policy instruments at hand. As the second plan argued, foreigners "cannot be expected to coincide at all times and in every respect with national aspirations, ... and it will be naive, indeed dangerous, to hope that ... national objectives will automatically be achieved by their mere declaration".[224] The plan cited the balance of payments problems created by foreign enterprises. The level of external remittances of profits, salaries, royalties, and service fees was described as "enormous" and no longer tolerable.[225] Despite the use of exchange controls during the Civil War and the government's declared intention to keep some of these restrictions in force, the plan noted that the gap between GNP and GDP (an indication of foreign payments) had grown steadily since the first plan period and forecast that it would widen even further during the second plan.[226] It was said that the intensity of expatriate participation in the economy was not matched by a comparable contribution to domestic value-added. The plan reproached foreign firms for setting up import-dependent manufacturing plants which aggravated the foreign payments problem and negated the possibility of beneficial "spin-off" effects such as the development of domestic industrial linkages and local technologies. Foreigners were accused of ensuring that their Nigerian plants remained as "perpetual appendages", ignoring the Federal government's industrialization goals.[227]

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223. Teriba, Edozien and Kayode (1972), pp.10-1.
224. *Second National Development Plan 1970-74*, p.289.
225. *Second National Development Plan 1970-74*, p.146.
226. *Second National Development Plan 1970-74*, p.46.
227. *Second National Development Plan 1970-74*, p.143.

Perhaps the most bitter complaint against foreign firms was their alleged failure to train and promote Nigerian personnel. "Even considering various difficulties", Asiodu observed, "the record of local industry in training Nigerians and appointing them to positions of responsibility has been very disappointing. It has been too easy to recruit foreigners to do the job."[228] Brigadier Adebayo, Governor of the Western State, accused overseas "partners" of paying only "lip service" to Nigerianization, including those that enjoyed the financial backing of state agencies.[229] The slow rate of Nigerianization rankled with Federal officials not only because of balance of payments and manpower development considerations, but because it highlighted their impotence to protect and provide opportunities for élite groups on home ground.

Immigration controls and expatriate quotas apparently presented a feeble challenge to companies determined to resist Nigerianization. Much to the authorities' consternation, firms advertised job vacancies in the local press which were open only to expatriates.[230] The largest expatriate employers' association, NECA, ordered its members to ignore the Chief Immigration Officer's directive to supply information on expatriate quotas, foreign employees, and wages paid to Nigerians.[231] The Immigration Chief responded by publicly accusing foreign firms of evading quotas and maintaining "evil, wicked and inhuman" working conditions.[232] However, he was evidently powerless to counter such wrongdoings, as he relied on foreign companies to furnish even the basic information needed to monitor compliance with the regulations, let alone enforce them. The second plan acknowledged that the government's Nigerianization policy had amounted

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228. Asiodu (1969b), p.196. See also comments by Brigadier Babafemi Ogundipe (then Nigeria's High Commissioner in London), quoted in *Daily Times*, 10 April 1970.

229. Brigadier Adebayo, quoted in *Sunday Times*, 25 October 1970.

230. Reported in *Sunday Times*, 25 October 1970.

231. *Sunday Times*, 21 August 1966.

232. J.E. Onubogu (Chief Immigration Officer), quoted in *Sunday Times*, 21 August 1966.

to "mere moral suasion" and promised more rigourous enforcement in future.[233]

The 1968 Companies Decree enhanced the Federal government's regulatory control over foreign businesses by requiring them to incorporate their Nigerian subsidiaries as local companies.[234] However, effective regulation of foreign enterprises was not enough. The second plan argued that indigenous control and *ownership* were essential to maximize local profit retention, enhance the net contribution to the economy and avert the "explosive socio-political consequences that are bound to arise in future with foreign-absentee control of the nation's industrial sector".[235] Following from this premise, the plan extended the argument for indigenization to justify the public sector's "leadership" of a "mixed economy", which in practice meant public sector *ownership* as the means of control. As described above, the Federal government had previously maintained that its investments merely compensated for the lack of capital in the indigenous private sector. However, it was later observed that where Nigerians had gained partial ownership in foreign firms, their participation in management was "weak" and "ineffective".[236] Only the Federal government was considered strong enough to assert Nigerian interests in areas of "strategic" economic importance.[237]

The rationale for public sector ownership went beyond the supposed deficiencies of the Nigerian private sector. The second plan recanted the government's pledge ultimately to transfer its holdings to private Nigerian investors, a commitment it now assailed as an unduly "narrow conception

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233. *Second National Development Plan 1970-74*, p.288. See similar statements by E.I. Aleyideino (then Chief Immigration Officer), quoted in *Daily Times*, 5 December 1970.

234. Companies Decree, No.51 of 1968, section 10. Although section 10 of this decree was seen by foreign companies as a significant affront to their interests, Biersteker argues convincingly that the government appended the requirement of local incorporation mainly to establish the legal framework for nationalizing the oil industry. Biersteker (1987b), pp.73-4.

235. *Second National Development Plan 1970-74*, pp.144-5.

236. Ayida (1969), p.10.

237. *Second National Development Plan 1970-74*, pp.144-6, 289.

of the role of government in national development which is not tenable in Nigerian circumstances".[238] The problem was the "double divergence" between foreign and local interests on the one hand, and private sector and "national" goals on the other. To harmonize both contradictions, the FMG would "acquire and control *on behalf of the Nigerian society*, the greater proportion of the productive assets of the country"[italics mine].[239]

Public sector ownership was also warranted by the demands of development planning: previous plans had been flawed, the second plan claimed, because they lacked coherence, neglected co-ordination, and were confined to public sector programmes.[240] This time, the government would direct developments in both the public and private sectors. Because "the Government cannot plan effectively what it does not control", the FMG would occupy the "commanding heights" of the economy.[241] Ownership of natural resources would be vested in the state. "Strategic industries" such as petroleum, petro-chemicals, iron and steel, and fertilizer production would be subject to at least 55% state ownership. Other large and medium-scale enterprises would be operated as "mixed ventures" between government, the indigenous private sector and foreign investors, with the former two sharing at least 35% of the equity capital.[242] State ownership was thought essential not only to shield the economy against the "whims" of the private sector but also to provide the funds needed to execute the government's ambitious projects. The plan regarded government ownership of mining and industry as particularly vital, because these two sectors were likely to be the most "virile, expansive and profitable" in future.[243] True to its word, the FMG partly

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238. *Second National Development Plan 1970-74*, p.289.
239. *Second National Development Plan 1970-74*, pp.279, 289.
240. *Second National Development Plan 1970-74*, pp.6-8, 33-4, 275.
241. *Second National Development Plan 1970-74*, pp.32-3.
242. *Second National Development Plan 1970-74*, pp.145, 76.
243. *Second National Development Plan 1970-74*, p.289.

nationalized a number of strategic industries, including the petroleum production, in the period coinciding with the plan.

The equity indigenization programme advanced by the *Second National Development Plan 1970-74* served the FMG's political ends as well. The Gowon regime won popularity for successfully prosecuting the Civil War and restoring national unity. However, it was feared that once the secessionist crisis had been resolved, the public would rebel against War-time restrictions and question the legitimacy of the political leadership. To forestall these eventualities, the plan likened the development effort to an on-going military one: "A developing country in the context of 20th Century Africa ... is really in a state of permanent crisis hardly distinguishable in its essence from war-time mobilisation." It interspersed martial terminology with nationalist rhetoric in its vows to "fight" for "the economic independence of the nation and the defeat of neo-colonialist forces in Africa".[244]

But rhetoric could carry the regime only so far. If the FMG was to claim a popular mandate for retaining power, it would have to create economic benefits for its constituents. With the economy dominated by expatriate firms, interventions against foreign enterprise in the name of "indigenization" were an obvious way to deliver them. Nigerianization would carry indigenous managers into executive suites. Restrictions on alien participation in commerce and transport would protect local businessmen from foreign competition. Mandatory credit allocations would enhance the former's access to finance. Compulsory equity indigenization would enable privileged groups such as "traditional" rulers, businessmen, professionals, military and government officials, as well as others engaged in non-business careers, to acquire shares in profitable foreign companies without the burden of managerial responsibility.

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244. *Second National Development Plan 1970-74*, p.31.

Equity indigenization also had considerable populist appeal. It would satisfy the "yearnings of the Nigerian masses", even if only vicariously. The second plan challenged the notion that economic growth was a precondition for distributing the "fruits of development". In the interests of "national unity" and "social integration", "distributive equity", it said, was no less important.[245] Although the plan pledged "to broaden the social base of capital ownership in the economy", this was actually another justification for state ownership, not a promise to redistribute amongst Nigerians.[246] Indeed, Ayida's call for "redistributive equity" referred to the imbalance between foreign and indigenous *business* interests, the redressing of which, he implied, merited sacrifices by *all* members of society:

> Orthodox economics cannot justify the current crusade of indigenisation of certain expatriate businesses if we are preoccupied with efficiency and economic growth. We cannot ignore both in the long run, but there could be overriding considerations such as distributive equity as between Nigerians and non-Nigerians.[247]

Equity indigenization presented investment opportunities for Nigerian élites. Less privileged Nigerians, the plan argued, would benefit from state investments undertaken on their behalf. This outcome might have conflicted with the FMG's professed egalitarian leanings, but it reflected accurately the comparative influence of the regime's political constituencies.

Political Process

Apart from satisfying the objectives of those both working for and in control of the state, the FMG's plans for equity indigenization responded to intensifying pressures from the Nigerian private sector. In the years immediately preceding the NEPD 1972, the government was

245. *Second National Development Plan 1970-74*, p.33.
246. *Second National Development Plan 1970-74*, p.75.
247. Ayida (1973), p.5.

beset by demands for more active intervention against foreign enterprise. Nearly all of these entreaties emerged from élite strata of Nigerian society. However, unlike the second plan, they did not question private sector leadership of a "free enterprise" economy but only the distribution of its rewards. An editorial in the *Daily Sketch* succinctly encapsulated their convictions: "it is just not right to deprive Nigerians of their legitimate rights to make money in their own country".[248]

The businessmen who agitated for controls on foreign ownership were less concerned with scaling down the reach of expatriate firms than with securing a greater share of their profits. Chief Ogunbanjo, a prominent Nigerian lawyer and businessman, was perhaps the most vocal proponent of equity indigenization. In a speech to the Nigerian Institute of Management, comprised mainly of indigenous and expatriate managers of multinational companies, he acknowledged that some firms had made progress towards Nigerianization but pointed out that "these benefits alone are not sufficient to satisfy the aspirations of Nigerians. ...Nigerians want actual capital participation".[249] He observed that only a few foreign companies had sold token amounts of equity to Nigerians at substantial premiums. Even these firms, he maintained, did so to recoup their capital investments and placate public opinion, not to establish genuine partnerships with Nigerian businessmen. Ogunbanjo dismissed as mere "excuses" the explanations volunteered by firms to account for their hesitance, and he proposed that government fiscal concessions for new enterprises become conditional on 25-40% indigenous equity participation. Alluding to the recent mandatory divestment programmes in Ghana and Zambia, Ogunbanjo concluded with a warning: "This so far has not

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248. *Daily Sketch*, editorial, 3 February 1967.
249. Ogunbanjo (1969), p.23.

happened in Nigeria and, if foreign companies take the lead in the right direction, should not happen."[250]

Ogunbanjo's speech carried force because he was widely regarded as an "establishment" figure, one with extensive ties to foreign businesses in Nigeria and active in the "organized private sector". Biersteker reports that his proposals received "100 percent support" from indigenous businessmen and were also extremely popular with the public. The Indigenous Businessmen's Group (IBG), with which Ogunbanjo was affiliated, formed an *ad hoc* committee to expand upon his ideas for submission to the Federal government.[251] The Group was at odds with its parent organization, the Lagos Chamber of Commerce (LCC), which was dominated by the multinational firms. According to Biersteker, members of the IBG lobbied government officials to enact their indigenization proposals at private meetings, but in public they joined their expatriate associates in expressing opposition.[252]

The Nigerian press brought the discussion of indigenization to the public. Its coverage generally avoided serious debate on policy and concentrated on vilifying foreign firms. Personnel matters appeared to inspire the most ardent criticism. Accounts of discrimination against Nigerian managers were legion in the newspapers during the period and served to arouse nationalist and racial sentiments. Brigadier Adebayo upbraided foreign firms for sustaining widely disparate conditions of service and levels of responsibility between expatriates and Nigerians of "identical qualifications, experience and proved ability". One firm, he claimed, would not allow senior Nigerian managers to use the telephone. Another maintained separate toilets. Chellarams, he said, required an Indian manager to countersign anything written by a Nigerian, including

250. Ogunbanjo (1969), p.25.
251. Biersteker (1987b), p.67.
252. Biersteker (1987b), pp.67-8.

all petty cash receipts.[253] The *Sunday Post* "exposed" similar practices at the French firm, CFAO, where the Chief Accountant, a Nigerian, lacked authority to sign cheques for amounts above £5, and one indigenous executive had been fired with one day's notice after 25 years of service. His expatriate replacement was then paid four times as much.[254]

The *Sunday Times* characterized expatriate management in foreign firms as a "self-perpetuating oligarchy reserving for itself fabulous allowances, and ... ensur[ing] that responsibility always remains in 'civilised hands'".[255] A disgruntled Nigerian employee of a UAC subsidiary complained that

> to be a 'good boy' in the GBO [GB Ollivant], one must not cherish any private ambition. ...One is expected to be a 'yes sir, yes sir' sort of person. ... I guess this is because the British have not been able to bury the Master/Servant Relationship that existed before Independence.[256]

A correspondent to the *Sunday Times* likened the situation within foreign firms to that of South Africa.[257] The *Nigerian Observer* urged "that we recognise expatriates in our business, industrial and other establishments for what they are: necessary evils who must be chucked out as soon as they outlive their usefulness".[258]

Other newspapers questioned suppositions that "unless international experts are allowed in, the economy would collapse".[259] Many doubted whether expatriates had anything much to impart to the economy, as most were actually "young school-leavers who come to Nigeria as 'foreign experts' and treat their Nigerian colleagues with condescension".[260] As ever, Asians bore the brunt of the criticism. The working conditions in

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253. *Sunday Times*, 1 November 1970.
254. *Sunday Post*, 21 February 1971.
255. *Sunday Times*, 19 January 1969.
256. *New Nigerian*, letter to the editor, 6 May 1971.
257. *Sunday Times*, letter to the editor, 15 January 1970.
258. *Nigerian Observer*, editorial, 3 November 1970.
259. *Sunday Times*, editorial, 19 January 1969.
260. Brigadier Adebayo, quoted in *Sunday Times*, 1 November 1970.

firms owned by "these exotic people", it was said, were "the poorest in the country and their exploitation of the economy is limitless".[261] Warning that Nigeria was "fast becoming a dumping ground for never-do-wells from Asia", the *Sunday Times* asked "why on earth should we allow people who have very little to offer us by way of scientific achievement, acute supervision, [and] modern teaching techniques ... to pilot our ship of progress?".[262] In its contribution to the debate, the *Daily Sketch* called for nationalization "to prevent a situation whereby a good-for-nothing, a near vagabond and a scum of an expatriate lords over a Nigerian of far better education and superior breeding".[263]

It is ironic that xenophobic rhetoric of this kind mobilized popular support for an indigenization policy which not only failed to address personnel issues but enhanced state power and created opportunities mainly for business élites. Although the general public was eager for indigenization, some of those closer to the policy-making process voiced serious reservations. Because much of the private sector in Nigeria was under foreign control, it was predictable that many firms would resist further state intervention in their affairs. They argued that Nigeria was not ready for indigenization and warned of the economic disruption that would result if they were forced to indigenize prematurely.

Once it became apparent that the government would impose new indigenization requirements of some kind, the multinational companies shifted strategy. They presented themselves as champions of indigenization and, through their representatives in the LCC, advocated restrictions against foreign participation in businesses in which they already took no part. In 1970, the Chamber called for exclusive Nigerian ownership of small retail establishments, certain import-export businesses,

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261. *Sunday Times*, editorial, 19 January 1969.
262. *Sunday Times*, editorial, 15 November 1970.
263. *Daily Sketch*, editorial, 21 March 1971.

advertising, and road transport.[264] Its resolution was an attempt to divert the drive for equity indigenization by redirecting it towards another segment of the foreign business community, the smaller firms owned primarily by resident Lebanese and Asian businessmen. Appreciating Nigerian prejudices against them and lacking formal pressure groups, Lebanese and Asian firms kept a low profile in discussions of indigenization. However, they resisted the policy actively during its implementation (see Chapter Three).

The efforts of "Western" firms to distinguish themselves from ever-maligned Asian enterprises did not suffice to mute calls for equity indigenization. However, many multinationals were not actually opposed to sharing ownership with Nigerians. Indeed, some had long before solicited indigenous financial participation. Prior to the Civil War, eight foreign firms issued shares to local investors voluntarily through the Lagos Stock Exchange. They did so not to make a serious contribution to their finances (the amounts raised were only a small fraction of their total share capital) but as a gesture of goodwill. In the words of an expatriate executive of John Holt, which was the third firm to list shares on the LSE and which had participated in the Exchange's founding, the company's public issue was meant "to achieve a real and effective partnership with the Nigerian people and to meet the changing pattern of commerce in the future".[265] A few firms in the late 1960s still resisted any requirement to include Nigerian investors, but most had earlier become reconciled to equity indigenization and merely wanted to ensure that the government would not stipulate a level of indigenous participation that could challenge foreign managerial and financial control.[266]

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264. Biersteker (1987b), p.68.

265. Quoted by Callaway (1965?).

266. See Communiqué of a 1961 mission sponsored by the Federation of British Industries, p.34. See also May (1965), p.256.

With this aim in mind, organizations representing the multinationals, such as the West Africa Committee, conducted research which cast doubt on the economy's capacity to acquire large quantities of foreign-owned equity.[267] They also contended that there were insufficient numbers of local investors, that indigenous businessmen would not want to involve themselves in unfamiliar ventures, and that Nigerians by nature prefer to invest in real estate rather than in less tangible assets such as company shares. As it happened, both private and government forecasts grossly overstated the amount of capital required and underestimated the number of local investors available. These fears nevertheless weighed heavily on the minds of senior officials who formulated the NEPD 1972.[268]

Domestic opposition to equity indigenization stemmed from ideological and geographical dissension which traversed the boundary between the public and private sectors. Chief Awolowo, Vice-Chairman of the FEC and Commissioner for Finance, opposed equity indigenization because he reckoned that it would promote an indigenous capitalist class.[269] Femi Okunnu, another Federal commissioner, and Ebenezer Babatope, a leading Nigerian socialist and supporter of Awolowo, were hostile because equity indigenization fell short of complete nationalization.[270] Allison Ayida strongly supported equity indigenization but wanted to make sure that it would not prompt an "over-reaction, resulting in excessive ideological bias in favour of public enterprises".[271] Three businessmen, Chiefs Ogunbanjo, Omolayole, and Fajemirokun, echoed these concerns and called on Nigerian governments to sell their existing shareholdings. Ogunbanjo and Omolayole cautioned that equity

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267. See *New Nigerian*: 21 August 1971; 3 December 1971; 1 March 1973; *Morning Post*, editorial, 27 January 1973; and Ogunbanjo (1969).

268. Interview: A. Ayida.

269. Interview: A. Ayida.

270. Okunnu, quoted in Federal Ministry of Information Press Release, 5 September 1973; Babatope, quoted in *Daily Express*, 9 November 1970.

271. Ayida (1969), p.10.

indigenization should not be so extensive as to impede foreign investment and efficient (meaning expatriate) management. Fajemirokun objected to any state restraints on the "free flow of factors of production".[272] Another businessman, Chief Akinkugbe, and the North-Central State Commissioner for Finance, Alhaji Umaru Dikko, worried that equity indigenization would lead to state restrictions on other fronts such as expatriate employment, which they considered inimical to Nigeria's "development".[273] Chief Enahoro, a Federal commissioner, objected to mandatory equity indigenization on the grounds that partnerships between foreign and local businessmen already existed. He thought that government intervention would be defeatist and insulting, as it implied that Nigerians were incapable of competing successfully with foreigners without the state's assistance.[274]

Superimposed on these ideological divisions were regional ones. Contrasting with politicians in the West like Awolowo, Babatope and Femi Okunnu, Lagos-based businessmen (from all parts of the country) appear to have been most energetic in pushing for equity indigenization, probably because of their proximity to government officials and their expectation of easy access to shares under a Federally-administered programme. Even so (and contradicting Biersteker's account), press reports suggest that businessmen from Lagos were also amongst the most vocal *critics* of indigenization, perhaps because of their close ties with foreign firms.[275]

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272. Ogunbanjo (1969), p.34; M. Omolayole, "Comments on Professor Aluko's Paper", in Ayida and Onitiri, eds. (1971), p.220; Fajemirokun, speech to 83rd Annual General Meeting of the Lagos Chamber of Commerce, quoted in *New Nigerian*, 3 December 1971, and criticized by *Daily Express*, editorial, 21 August 1971, and by *Daily Times*, "Opinion", 16 September 1972.

273. O. Akinkugbe, "Comments on Mr Asiodu's Paper", in Ayida and Onitiri, eds. (1971), pp.449-50; Dikko, quoted in *New Nigerian*, 19 March 1971.

274. Interview: A. Ayida.

275. See *Daily Express*, 21 August 1971; *Daily Times*, 23 January 1971; *New Nigerian*, 3 December 1971; and Lagos Chamber of Commerce, Press Release, n.d. [November? 1971], covering proceedings of the 83rd Annual General Meeting.

In the North, which was perhaps wrongly believed to suffer from a dearth of business expertise and local interest in equity shareholding,[276] officials were more intent on Northernization than indigenization. Indeed, many preferred foreigners to Southerners. The Kaduna-based *New Nigerian* asked "whether it is fair to expect people who are prepared to invest their money to entrust their businesses to incompetent people, simply because they happen to be Nigerians". The newspaper highlighted as an example the poor management in Lagos of Federal parastatals.[277] In a speech to the Barewa College Old Boys' Association, a bastion of the northern élite, Alhaji Shehu Shagari, then a Federal commissioner, condemned the Nigerian associates and directors of foreign firms who had placed "selfish interests before the country's interests" by selling out to foreigners in order to enrich themselves.[278] His remarks, like those of another Federal commissioner, Aminu Kano, who equated the NEPD 1972 with a commercial "jihad" (against foreigners or the Christian South?),[279] can be interpreted as a veiled attack on the "Yoruba Bourgeoisie" and an exhortation to northern participation.

In the East, the problem was not the lack of willing investors but a shortage of capital. Of all areas in the country, the East was worst affected by the Civil War and most consumed by the task of reconstruction. Many local businessmen had been ruined by the War and nearly everyone had lost his savings because of the war-time currency conversion. Though some Eastern businessmen and government officials

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276. Callaway's research on the four earliest public share offerings in Nigeria indicates that "Northerners" were only slightly less prominent amongst Nigerian shareholders than investors from other parts of the country. However, in the case of John Holt's ordinary share issue, Northerners garnered as many shares as investors in any other Region.

277. *New Nigerian*, editorial, 25 March 1971.

278. Shagari, quoted in *New Nigerian*, 12 April 1971.

279. Kano, quoted in *New Nigerian*, 26 June 1971.

were not uninterested in equity indigenization, they pressed for a delay to give themselves time to recover from the War.[280]

Statist, commercial, ideological and geographical cross-currents mingled in a way that complicated Federal government action on indigenization. Various proposals had been shelved by the FEC during the Civil War but were scrutinized again during preparation of the *Second National Development Plan 1970-74.* It was then that the FEC decided on further nationalization of "strategic" industries. In 1970, legislation which would have reserved certain commercial activities exclusively for Nigerians was blocked by Asian businessmen who secured the support of a few top generals.[281] Throughout that year, the Economic and Finance Committee (comprised mainly of permanent secretaries of the economic ministries) refined and circulated plans for indigenization. Early in 1971, they presented to the FEC recommendations for partial and full equity indigenization, depending on the type of business affected. It was clear that most Federal commissioners were opposed, mainly for the ideological and sectional reasons enumerated above. Anticipating defeat, Abdul Atta, Secretary to the Military Government and a staunch advocate of indigenization, convinced General Gowon to delay the FEC's vote.

The permanent secretaries re-introduced their proposals at an FEC meeting in June, when most of the commissioners known to be opposed were away on official business. This time their ideas were accepted. The policy was quickly announced to the public to pre-empt the certain objections of the Federal commissioners. However, opposition to the scheme persisted, and its announcement touched off an intense campaign, both within and outside the government, to alter some of its provisions. Formal promulgation of the policy was consequently delayed for nine

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280. Interviews: F.C. Ogbalu; S. Okeke.

281. I am particularly indebted to A. Ayida for his account of the government's proceedings leading up to the promulgation of the NEPD 1972.

months, until February 1972. In its published form, the Nigerian Enterprises Promotion Decree 1972 reflected compromises with its opponents. As will be seen in Chapter Three, some who failed to achieve their aims with the Decree's formulation succeeded during the course of its implementation.

A Pattern of State Regulation

The political process leading up to the NEPD 1972 had many historical precedents. With each of the regulatory policies discussed in this chapter, the interests of "native races", "peasant farmers" and "Nigerian masses" provided justification for state interventions on their behalf. However, more often than not, restrictions against the menace of business competition hurt the very people who were supposed to benefit. Furthermore, official justifications often veered far from the substance and effect of the regulations adopted. The NEPD 1972 did not in fact address personnel issues nor prescribe Nigerian control of enterprises, both of which dominated much of the discussion at the time. Colonial restrictions against land alienation actually regulated trade. Price stabilization policies implemented by produce marketing boards served as means to tax farmers. Regional development boards were used to finance party politics and to offer concessions to foreign investors, not merely (or even *mainly*, at times) to execute coherent industrialization plans.

Foreign domination of the economy presented governments with a plausible rationale to intervene. State regulations were advanced in the name of "indigenous" or "national" interests, but governments rarely acknowledged that not all Nigerians share the same interests. Regulations supposed to benefit indigenous traders harmed local farmers. Northerners wanted "Northernization" more than "Nigerianization". The indigenous interests favoured by the NEPD 1972 were those of businessmen.

However, even "Nigerian business" was not monolithic. Each of its diverse elements had its own concerns, and only some of these were dealt with by the NEPD 1972 in its final form. The Decree protected certain Nigerian entrepreneurs but not others. It created investment possibilities for some but not for those without access to capital and, as will be seen in Chapter Three, to "modern" institutions, such as the Federal bureaucracy. It left the pleas of aspiring Nigerian managers unanswered.

All Nigerian governments regulated patterns of business competition, both between foreign and local business and between private and public enterprise. However, only the state (or more precisely, its operatives) consistently benefited from its regulatory interventions. Whether to fulfil a "dual mandate", plan "development" or promote "indigenization", government interventions vested in the state instruments of economic control, even if officials sometimes lacked the capacity or inclination to use them for their intended purpose. As with the NEPD 1972, the debate over the appropriate role of the state in Nigeria's economic life was not argued only in terms of "socialism" versus "liberalism". Concepts such as "development" and "indigenization" also provided ideologies for state regulatory interventions, and for a multitude of new agencies to enforce them. With its expanded powers, the state was used to redistribute opportunities within the private sector and to serve the ends of governments and their supporters. Although the Gowon Administration's motives differed from those of Nigerian businessmen, both took part in promoting the NEPD 1972. In Chapter Three, the implementation and effects of the NEPD 1972 will be examined to appraise how well the Decree satisfied the ambitions of each.

CHAPTER THREE

THE NIGERIAN ENTERPRISES PROMOTION DECREE 1972

PART ONE: REGULATORY DESIGN

A Panacea for Dependency?

The Nigerian Enterprises Promotion Decree 1972 (NEPD 1972) was greeted enthusiastically by the Nigerian press. The *Daily Times* heralded the policy as "an important milestone in Nigeria's struggle to wrest control of its economy from foreigners who, however well intentioned or honest, are here to exploit our wealth and resources".[1] The *Daily Express* exclaimed: "Hats off to our Rulers! The decision announced yesterday of the SMC ... will go down in history as, perhaps, its most praise-worthy patriotic whirlwind action ever", adding that "it is a too happy thing that the axe has fallen crushingly heavy on aliens who have pillaged the Nigerian economy so greedily for so long".[2] The *Sunday Times* observed that "Nigeria has taken a bold stride toward Economic Freedom", calling the Decree "one of the two greatest achievements of our country's soldiers", the other being victory in the Civil War.[3]

Senior officers of the Federal government were hardly less effusive when describing the significance and lofty intentions of the NEPD 1972. A Federal commissioner characterized the Decree as "a major land-mark in the Federal Government's attempts to ensure that Nigerians play a worthwhile and active role in the economic life of their country".[4] Allison Ayida, one of the Decree's architects, speculated that the NEPD 1972 "may yet turn out to be one of the most important landmarks of

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1. *Daily Times*, editorial, 19 June 1971.
2. *Daily Express*, editorial, 19 June 1971.
3. *Sunday Times*, editorial, 20 June 1971.
4. A. Adedeji, in Udo-aka, et al. (1977), p.3.

the military regime".[5] It was argued in Chapter One that much of the scholarly criticism of the Decree is misdirected because it evaluates the NEPD against the government's stated objectives (enumerated below). If, instead, the text of the legislation had been the basis for analysis, it would have been clear that the NEPD 1972 could not have satisfied the government's supposed aspirations -- or those of the public -- because its provisions did not equip it to do so.

Provisions of the NEPD 1972

The NEPD 1972 specified minimum levels of Nigerian participation in the ownership of certain business enterprises in the country. For this purpose, two schedules divided the range of economic activities in Nigeria into three groups. Firms classified under Schedule I were reserved exclusively for Nigerian ownership. Foreigners were permitted to continue their equity participation in the 33 activities of Schedule II, provided their firm's share capital exceeded N£200,000 (₦400,000), or its turnover exceeded N£500,000 (₦1,000,000), *and* Nigerian "citizens or associations" held 40% of the share capital. A third group, comprising all other activities not specified in the Decree, were unaffected by its provisions.

Table 3.1:
NEPD 1972, Schedules

Schedule I: (exclusive Nigerian ownership)

1. Advertising and public relations agencies.
2. Pools, betting and lotteries.
3. Manufacture of domestic electrical appliances not combined with components manufacture.
4. Blending and bottling of alcoholic drinks.
5. Manufacture of blocks, bricks and tiles for building.
6. Bread and cake making.
7. Candle manufacture.
8. Casinos and gaming centres.
9. Cinemas and other places of entertainment.
10. Clearing and forwarding agencies.
11. Hairdressing.
12. Haulage of goods by road.
13. Laundry and dry-cleaning.

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5. Ayida (1973).

Schedule I: (continued)

14. Manufacture of jewellery and related articles.
15. Newspaper publishing and printing.
16. Garment manufacture if not combined with textile production.
17. Municipal bus services and taxis.
18. Radio and television broadcasting.
19. Retail trade, excepting department stores and supermarkets.
20. Rice milling.
21. Singlet manufacture.
22. Tyre retreading.

Schedule II: (at least 40% Nigerian ownership)

1. Beer brewing.
2. Boat building.
3. Bicycle and motorcycle tyre manufacture.
4. Soft drink bottling.
5. Coastal and inland waterways shipping.
6. Construction.
7. Cosmetics and perfume manufacture.
8. Department stores and supermarkets.
9. Distribution of machines and technical equipment.
10. Distribution and servicing of motor vehicles and spare parts.
11. Estate agencies.
12. Fish and shrimp trawling and processing.
13. Furniture making.
14. Insecticides, pesticides and fungicides.
15. Internal air transport.
16. Manufacture of bicycles.
17. Manufacture of cement.
18. Manufacture of matches.
19. Manufacture of metal containers.
20. Manufacture of paints, varnishes and similar articles.
21. Manufacture of soaps and detergents.
22. Manufacture of luggage.
23. Manufacture of wire, nails, nuts, bolts and similar articles.
24. Paper conversion industries.
25. Inter-state passenger bus services.
26. Poultry farming.
27. Book printing.
28. Timber processing and wood conversion industries.
29. Screen printing and dyeing on cloth.
30. Slaughtering, storage, distribution and processing of meat.
31. Shipping.
32. Travel agencies.
33. Wholesale distribution.

Source: NEPD 1972, sections 4-5, 16.

These schedules corresponded to a presumed hierarchy of financial, technical and organizational sophistication. There were, however, several anomalies and exceptions. Rice milling, for example, was a Schedule I activity, even though the milling of other agricultural products was

exempted from the Decree. Newspaper publishing and broadcasting were included in Schedule I for "security reasons", as it was believed that the news media had played a decisive propagandist role during the Civil War.[6] Banking, insurance and petroleum were notably excluded (see Part Three).

The Decree established the inter-ministerial Nigerian Enterprises Promotion Board (NEPB) to supervise the programme's implementation. The Board was to be chaired by the Permanent Secretary, Federal Ministry of Industries (FMI), and comprised senior representatives of the Federal Ministries of Trade, Finance (FMF), Economic Development and Internal Affairs (FMIA), as well as three other members who represented indigenous investment and development agencies. The NEPB was responsible to the Federal Commissioner for Industries, who oversaw the Board and implementation of the Decree in general.

In addition to the Board, the NEPD 1972 provided for the creation of Nigerian Enterprise Promotion Committees (NEPCs) in each of the States. The Committees were supposed to assist the Board in instituting the Decree, mainly by identifying and classifying affected enterprises located within their jurisdiction. An amendment to the Decree in June 1973 further involved the States in the implementation of the NEPD 1972 by enabling officials of State governments (i.e. civil servants from outside the Federal Public Service) to serve as inspectors of enterprises.[7]

To facilitate the Decree's execution, the NEPB was to engage a Secretary who would also head its administrative secretariat. Established in April 1972, the NEPB Secretariat incorporated three operating units: Administration, Inspectorate and Valuation. The Administration Unit managed the Secretariat. The Inspectorate Unit held broad powers to subpoena information from affected enterprises and was mandated to

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6. Interview: A. Ayida.
7. Nigerian Enterprises Promotion (Amendment) Decree, No.28 of 1973.

report non-compliant firms to the Board. The Valuation Unit was given the task of valuing companies for prospective Nigerian purchasers and for the NEPB, in the event of a Board take-over, but it never operated because of a shortage of qualified staff. Instead, the Board relied on the Industrial Inspectorate Division of the FMI to render these valuation services.[8] With the exception of some field inspectors, the Secretariat's staff were all members of the Federal Public Service who had been seconded from various Federal ministries.

All firms were directed to meet the Decree's requirements by 31 March 1974. After that date, the Board was empowered to take over or sell any enterprise in default of the regulations. The proprietors and directors of firms failing to comply were personally liable to fines and prison sentences. Firms could appeal against Board decisions, but through the FMI rather than through the judicial system. The Commissioner for Industries, with the prior approval of the Federal Executive Council, was empowered to grant exemptions from the provisions of the Decree, alter the lists of enterprises specified by the schedules, and vary the amount of share capital required. In the spirit of African co-operation, and on a basis of international reciprocity, citizens of OAU-member countries were treated as Nigerian citizens for the purposes of compliance.

Official Rationale

What were the Decree's stated objectives? According to an explanatory note appended to the legislation in its published form, the NEPD 1972 was intended "to advance the promotion of Nigerian enterprises".[9] This was clarified and expanded upon by an official statement announcing the policy, which listed as its aims:

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8. "IEP Report", paragraph 1.14.
9. NEPD 1972, Explanatory Note, 1.

1. to create opportunities for Nigeria's indigenous businessmen;
2. to raise the proportion of indigenous ownership of industrial investments;
3. to maximize local retention of profits;
4. to raise the level of the local production of intermediate capital goods; and
5. to increase Nigerian participation in decision making in the management of the larger commercial and industrial establishments.[10]

From this, from the *Second National Development Plan 1970-74* (see Chapter Two), and from an examination of other public statements and writings of senior government officers (see below), the Decree's official objectives can be summarized as follows: (1) amelioration of the balance of payments; (2) domestic capital accumulation; (3) promotion of indigenous entrepreneurship; (4) employment of Nigerians in management; and (5) technological development.

It was argued that an increase in the level of indigenous ownership of business enterprises would improve the nation's balance of payments, in part because "Nigerians have greater incentive to retain their profits in [the] country".[11] The level of personal remittances was also projected to decline since Nigerians were expected to take over jobs formerly held by expatriates. The adverse effects of foreign disinvestment on the country's external reserves were acknowledged but played down. It was maintained that foreigners divesting themselves of Schedule I firms would invest the proceeds in other sectors of the economy, and that foreign capital invested in Schedule II enterprises would not be displaced but would, instead, be supplemented with capital from Nigerian sources.[12]

The Decree was also expected to promote indigenous savings and investment, and by doing so, contribute to domestic capital accumulation. According to this view, formerly foreign-owned enterprises would continue

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10. Federal Ministry of Information Press Release, 18 June 1971; also quoted by the "IEP Report", Introduction.

11. A. Ayida (then Permanent Secretary, Federal Ministry of Finance), quoted in *Daily Times*, 29 October 1973.

12. Ebong (then Permanent Secretary, Federal Ministry of Economic Development and Reconstruction) (1972), p.11.

to profit handsomely following compliance with the NEPD 1972. However, since Nigerians would either own these enterprises outright, or own a 40% stake in Schedule II firms, a significant portion of this income stream was supposed to be re-invested in the national economy. And by creating new outlets for local investment, the Decree, it was claimed, would encourage Nigerians to "develop a better habit of saving and thrift ... so essential for the economic independence of the country".[13]

The promotion of indigenous entrepreneurship was, perhaps, the most frequently cited objective of the NEPD 1972. General Gowon suggested that through the purchase of functioning firms sold by departing aliens, Nigerians would have a running start "to cultivate sound commercial principles in their business practices and to replace the erstwhile primitive business methods by sound planning, hard work and dedication".[14] Mr Ayida emphasised the merits of Schedule I as an "exclusive training ground" to serve as "a spring board for participating in the more sophisticated, modern sectors of the economy". The Decree's schedules were so designed, he maintained, because "a primary objective of the indigenisation exercise is ... training on the job for local entrepreneurship".[15]

It was asserted that the NEPD 1972 would bring about the "Nigerianization" of private sector enterprises. This was to be achieved through owner-management in the case of Schedule I enterprises. In Schedule II firms, Nigerianization would ensue as a result of board room pressures: "the objective is to increase indigenous participation at Board level and consequently at the level of management and skilled

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13. *Caring for the People: Answers on the 1974/5 Federal Budget*, by Major-General Yakubu Gowon, (Lagos: Federal Ministry of Information, 1974).

14. "12th Independence Day Speech", broadcast by Major-General Yakubu Gowon, reprinted in *Nigerian Observer*, 6 October 1972.

15. A. Ayida, quoted in *Daily Times*, 29 October 1973.

operations".[16] Thus, it was anticipated that Nigerian owners would agitate from within to promote their compatriots to executive ranks.

Once in control of Schedule I enterprises, and influencing important decisions in Schedule II firms, Nigerians were expected to reverse technological dependence. Schedule I firms were regarded as already within the bounds of Nigerians' technical competence. In Schedule II firms, it was argued, indigenous investors, in co-operation with newly Nigerianized management, would pressure their foreign "technical partners" to accelerate the pace of technology transfer and to reduce its cost.

A Policy Critique

Although the NEPD 1972 was only one of many state interventions justified as means to promote indigenization (see Chapter Two), government officials discussed the Decree's objectives as if it represented the entire effort. As seen above, the NEPD 1972 only regulated levels of indigenous equity ownership in some businesses and patterns of competition in others. Even if the Decree had been implemented meticulously, its provisions were too narrow and indirect in approach to have realized the ambitious goals of indigenization which had been attributed to it.

Despite the policy-makers' professed intention to lessen recurrent foreign exchange costs associated with foreign investment, the Decree did not address balance of payments issues directly. Nothing in NEPD 1972 restricted profit remittances, which were regulated by the exchange control authorities. Nor did the Decree impose limits on expatriate employment, or the level of remittances to which foreign employees were entitled. Moreover, foreigners were free to repatriate the proceeds derived from selling shares to Nigerians.

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16. Ebong (1972), p.10.

It was unlikely that the NEPD 1972 would promote much domestic capital accumulation. This was because the Decree did not ensure that Nigerian investors would add to the capital stock rather than simply replace that portion which had been owned by foreigners. Furthermore, the Decree could not guarantee that firms would continue to generate profits which could then be re-invested. And it did not seek to regulate how companies deploy investible funds. Firms still decided whether to retain profits or to pay them out to shareholders. Even though the Decree entitled Nigerians to a larger share of these dividends, indigenous investors were not obliged to re-invest in the national economy either. Indeed, Biersteker observes that Nigerian investors were more likely to spend their dividends on luxury consumption rather than to invest in productive ventures.[17]

Claims that the Decree would foster indigenous entrepreneurship were also suspect. Because foreigners engaged in Schedule II activities were only required to sell a 40% equity stake, in these firms the Decree created mainly passive roles for Nigerians as portfolio investors. Although 100% indigenous ownership was prescribed for Schedule I businesses, the Decree did not rule out the possibility of Nigerian ownership with expatriate management. Even if a Nigerian were to have gained full ownership and control of a Schedule I enterprise, this might not have served as a useful "spring-board" to more sophisticated ventures. The managerial skills required to run a small-scale enterprise as an owner-operator were quite different from those applied in larger, Schedule II firms, where corporate styles of management were the norm.

Controls governing the employment of expatriates and measures to promote Nigerian managerial participation were completely absent from the Decree. Anticipating the large-scale withdrawal of expatriate

17. Biersteker (1987b), p.148.

managers from Schedule I enterprises, a Federal permanent secretary even encouraged the recruitment of foreign personnel to fill the "real vacuum".[18] The technological objectives of the Decree also appear to have been remote. The NEPD 1972 specifically exempted the most technologically sophisticated firms, and the authorities explicitly encouraged aliens displaced from Schedule I enterprises to invest in higher-technology businesses. The legislation did not require any transfer of research and development spending to Nigeria or any technical training for Nigerians. Nor did it prohibit restrictive arrangements that bind local subsidiaries to technologies (e.g. imported, semi-finished goods for local assembly) provided by parent firms.

The viability of most of the "national" economic objectives attributed to the NEPD 1972 depended on the willing co-operation of Nigerian investors. Even then, one would have needed to make some highly questionable assumptions about the ability of Nigerian owners to control the foreign-affiliated enterprises in which they had invested and about their motives for doing so. First, there was no reason to expect that Nigerian investors in Schedule II firms, owning collectively just 40% of the equity, could wrest corporate control from foreign investors who still held 60% majority stakes in their Nigerian subsidiaries. Second, even if Nigerians had exercised some control in the board rooms, it seems illogical to have expected them, more so than foreigners, to promote corporate policies harmonious with the government's development objectives. Like their expatriate predecessors (or fellow shareholders), Nigerians wanted to profit from their investments.

Much as the NEPD 1972 was warmly received, eventually it was roundly attacked by government officials, the press, sections of the business community, the public at large and, as has been seen in Chapter

18. Ebong (1972), p.10.

One, by academic critics. It was argued in Chapter Two that the NEPD 1972, in its published form, emerged from compromises within the business community, amongst public officials, and between both groups. The government may well have deliberately exaggerated the Decree's potential transformative effects to serve its immediate political purposes. However, by doing so, the authorities generated great public enthusiasm for the Decree, raising popular expectations which the legislation did not satisfy and could not have done. For the NEPD 1972 was modest in scope and limited in conception. It legislated only the transfer of equity shareholdings, established limited preserves for exclusive indigenous participation, exempted the most complex organizations, and, as will be seen below, directed its assault at a segment of the foreign business community which operated on a small scale. The government claimed that the Decree was intended to enable Nigerians to secure "appreciable and increasing participation in the growing industrial and commercial prosperity of the nation".[19] But in the Decree's provisions, it equated "participation" with mere *ownership.*

The Industrial Enterprises Panel (IEP), a committee appointed by the FMG in 1975 to review the NEPD 1972, argued that the Decree should not be criticized "for not achieving that which it was not meant to achieve".[20] However, as will be seen below and in Chapter Four, the IEP's report did confuse the distinction it had attempted to draw between the government's stated intentions and the Decree's actual provisions. In the analysis to follow, the NEPD 1972 will not be evaluated against its failure to bring about the broad aims of "indigenization". Rather, it will be treated as a limited, but significant, programme of mandatory

19. Federal Ministry of Information, Press Release, 18 June 1971.
20. "IEP Report", paragraph 1.8.

divestment. Its impact on foreign business and on Nigeria's political economy will be assessed strictly on that basis.

PART TWO: REGULATORY IMPLEMENTATION

Foreign Response

Despite the limited scope of the NEPD 1972, some members of the Federal government were uneasy about its possible repercussions for foreign investment. Several officials attempted to allay the concerns of the expatriate business community by insisting that the Decree would not darken Nigeria's investment climate. General Gowon declared that the NEPD 1972 was not a punitive action against "genuine" foreign investors whose contribution was still welcome.[21] A Federal permanent secretary noted how other countries, including Canada and France, were also modifying their terms for foreign investors at the time. He defended the policy further by comparing it to England's more restrictive mercantilist laws of the sixteenth and seventeenth centuries.[22]

These comments were to reassure the large, Western-based multinationals, not the permanently-resident expatriate traders whom the NEPD 1972 really was meant to dislodge. According to Mr Ayida, in promulgating the Decree,

> We [in the government] weren't concerned about the multinationals. The multinationals were a side concern. It [the Decree] was done mostly to displace foreigners doing business in the country. It was directed against the Lebanese and Indian communities.[23]

As Table 3.2 indicates, most of the firms slated for complete takeover by Nigerians were indeed of Lebanese and Indian origin:

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21. "12th Independence Day Speech", broadcast by Major-General Yakubu Gowon, reprinted in *Nigerian Observer*, 6 October 1972.

22. Ebong (1972), p.9.

23. Interview: A. Ayida.

Table 3.2:
Nationality and Schedule of Firms Affected by the NEPD 1972

	Schedule I		Schedule II		All Firms	
Nationality	No.	% of SchI	No.	% of SchII	No.	% of T.
Lebanese	188	52.7%	87	14.7%	275	29.0%
British	35	9.8	183	30.9	218	23.0
Indian	42	11.8	76	12.8	118	12.4
Italian	9	2.5	52	8.8	61	6.4
German	3	.8	25	4.2	28	3.0
Swiss	4	1.1	21	3.5	25	2.6
Syrian	10	2.8	11	1.9	21	2.2
American	3	.8	17	2.9	20	2.1
Dutch	0	.0	14	2.4	14	1.5
French	2	.6	11	1.9	13	1.4
Greek	4	1.1	9	1.5	13	1.4
All others[a]	57	16.0	87	14.7	144	15.2
Total:	357	37.6%	593	62.4%	950	100.0%

[a] Includes firms involving more than one foreign nationality.

Source: Calculated from "IEP Report": paragraphs 1.33-34; Appendices 3 and 4, Vol.II.

By contrast, most of the European and American firms affected by the NEPD 1972 were classified under Schedule II, obliging them merely to share ownership with Nigerians.

The IEP reported that foreign companies were at first "caught unawares, with a general attitude of disbelief" about the NEPD.[24] This seems improbable considering the duration and intensity of the policy debate, and the nine-month delay between the announcement of the Decree and its actual promulgation. Furthermore, the NEPD 1972 permitted firms more than two years in which to comply. The long lead time provided a respite during which companies continued trading and found ways to contend with the new regulations. Even before the Decree's formal publication, foreign companies were said to be taking evasive action in order to "frustrate indigenisation".[25]

Stalling for additional time was one such tactic. Collins maintains that firms deliberately inflated their asking prices to ward off interested

24. "IEP Report", paragraph 1.55.
25. *West African Pilot*, 3 November 1971.

buyers.[26] Biersteker claims that some firms simply ignored the Decree, secure in the knowledge that if the authorities ever caught up with them they could always produce a forged "copy" of their compliance certificate and claim that the NEPB had lost the "original".[27] These ploys aside, the Board does seem to have been quite liberal in granting extensions. Its "gentle approach" towards "foot-dragging" by expatriate firms was criticized harshly by the IEP, which described it as a "basic defect" in the Decree's implementation.[28]

As outlined in Chapter Two, foreign members of the "organized private sector"[29] eventually supported the government's new indigenization policy once its inevitability was recognized. In private, however, companies lobbied intensively for alterations to the Decree's provisions and managed to secure several important concessions. During that period, several scheduling adjustments were made.[30] Furthermore, a provision which would have required companies with share capital exceeding N£250,000 (₦500,000) to sell shares to the public through the Stock Exchange was removed, following successful representations by a few multinational firms which would have been affected.[31]

Firms continued to pressure the government after the Decree's promulgation, again with some success. Petroleum haulage was transferred to Schedule II little more than a month before the compliance

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26. Collins (1974), p.499.

27. Biersteker (1983), p.201.

28. "IEP Report", paragraph 1.54(j).

29. Throughout this thesis, the "organized private sector" (or "organized business community"), as its members often refer to themselves, are terms which will be used to refer to expatriates and Nigerians (and the firms with which they are associated), who belong to organized business lobbies such as the Lagos Chamber of Commerce (LCC) and other local Chambers of Commerce, the Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA), the Nigerian Institute of Management (NIM), the Manufacturers Association of Nigeria (MAN), the Nigerian Employers' Consultative Association (NECA), and more specialized professional and trade associations.

30. Compare Schedules in the Federal Ministry of Information Press Release, 18 June 1971, which announced the policy, against those published in the NEPD 1972 (No.4).

31. M.A. Odedina (then Director of the Lagos Stock Exchange), quoted in *Daily Times*, 16 August 1975.

deadline.[32] Another decree transferred clearing and forwarding agencies to Schedule II with just one week to spare.[33] One journal attributed the reshuffle to the retirement plans of a top military officer.[34] Whether this was true or not, the scheduling changes contributed to the widespread impression that private interests were undermining the Decree.[35] As the *Daily Times* reasoned,

> if the Government could succumb so readily to pressures from forwarding, clearing and petroleum haulage firms, there is no guarantee that it could muster the courage ... to deal firmly with foreign firms who might have broken the law.[36]

Some firms applied for specific exemptions rather than trying to bring about changes in the legislation itself. The FMG was compelled to publish a special decree in an attempt to thwart a last-minute deluge of such applications.[37] The IEP reported that asset revaluations were the most common way in which firms obtained exemption from Schedule I. The NEPB tolerated revaluations above the ₦400,000 minimum level stipulated in the Decree even by firms which previously had been valued at less than ₦100,000.[38] The Board also granted exemptions on "compassionate", "humanitarian" and other subjective grounds, justifications the IEP attacked as "spurious".[39] In all, the NEPB exempted 81 firms, a figure that does not include a larger number which were effectively exempted by the NEPCs. According to the IEP, these firms never came to the Board's attention because some of the State Committees had been slack in identifying foreign companies and indulgent in classifying them.[40]

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32. Nigerian Enterprises Promotion (Amendment) Decree, No.7 of 1974.

33. Nigerian Enterprises Promotion (Amendment) Decree, No.13 of 1974. It will be seen in Chapter Four that clearing and forwarding agencies received favourable treatment under the NEPD 1977 as well.

34. Reported in *Afriscope* (May 1972, p.7), as cited by Collins (1974), p.492.

35. "IEP Report", paragraph 1.54.

36. *Daily Times*, editorial, quoted by Jose (1974), p.27.

37. Nigerian Enterprises Promotion (Amendment) Decree, No.28 of 1973.

38. "IEP Report", paragraph 1.55(1).

39. "IEP Report", paragraph 1.54(k); and Appendix 7, Vol.II.

40. "IEP Report", Appendix 7, Vol.II.

The majority of the 81 firms the Board exempted were small-scale traders, import-exporters, building contractors, equipment suppliers, transporters, and book publishers. Contrary to a widespread impression, only a few of the large foreign companies operating in Nigeria secured outright exemptions.[41] The authorities did permit the UAC, John Holt, Leventis and other major commercial firms to retain many of their Schedule I activities by allowing them to reorganize into Schedule II holding companies.[42] However, owing to the size and visibility of these firms, the concessions they received did not pass unnoticed. Reports in the national press alleged that the big commercial houses had threatened the government with economic reprisals, and that they engaged their home-country governments to apply "diplomatic and not-so-diplomatic pressures", charges also levelled by the IEP.[43] As a Federal permanent secretary put it, "the whole thing is aimed at shaking national confidence".[44] The government was indeed anxious about the possibility of harmful economic consequences, particularly disrupted retail distribution and inflation, which might have ensued following the sale or closure of the large commercial firms' Schedule I subsidiaries. These fears gave the biggest expatriate traders considerable leverage with the authorities.[45]

Many smaller expatriate firms also restructured their organizations, but usually without the regulators' explicit consent. These firms sold their Schedule I warehousing and retailing interests to Nigerian associates and then re-established themselves as "manufacturers' representatives" under Schedule II. They legally satisfied the Decree's requirements but actually remained in prohibited retailing activities because, as the IEP found, they continued to determine the source, price and quality of the

41. "IEP Report", Appendix 7, Vol.II.
42. "IEP Report", paragraph 1.55.
43. "IEP Report", paragraph 1.55.
44. Ebong (1972), p.9.
45. Interviews: A. Ayida; C. Ogunbanjo; A. Ogunsheye.

goods sold by the "glorified shopkeepers" they had recruited.[46] The government was aware of these malpractices but neglected to redress them. The Federal Commissioner for Industries promised to close the "loop-hole" in the Decree which enabled foreigners to regroup their activities,[47] but he never did.

Another way in which foreigners held on to Schedule I businesses was through "fronting" arrangements. The IEP identified 89 suspected cases of fronting, a tally the Panel acknowledged was "far from conclusive". According to the "IEP Report", shares were "sold" to Nigerians for little or no monetary consideration. In return for a share of the profits, the new indigenous "owners" agreed not to interfere in the firm's management. The report claimed that expatriates continued to operate many Schedule I enterprises from the back office while a loyal Nigerian clerk, having been designated the firm's "owner", sat out front.[48] Deception of this kind was facilitated by the FMIA decision to allow Nigerian investors in Schedule I firms to employ former expatriate proprietors as managers. The Ministry argued that

> not to allow these foreigners to continue to provide managerial skills necessary to run the affected enterprises efficiently and profitably is to precipitate their collapse resulting in great financial loss to the new Nigerian owners and consequent harm to the economy of the country.[49]

As with the concessions granted to the largest commercial houses, the government accommodated foreign businesses because confidence in the practicality of the NEPD 1972 was not shared by all of its officials.

Although fronting attracted the most criticism, naturalization was probably more common as a way of avoiding compliance with the NEPD. Before and after the compliance deadline, hundreds of applications for

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46. "IEP Report", paragraph 1.55(4).
47. R. Adetoro, quoted in *Morning Post*, 12 December 1972.
48. "IEP Report", paragraphs 1.56-9.
49. Ministry of Internal Affairs statement, quoted in "IEP Report", paragraph 5.47.

naturalization were submitted to the FMIA.[50] Other expatriate businessmen dispensed with the lengthy application procedures in favour of a more direct approach. As one FMIA official speculated,

> Some aliens must be committing bigamy just to get a qualification to continue to operate businesses reserved exclusively for Nigerians. ... If such marriages were meant only to circumvent the indigenisation decree, they would, in the first instance, reduce the value of Nigerian ladies to that of ordinary goods.[51]

Another device was to obtain exemption through the acquisition of citizenship in one of the OAU-member countries, some of which were apparently more willing to spawn "over-night Africans" than was Nigeria.[52] Because the NEPB permitted firms to continue operating whilst their owners' naturalization applications were being considered, many remained in business for years after the NEPD 1972, whether or not the authorities ultimately ruled against them.[53]

Regulatory Administration

A discussion of the evasive actions taken by foreign firms in response to the Decree should not distract attention from the failure of the Nigerian regulatory authorities to counter them. Three months after the 31 March 1974 compliance deadline, the Federal Commissioner for Industries announced the measures to be taken against firms in default of the NEPD 1972. All alien companies not then in possession of a compliance, extension, or exemption certificate from the NEPB were to be taken over by the Board on 1 September.[54] In fact, there was virtually no chance that the measures he outlined could have been instituted. Verification reports from the States had not yet been

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50. *Daily Times*, 19 March 1973.

51. S. Awoniyi (then Permanent Secretary, Federal Ministry of Internal Affairs), quoted in *New Nigerian*, 18 September 1974.

52. See *Daily Times*, editorial, 2 September 1974.

53. *New Nigerian*, 3 June 1977.

54. *New Nigerian*, 2 June 1974.

submitted, and the NEPB had no other means to check that companies possessed the appropriate certificate. Moreover, Board officials had already informed the Ministry that they would need another four to six months to process the information once it had been collected.[55] Two years after the prescribed compliance deadline, not a single defaulting firm had been brought to book.[56]

One difficulty of implementing the NEPD 1972 was that it required the joint efforts of several government agencies. To facilitate co-ordination, the Decree had provided for inter-ministerial representation on the Board. Very senior officials of the relevant ministries and institutions were assigned to serve on the NEPB, including some of the most influential public servants in Nigeria at the time.[57] Despite the membership of top officials, the Board benefited neither from their authority within the bureaucracy nor from high-level co-ordination. In practice, these officials were too busy to attend to Board affairs and sent deputies in their place. Mr Ayida recalled that it was not scheduling conflicts, however, but the protection of bureaucratic prerogatives which was most to blame for lapses in ministerial co-ordination at the NEPB.[58]

The NEPB's difficult task of enforcing the Decree became even more complex in the absence of co-operation from the relevant ministries. The Board was denied a part in classifying businesses, which was done mainly by State ministries of trade, with some input from the Federal Ministry of Trade. The FMIA controlled applications for naturalization and work permits. As noted above, its acceptance of expatriate management of Schedule I firms made it very difficult to detect and suppress fronting. Even when the Board had identified firms in default of

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55. Interview: NEPB official.
56. "IEP Report", paragraph 8.3.
57. See *Daily Times*, 25 April 1972, for a complete list of Board members.
58. Interview: A Ayida.

the Decree, the FMF and Central Bank continued to authorize their remittances of profits and salaries.[59]

Although the Board would have benefited from greater co-operation within the government bureaucracy, its Secretariat was not able to perform the duties for which it was itself responsible. The "IEP Report" concluded that, "given the enormity of the task before the Secretariat, the staffing and the reporting system were totally inadequate and inappropriate, respectively".[60] Hampered by a shortage of qualified personnel, the Secretariat was forced to abandon its plans for the Valuation Unit, and other administrative functions were severely under-staffed. The Civil Service Commission's ruling that the Board recruit all of its professional personnel from Federal ministries on a secondment basis was partly to blame. Not only were ministries reluctant to lend staff to the NEPB, but civil servants themselves were loathe to hazard their careers on an appointment of limited tenure and professional promise.[61] One Board official recalled that Secretariat personnel spent much of their working days arranging to be transferred to other ministries and government departments.[62]

Lacking sufficient staff, the NEPB Secretariat was overwhelmed by the sheer number of firms which came within its purview. It had been forced to rely on newspaper advertisements simply to compile a list of enterprises affected by the Decree. Moreover, its staff were not of the calibre and experience needed to understand the complex legal, financial and organizational dealings of expatriate firms, to identify malpractices, and to collect evidence for successful prosecutions.[63] Having been unable

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59. "IEP Report", paragraph 1.31.

60. "IEP Report", paragraph 1.53.

61. Interviews: C. Ezeife (NEPB Executive Chairman); (retired) Federal permanent secretary.

62. Interview: NEPB official.

63. NEPB, "Annual Report", 1972-5, submitted as (unpublished) memoranda to the Commissioner for Industries.

to carry out on-site checks, "to ascertain or verify the price of acquisition, ...to determine the fairness of the price agreed to and the basis for determining that price, [or, indeed,] ... to ascertain if new shareholders actually exist", the NEPB had no alternative but to issue Certificates of Compliance "merely on the face of the evidence that a willing buyer and willing seller had concluded a deal".[64] In short, the NEPB was more a harassed monitor than a regulatory master.

The Board was clearly not the "high-powered" institution that some had hoped it would be. The SMC had decreed that "the Board shall have general power to advance and develop the promotion of enterprises in which citizens of Nigeria shall participate fully and play a dominant role",[65] but it had not invested the Board with the specific regulatory powers needed to fulfil such a bold mandate. The IEP criticized the NEPB for its inability "to participate effectively in negotiations for the transfer of enterprises between sellers and buyers", for not offering "after-sales management assistance" to Nigerian businessmen, and for failing to ensure that control of Schedule I firms passed to indigenous investors.[66] Yet, the Board had not been equipped to take on these tasks, and the Decree had directed it to do so without specifying how.

The NEPD 1972 did not authorize Board intervention in negotiations between buyer and seller. Indeed, the Decree explicitly entitled parties in private sales to come to their own terms. The Board had no way of knowing whether or not Nigerian investors had assumed managerial functions, nor did the Decree dictate that the new owners do so. Furthermore, the Board lacked powers to impose its managerial counsel on the new indigenous proprietors, even if it had been capable of offering any. The NEPB had no specific authority to seal up defaulting firms, and

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64. "IEP Report", paragraph 1.53.
65. NEPD 1972, Decree No.4 of 1972, Section (2).
66. "IEP Report", paragraphs 1.53(g), 1.54(2).

the fact that its decisions were subject to ministerial appeal meant that the Board could always be overruled because of political considerations. This might account for the large number of exempted firms.

Compliance and Default

The NEPB was probably unable to enforce the compliance of any firm intent on defying its authority. However, the IEP's allegation that the Board's tolerance of the "clandestine irregularities" of expatriates "for all intent and purposes defeated the purpose of the Decree" is both misleading and inaccurate.[67] By stressing foreigners' continued control, the Panel glosses over the fact that the NEPD 1972 had not required them to cede control to Nigerians. That many firms, especially Schedule II enterprises, remained under expatriate direction cannot, therefore, be accepted as evidence either of their non-compliance or of the Board's ineffectiveness. The relevant indication of compliance is whether or not foreign firms transferred to Nigerian citizens and associations equity ownership in the proportions stipulated by the Decree.

Using this more restricted (and precise) definition of compliance, we still find that many firms did not fulfil the Decree's requirements.

Table 3.3:
Compliance with the NEPD 1972, by Schedule

	Affected Firms	Compliant Firms	Defaulting Firms
Schedule I			
No. of Firms:	357	209	148
% of Sch I Firms:	100.0%	58.5%	41.5%
% of All Firms:	37.6%	28.3%	69.8%
Schedule II			
No. of Firms:	593	529	64
% of Sch II Firms:	100.0%	89.3%	10.7%
% of All Firms:	62.4%	71.7%	30.2%
All Firms			
No. of Firms:	950	738	212
% of All Firms:	100.0%	77.7%	22.3%

Source: Calculated from "IEP Report", paragraph 1.33.

67. "IEP Report", paragraph 1.54(j).

Critics of the Decree's implementation, the IEP amongst them, refer to low rates of compliance with the NEPD 1972 and conclude that it was broadly evaded. However, they neglect to point out, as is clear from Table 3.3, that Schedule II firms, constituting the majority of those affected by the Decree, were much more likely to have satisfied the Board's requirements than Schedule I firms. The latter group, representing only 37.6% of the total number of firms affected, comprised 69.8% of those deemed to have defaulted on the Decree's provisions.

If the compliance figures are disaggregated further, a revealing pattern begins to emerge. Table 3.4 indicates the number and proportion of defaulting firms of each nationality represented by at least 1% of the total number (950) affected by the Decree.

Table 3.4:
Firms in Default of the NEPD 1972, by Schedule and Nationality

	Schedule I		Schedule II		All Firms	
Nationality	No. Dflt.	% of T.	No. Dflt.	% of T.	No. Dflt.	% of T.
Lebanese	99	66.9%	16	25.0%	115	54.2%
Indian	25	16.9	11	17.2	36	17.0
British	2	1.6	10	15.6	12	5.7
Italian	2	1.4	7	10.9	9	4.3
Syrian	5	3.4	3	4.7	8	3.8
American	1	.7	2	3.1	3	1.4
Greek	1	.7	2	3.1	3	1.4
Swiss	0	.0	3	4.7	3	1.4
German	1	.7	1	1.6	2	.9
Dutch	0	.0	1	1.6	1	.5
French	0	.0	0	.0	0	.0
All others[a]	12	8.1	8	12.5	20	9.4
Total Dflt.:	148	100.0%	64	100.0%	212	100.0%

[a] Includes firms involving more than one foreign nationality.

Source: Calculated from "IEP Report": paragraphs 1.33-34; Appendices 3 and 4, Vol.II.

Table 3.5 expresses this information as "compliance rates", taking into account the number of firms affected by nationality (see Table 3.2).

Table 3.5:
Rates of Compliance with NEPD 1972, by Schedule and Nationality

	Schedule I		Schedule II		All Firms	
Nationality	No. Cmpld.	Rate	No. Cmpld.	Rate	No. Cmpld.	Rate
French	2	100.0%	11	100.0%	13	100.0%
British	34	97.1	178	97.3	212	97.3
German	2	66.7	24	96.0	26	92.9
Dutch	0	-	13	92.9	13	92.9
Swiss	4	100.0	18	85.7	22	88.0
Italian	7	77.8	45	86.5	52	85.3
American	2	66.7	15	88.2	17	85.0
Greek	3	75.0	7	77.8	10	76.9
Indian	17	40.5	65	85.5	82	69.5
Syrian	5	50.0	8	72.7	13	61.9
Lebanese	89	47.3	71	81.6	160	58.2
All others[a]	44	77.2	74	85.1	118	81.9
Total Cmpld.:	209	58.5%	529	89.3%	738	77.7%

[a] Includes firms involving more than one foreign nationality.

Source: Calculated from "IEP Report": paragraphs 1.33-34; Appendices 3 and 4, Vol.II.

Table 3.4 reveals that firms cited for infractions were concentrated amongst just a few nationalities, namely Lebanese and Indian. The particularly poor showing of the Lebanese, both the largest group affected by the Decree and the least likely to have been certified, created an appearance of widespread non-compliance, which was noted by Biersteker and by other scholars whose work was reviewed in Chapter One. Yet, examining the compliance rates in Table 3.5, it is evident that the compliance rates of Western European firms, especially the larger ones listed under Schedule II, were actually very high. Furthermore, Table 3.5 indicates that British firms, the second most numerous group, were not only amongst the most compliant but helped to offset the poor record of some of the others.

These national differences might reveal as much about the NEPB's ability to detect (or willingness to report) evasions as about the alacrity with which certain foreigners rather than others obeyed the law. If Lebanese and Indians were indeed more inclined to illegal circumventions than Western Europeans, it was partly because the Decree threatened

their business and personal interests the most. The majority of Levantine and Asian firms in Nigeria were small-scale, Schedule I enterprises. Unlike most Western European companies, they were typically managed by their owners, many of whom had settled permanently in the country. The Decree not only required these businessmen to surrender their livelihoods but also, in effect, obliged them to leave their country of long-time residence. (This is one reason why most naturalization applications during the period were submitted by Levantines and Asians. Nigerian citizenship was neither justifiable nor desirable for Western European managers, whose tenure in Nigeria rarely extended longer than five years.)

Therefore, it comes as no surprise that small-scale trading firms, predominantly Lebanese and Indian-owned and targeted specially by the Decree, constituted the majority of those in default.

Table 3.6:
Activities of Firms in Default of the NEPD 1972, by Schedule

	Schedule I		Schedule II		All Firms
Activity	No.	% of T.	No.	% of T.	No.
Wholesale and retail trading	99	75.6%	18	28.6%	117
Construction/contracting	-	-	19	30.2	19
Mfg. consumer non-durables	4	3.1	12	19.1	16
Transportation	11	8.4	1	1.6	12
Cinemas and film distribution	8	6.1	-	-	8
Gaming/betting pools	6	4.6	1	1.6	7
Mfg. consumer durables	-	-	5	7.9	5
Business services	2	1.5	3	4.8	5
Personal services	5	3.8	-	-	5
Mfg. capital goods	-	-	4	6.4	4
Agriculture/fishing	2	1.5	1	1.6	3
Publishing	-	-	1	1.6	1
Total[a]:	137	104.6%	65	103.2%	202

[a] The "Totals" exceed the number of firms for which information on business activities is available -- 131 (89%) and 63 (98%) of the defaulting firms listed respectively under Schedules I and II -- because a few firms carried on more than one activity.

Source: Compiled and calculated from "IEP Report": Appendices 5 and 6, Volume II.

Table 3.6 indicates that more than three-quarters of non-compliant firms in Schedule I and more than one-quarter of those in Schedule II were

engaged in wholesale or retail trading. Seventy-two per cent of the former group and 33% of the latter specialized in textiles. Thus, almost 40% of all the firms in default of the Decree were textile traders. More than two-thirds of these were Lebanese.[68]

Though numerous, companies in default of the NEPD 1972 represented little capital investment.

Table 3.7:
Share Capital of Compliant and Non-Compliant Firms, NEPD 1972[a]

	Schedule I	Schedule II	All Firms
No. Non-Compliant Firms:	148	64	212
Total:[b]	N4,205,787	N4,125,952	N8,331,739
Mean:[b]	N28,417	N64,468	N39,301
No. Compliant Firms:	209	529	738
Total:	N9,423,252	N250,303,758	N259,727,010
Mean:	N45,087	N473,164	N351,934
All Firms:	357	593	950
Total:	N13,629,039	N254,429,710	N268,058,749
Mean:	N38,177	N429,055	N282,167

[a] Throughout this thesis, "share capital", unless otherwise noted, will include only shares which are "paid-up" to "par value" (i.e. *not* the total "authorized" share capital).
[b] These estimates have been extrapolated from the 65 (44%) and 38 (59%) defaulting firms classified under Schedules I and II respectively, for which data are available.

Source: Calculated from "IEP Report": Appendices 3-6, Vol. II.

Table 3.7 indicates that the mean average share capital of compliant firms was much higher -- by 59% (Schedule I) and 734% (Schedule II) -- than that of non-compliant firms. Moreover, although the share capital of Schedule I defaulting firms represented 31% of that Schedule's total, non-compliant firms listed under Schedule II comprised only 2% of the total share capital of that Schedule's firms. Overall, the total share capital of firms in default of the NEPD 1972 comprised just 3% of the total affected.

68. Calculated from "IEP Report", Appendices 5 and 6, Volume II.

It can be estimated that share capital nominally worth ₦5,856,168 -- all of the ₦4,205,787 in default of Schedule I and 40% of the ₦4,125,952 in default of Schedule II -- was designated for sale but was not actually transferred. As Table 3.8 indicates, this represents less than 5% of the money that was invested during the exercise.

Table 3.8:
Nigerian Investment in Firms which Complied with the NEPD 1972, by Schedule and Nationality

Nationality	Schedule I	Schedule II	All Firms	% of Total
British	₦4,823,527	₦41,141,918	₦45,965,445	37.6%
Lebanese	4,473,425	11,927,162	16,400,587	13.4
German	210,000	7,126,844	7,336,844	6.0
Italian	33,840	6,379,566	6,413,406	5.3
Swiss	130,200	5,317,220	5,447,420	4.5
French	100,000	3,904,785	4,004,785	3.3
Dutch	0	3,453,000	3,453,000	2.8
Indian	355,358	2,875,430	3,230,788	2.6
Syrian	1,309,345	1,322,868	2,632,213	2.2
American	190,000	1,956,356	2,146,356	1.8
Greek	89,000	1,903,800	1,992,800	1.6
All others[a]	1,292,954	21,869,774	23,162,728	19.0
Total Invested:	₦13,007,649	₦109,178,723	₦122,186,372	100.0%

[a] Includes firms involving more than one foreign nationality.

Source: Calculated from "IEP Report", Tables I and II, pp.14-5.

Judging from the Board's compliance figures, the Decree's critics, including the IEP, are mistaken to blame the "failure" of the NEPD 1972 on either foreigners' evasions or the NEPB's impotence. Conventional notions about both the broad scope and massive scale of breaches of the NEPD 1972 do not withstand close analysis. Although the proportion of defaulting firms was quite high, most of these were owned by Lebanese and Indian merchants, especially those engaged in the textile trade, whose share capital comprised just a small fraction of the total of all firms affected by the Decree. Moreover, the amount of capital not transferred paled by comparison with the equity which was sold during the exercise. It is ironic that widely-held perceptions about wholesale evasion of the

NEPD 1972 became an important rationale for corrective action with the NEPD 1977.

Financial Adjustment

Although most firms, including the largest, complied with the NEPD 1972, nearly all took steps to minimize the financial cost of doing so. Required by law rather than financial necessity to sell shares to new investors, foreign companies had a strong incentive to inflate the salable value of their equity capital. It was alleged that many firms revalued existing assets prior to compliance, not only to forestall buyer interest or to secure an exemption (both described above) but also to obtain the highest compensation possible from Nigerian investors.

Evidence for this phenomenon is sketchy. Hoogvelt reports that the Kano-based firms comprising her sample were collectively revalued by more than 100%, from ₦7m to ₦15m.[69] Of the 24 firms which complied with the Decree through the Lagos Stock Exchange (LSE), 17 augmented their share capital before selling either new or existing shares to Nigerians.

69. Hoogvelt (1979), p.66.

Table 3.9:
Capitalization of LSE-listed Companies, 1972 - Date of Issue

Company	Share Capital (N '000s) 1972	Pre-Sale	Increase		Per cent Increase
Blackwood Hodge	100	960	860		860.0%
Boots	82	300	218		266.5
Briscoe	400	1,200	800		200.0
Berec	172	466	294		170.9
CFAO	4,000	10,400	6,400		160.0
Wiggins Teape	180	410	230		127.8
Vono	500	1,134	634		126.7
Alumaco	670	1,500	830		123.9
Leventis	2,000	4,000	2,000		100.0
Berger Paints	438	864	426		97.3
Paterson Zochonis	760	1,367	607		79.8
Costain	799	1,225	426		53.3
UTC	4,000	6,000	2,000		50.0
Bata	1,300	1,800	500		38.5
Guinness	3,000	4,000	1,000		33.3
Tate & Lyle	875	1,149	274		31.3
Nig. Bottling	1,414	1,600	186		13.2
Daily Times	1,514	1,514	0		.0
J.Holt Ltd	4,280	4,280	0		.0
Lennards	270	270	0		.0
Lever Brothers	3,400	3,400	0		.0
Metal Box	2,160	2,160	0		.0
Nig. Breweries	4,000	4,000	0		.0
UAC	23,760	23,760	0		.0
Total:	N60,074	N77,759	N17,685	Overall:	29.4%
				Mean:	106.7%

Source: Calculated from Company Reports, LSE-listed firms (various years).

These 17 firms, which notably did not include the UAC, increased their capital base on average by nearly 150% from the Decree's publication in 1972 until they issued shares for the purposes of compliance with the NEPD 1972. The great bulk of the expansion, however, was not due to an artificial inflation of asset values, as Hoogvelt and the "IEP Report" imply. Rather, it was attributable to the conversion of accumulated reserves into equity capital, an attempt by foreign companies to realize a larger proportion of their capital worth.

Not distinguishing between revaluation and capitalization, many critics, including the IEP, concluded that foreign companies had taken advantage of Nigerians who bought "over-valued" shares. State

intervention, they argued, was necessary both to protect Nigerian investors and to reduce the foreign exchange cost incurred when foreigners repatriated the proceeds. The validity of these assertions will be considered in Part Three. They are mentioned here because the emphasis on the cost of share acquisitions has distracted attention from other ways in which foreigners expatriated capital in response to the Decree: through personal remittances, royalty, technology and management fees, transfer-pricing and dividends. The surge in dividends alone suggests that the NEPD 1972 was more costly to the national economy than is generally reckoned.

Before selling equity to Nigerians, firms paid existing (mainly foreign) investors unusually large dividends. In some cases, these distributions exceeded current net earnings, indicating either a withdrawal of capital from reserves or, perhaps, the sale of assets. According to Aboyade, the running-down of reserves and "asset-stripping" was widely practised by the owners of Schedule I firms, who then sold the mere shells of their enterprises to Nigerian investors.[70] Table 3.10 demonstrates that some of the largest Schedule II firms, ten of the 24 companies which complied through the LSE, also paid dividends in excess of net earnings prior to compliance.

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70. Aboyade (1977), p.380.

Table 3.10:
Dividend Pay-out Ratios of Selected LSE-listed Companies, 1970-4[a]

Company	1970	1971	1972	1973	1974
Bata	50.4%	81.7%	163.4%	114.7%[b]	83.7%
Berec	N/A	N/A	11.6	41.7	200.6[b]
Berger Paints	93.6	170.3	107.5	79.8[b]	28.4
Costain	84.8	88.0	117.8	137.2	80.9[b]
J.Holt Ltd	N/A	40.5	167.4	88.9	58.8[b]
Metal Box	50.0	110.3	155.0	55.2[b]	39.0
Nig. Breweries	155.5	68.9	99.4	130.5[b]	68.9
Paterson Zochonis	48.0	73.3	143.4	89.1[b]	59.3
UAC	N/A	123.6	124.6	88.5	57.3[b]
Vono	35.2	71.8	54.6	147.9[b]	67.5

[a] "Dividend Pay-out Ratio" is defined as "dividends per share/earnings per share (after tax)". Only those firms which maintained a dividend pay-out ratio greater than 100% in at least one year during the period 1970-4 are included here.
[b] Year of share offering for purpose of compliance.
N/A Not available.

Source: Calculated from Company Reports, LSE-listed firms (various years).

Table 3.10 also indicates that in the cases of nine of these ten firms, dividend pay-out ratios declined from previous levels in the year of the compliance issue or in the next year. The same was true of nearly all of the remaining 14 listed firms which did not pay dividends in excess of net earnings: they increased their distributions before selling shares to Nigerians and reduced them afterwards.

The dividends paid by listed companies to existing investors constituted a large proportion of their share capital. In seven cases, those indicated in Table 3.11, foreign investors received dividends sufficient to recover their entire capital outlay in just one year.

Table 3.11:
Annual Dividends as a Proportion of Share Capital,
Selected LSE-listed Companies, 1970-4[a]

Company	1970	1971	1972	1973	1974
Bata	51.3%	66.7%	101.5%	51.7%[a]	35.0%
Blackwood Hodge	128.0	581.0	109.1	25.0[a]	28.0
Boots	30.0	30.5	163.4	198.8	38.0[a]
Briscoe	25.0	40.0	260.0	101.7[a]	100.0
Costain	31.3	31.3	130.2	170.2	48.4[a]
Nig. Breweries	50.0	60.0	110.0	99.7[a]	36.0
Wiggins Teape	N/A	N/A	133.9	50.0[a]	60.0

[a] Only those firms which paid dividends in excess of share capital in at least one year during the period 1970-4 are included here.
[b] Year of share offering for purpose of compliance.
N/A Not available.

Source: Calculated from Company Reports, LSE-listed firms (various years).

As will be seen below, foreign companies were paid only a small premium for the share capital they sold. It can be inferred from Table 3.11, therefore, that some companies derived more capital from the remission of dividends than from the proceeds of equity sales to Nigerians. Small-scale traders of Schedule I, whose businesses were less capital intensive than the bigger commercial houses and manufacturers of Schedule II, probably relied to an even greater extent upon profit (and personal) remittances in their attempts to expatriate as much capital as possible before compliance.

PART THREE: REGULATORY EFFECTS

The Industrial Enterprises Panel criticized the NEPD 1972 as a "major and radical departure" from an economic model of "public-sector leadership" which had been officially sanctioned in the *Second National Development Plan 1970-74*:

> The basic position of the Plan is that it is the public sector (that is the Government, acting collectively on behalf of the entire population) and not the indigenous private sector, which should assume control of the commanding heights of the national economy.[71]

Professor Aboyade, who had taken an active part in drawing up the plan, assailed the Decree on the same grounds.[72] It is argued here that the Decree's explicit emphasis on private indigenous ownership did not, in practice, result in a retreat from state-led development. Citing a number of justifications, public sector agencies actually purchased a large proportion of the shares which became available to Nigerians under the NEPD 1972. The Decree also abetted the drive by government officials to bring a larger share of the economy under their command by lending support to the idea that "strategic sectors" could be controlled through state ownership. Of greater significance in the long term, the NEPD 1972 augmented the state's influence over the private sector by extending the reach of its institutions. It demonstrated the state's ability to distribute the fruits of the economy through regulatory means.

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71. "IEP Report", Introduction, pp.1-2.

72. Aboyade (1977), pp.379-80. Professor Aboyade's criticism of the NEPD 1972 is worded identically to many passages in the "IEP Report", including the quotation above. This might suggest that he had some informal input into the Panel's proceedings.

Expanded Role of the State

The NEPD 1972 prescribed the sale of foreign-owned share capital to "Nigerian citizens and associations",[73] but the public sector, especially State governments, took on an important ownership role. Information compiled by the NEPB indicates that government investors bought shares in more than one hundred private companies sold under the Decree.[74] Public sector share acquisitions through the LSE were more extensive still. For example, State governments purchased 65% of the shares sold by the UAC, the largest company affected by the NEPD 1972. Private investors, institutional and individual, competed with all other public agencies for the chance to buy the remaining 35%, this just 15% of the UAC's total equity.[75] Evidence from the shareholder registers of 19 of the 24 firms which sold shares through the LSE indicates that Federal and State institutions bought large (1% or more of the total equity) shareholdings in 17 cases.[76]

Government share acquisitions were encouraged by senior members of the Federal government who remained committed to public sector ownership. Some officials who had opposed the NEPD 1972 because of its emphasis on private ownership were no less critical of the Decree following its promulgation. Femi Okunnu, Federal Commissioner for Works and Housing, repeatedly called for an amendment to the Decree which would limit the extent of private sector ownership in order to "remove this ugly face of capitalism which entrenched capitalist societies like the UK are trying to discard".[77] He also advocated the creation of

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73. NEPD 1972, section 4(1)(a).

74. Access to this information was granted by the NEPB, which stipulated that it could not be copied or cited directly.

75. See *Sunday Sketch, 4 August 1974; and UAC (Nigeria) Ltd, Annual Report, 1974.*

76. Shareholder registers of 19 out of 24 companies which complied with the NEPD 1972 through the LSE, inspected at the Company Registrars (First Bank of Nigeria, Union Bank of Nigeria and United Bank for Africa).

77. Okunnu, quoted in *Daily Times*, 31 August 1973.

a third schedule of enterprises, ownership of which would be reserved exclusively for the Federal government. This proposal must have found some support in the FEC because it was published officially in a Federal government press release.[78] The prevailing sentiment within the Administration remained that public sector share acquisitions were an "abuse" of the Decree[79] and incompatible with a "free and open society".[80] However, the reality of extensive government investments suggests that some well-placed officials did not share these views, or that other considerations were overriding.

Many arguments were put forward in support of government share acquisitions. One was financial. The state-owned *New Nigerian* estimated that private Nigerians would be able to contribute just 20% of the ₦2-300m it thought would be required to purchase the shares sold by foreigners. "Whatever the figure", the newspaper asserted, "it is obvious that the bulk of the money will have to come from the FMG and State Governments". Echoing arguments for public sector investments voiced during the 1950s and '60s (see Chapter Two), it called on Federal and State agencies to buy shares which would be held in trust until private investors could re-purchase them.[81] The fear of a shortfall in private finance prompted the Federal government to organize a consortium of Federal and State institutions which would purchase unsubscribed shares for eventual resale to private investors. Because most issues were heavily over-subscribed, these contingency arrangements were not brought into effect. Even so, many Federal institutions, as well as government-controlled pension funds, embarked upon major acquisitions independent of

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78. Federal Ministry of Information Press Release, 5 September 1973.

79. *Second National Development Plan 1970-4, First Progress Report*, (Lagos: Central Planning Office, Federal Ministry of Economic Development and Reconstruction, n.d.), p.36.

80. A. Ayida, quoted in *Daily Times*, 29 October 1973.

81. *New Nigerian*, editorial, 1 March 1973.

the consortium.[82] These agencies never resold their holdings to private investors, nor does it appear that they made plans to do so.

Government investments in shares were also motivated by distributive concerns. Because of existing inequalities in wealth, it was envisaged by some that business élites would benefit disproportionately from the Decree. Okunnu argued that "public ownership becomes more urgent to allay the fears of some people that only businessmen or chieftains of commerce would be protected by the indigenisation decree".[83] The apprehension that current inequalities would be aggravated by the Decree also had a geographical dimension. Ukpabi Asika, Military Administrator of the East Central State, called on the FMG to make loans and grants on a "quota basis" to those State *governments* where "businessmen are not well disposed to participate". This was necessary, he said, in order to avert "the dangerous, if not unhealthy situation" in which one area of the country [i.e. the West] has "dominance" over all others.[84] Arguments of this kind were akin to those which had been advanced earlier to oppose the Decree's promulgation (see Chapter Two).

Justifying their actions on the grounds that local businessmen would not participate as vigorously as their compatriots in other parts of the country, State governments undertook active share acquisition programmes which were presumed beyond both the financial capacity and the competence of the local private sector. The General Manager of the North Eastern State's investment company, himself an expatriate, said that his government's acquisitions were essential to prevent out-of-state investors from buying "local" foreign-owned businesses.[85] The Kano State Investment Company (KSIC), according to Collins, bought ₦3.2m worth of

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82. Shareholder registers of 19 listed companies (see note 76).
83. Okunnu, quoted in Federal Ministry of Information, Press Release, 5 September 1973.
84. Asika, quoted in *The Renaissance*, 4 April 1973.
85. *New Nigerian*, 6 June 1974.

shares during the NEPD 1972, also to keep companies in that State locally-owned.[86] The northern-based *New Nigerian* argued that "whatever channel is used, state governments should ensure maximum support to their own local businessmen -- even if it means buying shares and holding them in trust".[87] Sometimes this "support" led to government investments having no apparent relation to local businessmen or to the State's economy. The Rivers State Commissioner for Trade and Industry defended his State's wide-ranging share investments worth ₦18,024,268 as necessary because "gold cannot be thrown to those who do not appreciate its value".[88]

Some State investments may have been motivated by the corrupt intentions of public officials and their private clients. The use of public investment funds for illicit gain was facilitated by inadequate oversight of the investment holding companies. Usually their boards included both State government officials and prominent local businessmen, the latter being accountable only to the State governor who had appointed them. The investment programmes of some of these companies appear to have closely and corruptly bound up with the business interests of the resident-business community, both foreign and local.[89] The IEP accused the Rivers State Government of entering into a fronting arrangement with Incar (a motor vehicle distributor) which enabled that company to remit some ₦800,000 as "proceeds" of a share sale which, it was said, never took place.[90] Hoogvelt claims that the KSIC bought the shares of ailing firms at inflated prices because their expatriate proprietors had paid bribes to the State governor and secretary.[91] With its investment decisions taken

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86. Collins (1984), p.34.

87. *New Nigerian*, editorial, 1 March 1973.

88. *Nigerian Tide*, 13 April 1974.

89. See *New Nigerian*: 13 May 1972; 10 June 1972; 4 October 1972; 6 June 1974. See also Collins (1984), p.34.

90. "IEP Report", paragraph 1.55(3). See also *Nigerian Observer*, 21 September 1972.

91. Hoogvelt (1979), p.61.

on such a corrupt basis, the KSIC earned a zero or negative rate of return on capital each year between 1972 and 1978, a period during which other Kano firms reported profits of 20% per annum or more.[92]

Concurrent with public sector share acquisitions in firms affected by the NEPD 1972 was the undertaking, especially by the Federal government, of a broadly-based programme of equity investment in companies engaged in so-called "strategic sectors" of the economy. The NEPD 1972 not only contributed specific direction to this expansion but was based on a similar rationale. With effect from 1 January 1973, the Federal government, through the FMF, bought 40% of the "Big Three" foreign banks and, later, a comparable stake in the equity of most foreign-owned banks operating in the country. The move was partially precipitated by the exigencies of financing the NEPD 1972. Suspicions had been voiced that banks in Nigeria, hitherto foreign-dominated and orientated towards international trade (see Chapter Two), would be "luke-warm" in responding to Nigerians who would need to borrow funds for equity investments.[93] This, coupled with the supposed inadequacy of private savings, meant that "public intervention [was] called for".[94]

The Central Bank had already established credit guide-lines which, as amended in April 1972, required commercial banks to advance at least 40% of their credits to Nigerian businesses.[95] In addition, the Federal government loaned ₦54m to indigenous banks to help them expand and to meet the expected needs of Nigerian investors under the NEPD 1972.[96] Despite these measures, it was maintained that only by taking an equity stake in foreign banks could the Federal government guarantee that

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92. Hoogvelt (1979), p.62.

93. "IEP Report", paragraph 1.24.

94. Ebong (1972), p.10. See also *Daily Times*, editorial, 9 September 1971, responding to Ayida's call for Federal ownership in the "Big Three".

95. "IEP Report", paragraph 1.28.

96. See Teriba (1975), p.175.

private investors would be offered adequate credit to buy shares. In the longer term, the government would use its board representation to harmonize bank lending policies with national economic objectives. This process of indigenization was parallel to what was supposed to occur in the private sector once the Nigerian beneficiaries of the NEPD 1972 joined the boards of foreign firms (see Part One).

The Federal government's direct participation in the oil industry, which was in keeping with that of other OPEC countries, was described to the public in the rhetoric of indigenization. As with banking, it was argued that far-reaching indigenization reforms would ensue once the government had acquired "substantial equity interests" in the vital petroleum sector. According to this rationale, the Federal government, as a major shareholder, could "expect proportional participation of staff and Board members, review progress towards Nigerianization, and get private Nigerians into oil services activities".[97] At the end of 1974, the Federal Commissioner for Mines and Power announced the Federal government's intention to acquire equity holdings from the foreign oil companies, not because state ownership was desirable in itself, but because "too few Nigerians are involved in running this vital sector".[98] Also during this period, the Federal and State governments acquired equity in such "strategic" industries as insurance, mining, shipping, construction, vehicle assembly, textiles, catering and brewing. These public sector investments generally were not very successful in bringing the economy under indigenous control (see Chapter Four). They did, however, pre-empt the participation of private Nigerian investors.

A third way in which the NEPD 1972 promoted the public sector's "leading role" in the economy was through the development of state

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97. P. Asiodu (then Permanent Secretary, Federal Ministry of Mines and Power), quoted in *Daily Times*, 10 March 1972.

98. Alhaji Shettima Ali Monguno, quoted in *New Nigerian*, 11 December 1974.

institutions. Some of these, such as the NEPB and the Capital Issues Commission (see below), were created anew to fulfil functions directly related to the Decree's implementation. Others, such as the Industrial Training Fund and Centre for Management Development, which had grown out of the Federal government's broader programme of "indigenization", found renewed purpose with the Decree, if only to communicate the NEPD's objectives through conferences and promotional campaigns.

Government officials often cited the exigencies of the Decree to advance the parochial objectives of the institutions under their command. For example, the Managing Director of the Nigerian Industrial Development Bank (NIDB) had been prominent amongst those who forecast a massive shortfall in the availability of private savings for share investments. He prophesied doom for the entire programme unless the government took urgent and significant remedial action: a massive infusion of capital for the NIDB.[99] His proposal for additional funding from the Federal government was ironic in view of the NIDB's long-standing bias favouring foreign ventures, its investment policy which effectively precluded assisting Nigerians with share purchases, and its development banking orientation.[100]

Instead of changing the NIDB's focus in order to meet the financing needs of Nigerian investors, the Federal government set up yet another public sector bank. The Nigerian Bank for Commerce and Industry (NBCI) was established in May 1973 with ₦35m in share capital and was wholly owned by the Federal government through the FMF and the Central Bank.[101] To forward its mission as the Federal government's "apex bank", the NBCI was exempted from the 1969 Banking Decree, given wide scope

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99. See *New Nigerian*, editorial, 1 March 1973, in support of S. Daniyan's claims.

100. "IEP Report", paragraphs 1.29, 7.12, 7.17-8. See also "Okigbo Committee Report", Chapter 3.

101. Nigerian Bank for Commerce and Industry Decree, No.22 of 1973.

to grant loans for share purchases, and mandated to acquire equity itself as an investor of last resort.[102] By the end of 1974, the NBCI had sanctioned total loans of just ₦2,758,000 to nine enterprises. One year later, just two of these nine had drawn their approved credits, worth a total of ₦484,247. Six of the nine sanctions had lapsed either because the projects were in trouble or because the investors had changed their minds.[103] Not one of these projects entailed the acquisition by Nigerian investors of foreign shareholdings, nor did the NBCI acquire shares in any foreign company for its own account.[104]

The NBCI defended its under-performance by citing delay in its authorizing legislation and subsequent difficulties in recruiting staff. Both factors, it claimed, postponed the commencement of operations until just six months prior to the Decree's compliance deadline. These defences "neither convinced nor impressed" the IEP, which pointed out that more than half of the firms affected by the Decree were still to comply six months before the deadline, and that many other firms had been granted extensions.[105] The large number of companies in default of the Decree, the IEP continued, had also given the NBCI many obvious investment opportunities.[106]

Rather than adhere to its brief, the NBCI became another government development bank, duplicating, if not competing with, the NIDB. Although the NBCI had been authorized to lend small investors up to 70% of the cost of Schedule I enterprises, in practice it only sanctioned proposals worth ₦20,000 or more.[107] It apparently carried out no commercial banking functions and served as a merchant bank only

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102. "IEP Report", paragraph 6.4.
103. "IEP Report", paragraphs 6.23-8.
104. See "IEP Report", Tables VI.1-4.
105. "IEP Report", paragraph 6.22.
106. "IEP Report", paragraph 6.22.
107. "IEP Report", paragraph 6.14.

twice, when it issued letters of credit for two projects in which it was involved.[108] Even as a development bank, the NBCI made a negligible impact. The Okigbo Committee reported that the NBCI had approved ₦76m for 77 different projects as of May 1976. Of these sanctions, ₦70m were loans and only ₦6m were equity investments. By that date, however, just ₦7m had been disbursed for 28 projects, and only seven of these were engaged in any kind of production.[109] Despite expectations for its commercial viability, the Bank's revenues failed to cover even its operating expenses, let alone the cost of its capital. Most of the NBCI's meagre income was derived not from its portfolio of loans but from the interest received from investing its capital grant in Federal treasury bills.[110] Far from assisting indigenous businessmen during the NEPD 1972, the NBCI was little more than an expensive job-creation scheme for its 100-odd government employees.

As the legislative centre-piece of the government's indigenization effort, the NEPD 1972 expressed and contributed to a regulatory climate in which other state institutions found inspiration. Apart from serving on the NEPB, the FMIA responded to the Decree by reconstituting its Expatriate Quota Allocation Board and setting more stringent requirements for the employment of foreigners. Having become involved in the compliance process, government agencies sometimes exceeded their mandate. The Exchange Control Division of the FMF regulated the repatriations of foreigners who sold shares to Nigerians. However, given the FMF's power to block remissions, it was also able to influence the conduct of their sales: public issue or private placement; issue new or sell existing shares. The FMF therefore played a regulatory role which the

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108. "IEP Report", paragraphs 6.23-8.

109. "Okigbo Committee Report", p.51 and Appendix XI.

110. NBCI profit and loss statements for 1974 and 1975, reproduced in "IEP Report", paragraphs 6.23-8.

NEPD 1972 had not assigned to it. Furthermore, whilst the Decree did not prevent foreigners from remitting capital resulting from share sales, in practice the FMF often imposed its own stipulation that vendors re-invest a portion of the proceeds.[111] Even when it did not press its own conditions, the Ministry applied a lengthy repatriation schedule which impeded remissions for years after the sales had actually transpired.[112]

Through these interventions, the FMF impinged upon the responsibilities of the Capital Issues Commission (CIC), a regulatory agency which was itself accused of exceeding its brief (see below). The Commission, established by decree in 1973, was mandated to supervise the price, quantity, timing and distribution of all shares sold publicly under the NEPD 1972.[113] As such, the government took for itself the most important functions which hitherto had been carried out by private issuing houses (usually foreign-controlled merchant banks).

As with other business regulations reviewed in Chapter Two, the government justified its intervention in share issues by citing the ills which would otherwise befall the national economy and Nigerian investors in conditions of unregulated market competition. The Commission's first chairman (who later became chairman of the LSE) said that the CIC Decree was designed "to moderate the more extreme forms of capitalism, particularly in circumstances in which the level of awareness of the investing public is on the average rather modest".[114] The Federal Commissioner for Finance argued that government intervention in public offerings was necessary because:

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111. "IEP Report", paragraph 1.31.

112. "IEP Report", paragraph 1.31. See also *A Guide to Business in Nigeria*, (n.p.: Coopers & Lybrand, 1975), p.3.

113. Capital Issues Commission Decree, No.14 of 1973.

114. S. Asabia, quoted by Nwankwo (1980), p.145.

> While accepting the universal principle that market forces should be given free play in the determination of prices, we must, by the same token ... bear in mind that some of the purchasers of these debentures and shares will be relatively unsophisticated. ... The question of timing of issues is equally important because ... if issuers of debentures and shares are left free to approach the market in a disorderly manner, it may well turn out that the market would be flooded by more issues than it can sustain. Thus it is necessary that various issues be timed [i.e. by the CIC] to go on the market at periods when it is judged that they will be most successful.[115]

It was also said that CIC regulation was needed because: expatriates had established their businesses with "practically no capital of their own"; foreigners would misrepresent their accounts to Nigerian investors; "over-generous" prices would damage the nation's external reserves; and "a few financial moguls would gulp up the entire enterprises which were to be indigenised" unless the allotment of shares was controlled.[116] The implication was that the CIC was expected to use its regulative powers to distribute shares more broadly and at lower prices than would have resulted in an unregulated market.

Required by law both to sell shares and to sell them at a dictated price, foreign companies were highly vulnerable to financial injury at the hands of the Commission. CIC members, like other Federal officials, were certainly aware of the foreign exchange implications of the NEPD 1972. They believed that by suppressing the offering prices of shares, they could curb capital remissions. Also for this reason, the CIC exerted considerable pressure on public companies to issue new shares for subscription rather than to sell existing shares to Nigerians (the proceeds of which foreign companies would have been entitled to remit). By some accounts, the CIC used valuation as a weapon to extract reparations from expatriate firms which it and many others believed had engaged in long-standing and pervasive malpractices. As Professor Aboyade observed,

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115. Speech by the Federal Commissioner for Finance at the inauguration of the Capital Issues Commission, quoted by Nwankwo (1980), p.146.

116. Alile and Anao (1986), pp.35-6.

companies which had shielded their profitability from the Nigerian tax collector now "had to suffer in silence, watching resources being cheaply transferred to lucky new Nigerian shareholders".[117] The extent to which the Commission's interventions benefited private Nigerian investors is one of the issues to be considered below.

State Creation of Spoils

The Gowon regime claimed that the NEPD 1972 was meant to deliver economic opportunities to Nigerians. Yet, the NEPD did not convey to indigenous businessmen many viable enterprises which were supposed to have given them a "running start" to "more sophisticated sectors" of the economy. Assuming that all the Schedule I enterprises deemed to have complied actually did so, Nigerians purchased full ownership of only 209 firms as a result of the Decree. These firms were mainly labour-intensive, commercial establishments, the average share capital of which was just ₦45,087 (see Table 3.7). Because their worth as on-going enterprises was in large measure the business expertise and experience (at least in the textile trade) of their expatriate proprietors, a valuable asset of these firms was not, and could not be, transferred to the new owners. Furthermore, as seen above, the NEPB was unable to enforce Schedule I in a way that would have provided an "exclusive training ground" where Nigerians could hone their business skills free from foreign competition. Some expatriates still operated in restricted fields because of fronting arrangements or outright avoidance of the regulatory authorities. More importantly, the largest foreign commercial houses were allowed to continue in distributive activities under a reorganized corporate structure.

117. Aboyade (1977) p.382.

The "IEP Report" maintained that many of the Schedule I firms acquired by Nigerians were mere shells. For this reason, the Panel concluded that "naïve" indigenous investors had been "out-negotiated" by foreigners and tricked into paying "incorrect values" for their acquisitions.[118] This interpretation appears to contradict another observation in the report that, because of fronting and other devices used by foreigners to maintain control, Nigerians paid little or nothing for the shares they bought.[119] It also overlooks the possibility that some, if not most, purchasers of Schedule I firms were not interested in their acquisitions as going concerns. To these Nigerian investors, the NEPD 1972 presented an auspicious opportunity to buy the assets of expatriate businesses: inventories, shop equipment and commercial leases.

Whether it had been their intention to purchase working enterprises or simply the latter's underlying assets, Nigerians do not seem to have overpaid for what they bought. Table 3.12 denotes the total capital invested by Nigerians in relation to the "par value"[120] of the share capital they acquired.

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118. "IEP Report", paragraph 2.33.

119. "IEP Report", paragraphs 1.55-9.

120. "Par value" is an accounting concept used to denominate corporate equity at the time of its issue. It is a poor measure of the value of corporate assets because it does not take into account the appreciation or depreciation of capital investments undertaken with equity finance, and because it excludes other components of a company's salable value such as capital reserves, trademarks, franchises and "goodwill". Throughout this thesis, "par value" receives more attention than it would otherwise deserve, simply because it was (and continues to be) the foremost measure by which share prices were assessed in Nigeria.

Table 3.12:
Premium (Discount) Paid for Share Capital Acquired by Nigerians under the NEPD 1972, by Schedule and Nationality[a]

Nationality	Schedule I	Schedule II	All Firms
Greek	.0%	-12.4%	-11.8%
Indian	11.5	-4.2	-2.7
British	84.7	-6.6	-1.5
American	-20.8	1.9	-.6
French	-37.5	5.0	3.2
Lebanese	9.4	8.6	8.8
Swiss	159.4	10.7	12.3
Italian	.0	13.4	13.4
German	50.0	33.1	33.6
Dutch	-	78.0	78.0
Syrian	264.3	23.6	84.1
All Others[b]	-3.0	41.1	37.6
Total:	38.0%	9.1%	11.5%

[a] Calculated as "Nigerian Investment" (see Table 3.8)/"Par Value of Share Capital".
[b] Includes firms involving more than one foreign nationality.

Source: Calculated from "IEP Report", Tables I and II, pp.14-5.

As Table 3.12 indicates, Nigerians generally paid a relatively modest premium for the shares they acquired, particularly for shares of Schedule II enterprises. Furthermore, a great many companies sold equity capital at a discount to its par value. Overall, Nigerians bought shares nominally worth ₦9,423,252 (Schedule I) and ₦100,121,503 (Schedule II) for ₦13,007,649 and ₦109,178,723 respectively. Considering that "par value" does not reflect the worth of company reserves and other accumulated capital assets, especially (undervalued) property, shares priced at or near par probably represented very good value indeed to the purchaser. This is not even to estimate the value of these firms in terms of their profit-generating capacities.

Although indigenous investors appear to have acquired shares on favourable terms, the perception that they had been bilked by foreign vendors served to validate state involvement in the pricing of shares and to justify more extensive intervention during the NEPD 1977.[121] As noted

121. See Alile and Anao (1986), pp.35-8.

above, the NEPD 1972 had required public companies, a group comprising the largest foreign firms in Nigeria, to submit to valuation by the CIC. Impressed by the usefulness of the Commission's intercession with public companies, the IEP argued that

> If the Indigenisation Decree had made it obligatory for private companies to apply to the CIC for the determination of the prices at which their shares were to be sold, the extent of the loss suffered by the nation, as a result of over valuation of the enterprises acquired by Nigerians, would have been minimal.[122]

However, admiration for the CIC's performance was not universal, and its standard of objectivity in valuing foreign-owned firms was one of the most contentious aspects of the Decree's implementation.

Critics on one side of the controversy alleged that the Commission's appraisals were grossly unfair to existing shareholders (i.e. expatriates). In the opinion of people associated with the vendors in these transactions, the prices resulting from the CIC's "authoritarian posture" amounted to state-sponsored expropriation on behalf of Nigerian investors.[123] A prominent merchant banker claimed that "the CIC consistently handed down prices which bore very little relation to either the net asset value of an enterprise or of a business as a going concern".[124] As a result, "gross" undervaluations produced artificially high yields and a financial bonanza for those Nigerians whose share applications were successful. According to the Commission's detractors, foreign companies which otherwise might have preferred to offer shares to the public were dissuaded by the prospect of like treatment.

By contrast with these views were those which commended the CIC for "patriotic steadfastness, courage, integrity and professional

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122. "IEP Report", paragraph 1.54.

123. Ogunbanjo (1981), p.66; Engberg (1975), p.7.

124. G. Onosode (then Managing Director, Nigerian Acceptances Ltd), quoted in *Daily Times*, 19 November 1974.

competence".[125] Professor Aboyade praised the Commission's "objectivity and sense of responsibility" which, he maintained, was evidenced by its valuation of only three of 19 firms below par.[126] The "IEP Report" also lauded the Commission's performance and posited the blame for admittedly low share prices with foreign companies themselves. The IEP accused firms of systematically understating their profitability for the purposes of tax avoidance. The Commission's use of tax returns for valuation purposes had confronted foreign firms with a dilemma: to press the CIC for acceptance of a rate of profitability higher than that suggested by company-filed tax returns would amount to an admission that profits had been illegally understated in the past.[127] As Mr Ayida argued, "In such cases, the vendors cannot blame the Commission for undervaluation".[128]

To accuse foreign companies of understating their profits is not to deny that the CIC had undervalued their assets. Moreover, if foreign firms had concealed their true profitability, the Commission's undervaluations would have been of even greater magnitude. Whether it was the CIC's deliberate policy to undervalue foreign companies or not, its interventions enabled Nigerian investors to acquire shareholdings in these firms at very attractive prices.

Table 3.13 indicates that in the case of every firm already listed on the LSE, the share price determined by the CIC for the purpose of compliance issues represented a significant discount on the share price prevailing at the beginning of the year of the public offering.

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125. Aboyade (1977), p.381. See also Alile and Anao (1986), pp.43-7; and Akamiokhor (1984), for an historical review of both sides of the controversy and their defence of the Commission's performance.

126. Aboyade (1977), p.382.

127. "IEP Report", paragraph 1.5.

128. Ayida, quoted in *Daily Times*, 29 October 1973.

Table 3.13:
CIC-Determined, Prevailing and Subsequent Share Prices of Companies Selling Equity through the LSE to Comply with the NEPD 1972

	(Prices in Kobo)			(Percentages)	
Company	Year-begin[a]	CIC	Year-end[b]	Discount	Appreciation
Alumaco	130	92	126	29.3%	37.0%
Bata	-	65[c]	65	-	.0
Berec	-	100	135	-	35.0
Berger Paints	-	35[c]	45	-	28.6
Blackwood Hodge	-	52[c]	52	-	.0
Boots	-	50	74	-	48.0
Briscoe	-	50[c]	83	-	66.0
CFAO	86	65	69	24.4	6.2
Costain	-	50	70	-	40.0
Daily Times	134	85	81	36.6	-4.7
Guinness	195	100[c]	163	48.7	63.0
J.Holt	-	65[c]	66	-	1.5
Lennards	40	32	23	20.0	-28.1
Leventis Motors	-	80	75	-	-6.3
Lever Bros.	-	55	134	-	143.6
Metal Box	-	52[c]	64	-	23.1
Nig. Bottling	142	90[c]	68	36.6	-24.4
Nig. Breweries	-	90[c]	131	-	45.6
Paterson Zochonis	-	51[c]	65	-	27.5
Tate & Lyle	172	119[c]	119	30.8	.0
UAC	-	40	50	-	25.0
UTC	55	35	50	36.4	42.9
Vono	-	51[c]	68	-	33.3
Wiggins Teape	-	65	100	-	53.9
Mean:				32.9%	27.4%

[a] Share price prevailing at the beginning of the year of compliance issue.
[b] Share price prevailing at the end of the year of compliance issue.
[c] Denotes share offering involving at least some new capital subscription.

Source: Calculated from "IEP Report", Tables II.1-4; and Company Reports (various years).

If equity had been diluted without leading to an immediate increase in profits and dividends, it might have been logical to discount the share prices of companies raising new capital through subscriptions. However, the CIC discounted the prices of all companies, seemingly regardless of whether the shares being sold were for subscription or sale. Systematic marking down of shares is also implied by the strong rebound in the share prices of most companies by the end of the year of issue. However, as will be seen in Chapter Five, this is less compelling as evidence of

undervaluation because share prices in Nigeria do not reflect widely-accepted measurements of value.

At the prices set by the CIC, new (indigenous) investors enjoyed better yields than had existing (foreign) shareholders. As Table 3.14 indicates, shareholdings at the offering price were so cheap in relation to earnings that Nigerian investors in some of these firms could recover the cost of their investments within just a year or two. Overall, new shareholders were rewarded with dividend yields more than 140% higher than the already unusually high levels foreigners had maintained just prior to share sales. Moreover, the CIC diminished the cost of investments which yielded such prodigious returns by slashing price/earnings multiples nearly 40% on average, again to the good fortune of new investors:

Table 3.14:
Shareholder Returns and Price/Earnings Multiples before Compliance with the NEPD 1972 and at CIC-determined Offering Price

	Dividend Yield[a]		Profits/Share Capital[b]		Price/Earnings[c]	
Company	Before	@Offer	Before	@Offer	Before	@Offer
Briscoe		101.7%	291.0%	113.3%		.9
Lever Bros.		81.8	94.7	109.4		1.0
UAC		50.0	33.9	69.8		1.2
Costain		48.4	124.0	59.8		1.7
Nig. Bottling	24.7%	38.9	159.1	186.6	1.8	1.0
Wiggins Teape		38.5	72.2	101.7		1.3
Boots		38.0	261.6	60.4		1.7
Berger Paints		35.7	14.0	31.3		2.2
Bata		26.9	75.1	41.8		3.1
Guinness	11.1	26.0	92.1	89.9	4.2	2.2
UTC	13.6	25.0	28.3	25.1	3.9	2.8
Blackwood Hodge		24.0	205.9	41.9		2.5
Berec	13.6	22.5	107.9	22.4	3.1	8.9
Paterson Zochonis		22.0	50.2	37.9		2.7
Lennards	15.0	21.8	32.2	60.4	6.2	2.7
Nig. Breweries		20.0	116.5	52.3		3.5
Vono		19.6	33.8	29.6		3.5
Daily Times	10.3	17.7	47.8	38.6	5.6	4.4
J.Holt Ltd		16.9	16.9	18.7		3.5
Metal Box		16.8	32.0	22.8		4.6
Tate & Lyle	11.6	15.8	74.6	71.0	4.6	3.4
Leventis Motors		15.6	40.2	39.3		4.1
CFAO	6.1	9.2	17.4	18.8	9.9	6.9
Alumaco	9.6	9.0	54.2	49.5	4.8	3.7
Mean:	12.9%	30.9%	86.5%	58.0%	4.9	3.1

[a] Defined as "dividends per share"/"share price".
[b] Defined as "earnings per share (after tax)"/"par value".
[c] Defined as "share price"/"earnings per share (after tax)".

Source: Calculated from "IEP Report", Tables II.1-4; and Company Reports (various years).

The CIC assigned low prices almost uniformly. The average price/earnings multiple of the firms it valued was discounted to only 3.1. However, few coherent patterns are evident in the degree to which firms were undervalued. If a trend is discernible, it is a perverse one: the most profitable companies (as evidenced by the rate of return on share capital) carried a lower price premium on earnings than the least profitable firms. Individual firms, such as R.T. Briscoe (commerce), Lever Brothers (manufacturing), and the Nigerian Bottling Company (drinks

processing), attracted improbably low valuations, but no sector seems to have been especially disfavoured.

Lack of precision in the Commission's valuation methods is partly to blame for its inconsistent pricing decisions. The CIC used two appraisal techniques.[129] The first involved the capitalization of average profits after tax (PAT) for the previous five years. The CIC determined asset values by applying a fixed profit/asset ratio, a so-called rate of "maintainable annual profit", which varied according to broad industrial groupings. The IEP maintained, although the CIC's critics disputed this, that the Commission then adjusted this figure to take into account factors such as the firm's capital gearing and liquidity position, its dividend performance, the calibre of its management, its business prospects, and the impact of anticipated developments in the economy.[130]

The other approach involved a determination of the "fair asset value" of a company, without much consideration given to previous profitability. Following this method, the Commission estimated the net assets of a firm by deducting liabilities and bad or doubtful debts from the sum of fixed assets, current assets and reserves. All exceptional items were excluded. Having arrived at a valuation by both methods, the CIC usually took the lower of the two and then awarded "merits and penalties on the basis of any recent untoward dividend practices, overt bad faith and evidence of intent to circumvent the decree's intentions".[131]

The CIC's valuation methods can be faulted on a number of grounds. First, because the years of Civil War had been included, the period from which profit rates were taken was probably not representative. Second,

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129. This discussion on CIC valuation methods is informed by Aboyade (1977), p.382; "IEP Report", paragraph 2.30; Akamiokhor (1982 and 1984); Akingbohungbe (1985); and by discussions with C. Ezeife (NEPB Executive Chairman and former CIC member) and G. Akamiokhor (SEC Executive Director).

130. "IEP Report", paragraph 2.30.

131. Aboyade (1977), p.382.

the basis on which the Commission determined its "maintainable annual profit" rates was both ambiguous and suspect. Third, the CIC's generalized assumptions about the risks and returns of various business activities were imprecise and thus inequitable to individual firms. Finally, having applied this rigid system of fixed profit rates, it is unlikely that the Commission would or could take into account anything but the most exceptional circumstances in order to rectify unfair valuations.

Subjective judgment played an important part in the Commission's valuations. Given the need to "compute" matters so imponderable as "maintainable" profit rates, "fair" asset values, management performance, and future business prospects, there was ample opportunity for capricious and inequitable rulings. Arbitrariness was practically invited by a valuation method which entailed the bestowal of "merits and penalties" according to the Commission's perception of a company's *attitude* towards compliance. Subjectivity in its methods gave the Commission latitude to take into account factors other than share values when setting prices: whether in doing so it had intended to conserve foreign exchange, punish expatriate firms, or reward Nigerian investors.

Distribution of the Spoils

Although government intervention against foreign companies benefited the indigenous private sector, some Nigerians gained more than others. Even before the Decree's implementation was completed, Nigerian participation in the exercise was thought to be very uneven. It was claimed that relatively few Nigerians had captured most of the shares for sale, and that the majority of these acquisitive investors were Yorubas from Lagos and elsewhere in the Southwest. So widespread were these perceptions that General Gowon felt compelled to reassure the public that "it has never been and it cannot be the intention of the Federal Military

Government to create avenues for a few individuals to grow rich excessively on account of the indigenization decree".[132]

The available evidence indicates that the pattern of share ownership resulting from the Decree was indeed highly concentrated. The "IEP Report" provides details for 384 Schedule II companies which sold shares by private placement. Of these, 296 (77%) had no more than five Nigerian shareholders, and 334 (87%) had ten or fewer:

Table 3.15:
Distribution of Shares in Firms Sold by Private Placement Under the NEPD 1972

(1) No. of Nig. Shareholders	(2) No. of Sch.II Firms	(3) % of Total Sch.II Firms	(4) Est. Total No. of Firms[a]	(5) Est. Total No. Nig. Sharehldrs.[b]
1	115	30.0%	214	214
2	75	19.5	139	278
3-5	106	27.6	197	985
6-10	38	9.9	71	710
11-20	20	5.2	37	740
21-30	14	3.7	26	780
31-40	12	3.1	22	880
41-50	2	.5	4	200
51-100	2	.5	4	400
Total:	384	100.0%	714	5,187

a Estimated by extrapolating from percentages of (3), the firms for which data are available, to all firms (Schedules I and II) which sold shares by private placement.
b Estimated by multiplying values of (4) by the *upper* limit of ranges given in (1).

Source: Calculated from "IEP Report", Table I.1.

If the pattern of share ownership in these 384 companies is indicative of all 714 firms which sold shares by private placement, then the total number of Nigerians investors who acquired shares through these transactions was less than 5187. This estimate, given in Table 3.15, certainly exaggerates the breadth of share ownership because it assumes that Schedule I firms, (for which no data are available), involved as many

132. 1974 Budget Speech by Major-General Yakubu Gowon, quoted in *New Nigerian*, 2 April 1974. See also Federal Ministry of Information Press Release, 9 April 1974, and *Daily Times*, 31 August 1973, for similar statements by Federal Commissioner for Industries (Adetoro) and Federal Commissioner for Works and Housing (Okunnu), respectively.

Nigerian investors as much larger Schedule II enterprises, is calculated by taking the upper limit of each range of Nigerian shareholders, and does not exclude investors who bought shares in several companies or under various aliases.

The lengthy shareholder registers of listed companies suggest that shares in these firms were more widely diffused. The LSE claimed that the 24 foreign firms which offered shares to the public took on 300,000 Nigerian investors, with UAC alone accepting 85,000.[133] (It appears from Table 3.16 below that the LSE's estimate presumes that every share applicant received an allocation, which was far from the case.) Discounting multiple holdings by one investor, (including those within a single company), the IEP estimated that the total number of indigenous shareholders was actually 50,000.[134] This more conservative figure still masks concentration of ownership because it disregards enormous variations in the size of holdings.

Both the LSE and IEP estimates suggest that most Nigerian investors bought shareholdings worth very little. Dividing the total value of all primary issues on the LSE between 1973 and 1975, ₦23m,[135] (a figure which includes a few issues unrelated to the Decree), by the number of new shareholders cited by the LSE (300,000), the mean average acquisition was worth just under ₦77. Taking the IEP's lower, and probably more accurate, estimate of 50,000 shareholders, the mean value of individual holdings was still only ₦460. By comparison, at least one State government acquired more than 1% of the shares sold to Nigerians by 17 of the 24 firms, and in the case of UAC, the States collectively bought 65% (see above). Moreover, at least one private Nigerian investor acquired more than 1% of the shares sold under the Decree by 12 of the

133. "IEP Report", paragraph 1.50.
134. "IEP Report", paragraph 2.17.
135. "IEP Report", paragraph 2.16.

19 listed companies for which data are available.[136] In the cases of 11 of these 19 firms, large-scale indigenous shareholders acquired an equity stake worth ₦50,000 or more at the time of issue.[137]

Inequality amongst geographical regions was pronounced but not at all levels of participation. The third volume of the "IEP Report" is a statistical appendix which provides details (as recorded by the NEPB) of private placements, including the names and addresses of investors and vending firms, the number and value of shares acquired and, in some cases, the share capital of the foreign vendor.[138] There is little evidence here to support the proposition that investors from Lagos or the West acquired large numbers of businesses in the North or East. Furthermore, the northern State governments (and their investment-holding companies) were generally more active as investors than those of the southern States. Overall, investors in the South (including the Mid-West and East), and especially in Lagos, did participate in the programme in much greater numbers than their northern compatriots. However, amongst large-scale individual investors, there does not appear to have been a significant ethnic disparity, even if there was a geographical one. The majority of the few dozen investors who acquired the biggest shareholdings through private transactions provided the NEPB with a Lagos address, but many of them had provenances from other parts of the country. The same trends appear to be true of Nigerians who bought shares through the LSE.[139]

Numerous explanations have been advanced to account for share maldistribution during the NEPD 1972. Collins argues that the relatively

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136. The 12 firms are: Blackwood Hodge, CFAO, UTC, Lennards, Berec, Alumaco, Lever Brothers, Costain, Guinness, Leventis, Bata and Berger Paints. Calculated from data in shareholder registers of 19 of the 24 listed firms which complied through the LSE.

137. Calculated by multiplying the holdings of large-scale investors (both government and private) by the CIC-determined offering price.

138. Permission was granted by the NEPB to examine this document but not to note specific details, which would have made possible a more precise analysis than what follows.

139. Shareholder registers of LSE-listed firms. See also Soyode (1978), pp.331-50, which corroborates these trends in greater detail but in a smaller group of listed companies.

easy access to private and government-sponsored credit facilities enjoyed by civil servants and Lagos-based businessmen was an important factor in the preponderance of those groups as shareholders in listed companies.[140] Hoogvelt attributes the "severe concentration of ownership" to the programme's "sloppiness in implementation and failure in design". The policy-makers, she maintains, failed to take into account the lack of a broad local capitalist class with the cash to buy foreign businesses.[141] The IEP attributed the alleged geographical maldistribution to "limited public awareness" of investment opportunities at the early stages of implementation and to concentration of investment expertise in the urban areas. It blamed foreign companies for recruiting as shareholders just a few close Nigerian associates. For this reason, the Panel faulted the legislation itself for not empowering the authorities to intervene in private placements, the most common method of compliance. More egalitarian distribution would have been ensured, the IEP claimed, if more firms had been required to sell shares through the LSE, and if the NEPB and CIC had supervised all share sales as it did the public issues.[142]

The IEP's evidence on how share purchases were actually financed contradicts Collins' argument.[143] The Panel estimated that only ₦20m, or 16%, of the ₦122m invested in shares was funded by private banks. Private savings and private institutional sources together contributed just ₦14m, another 11% of the total.[144] The great majority of equity finance was evidently furnished by the vending firms themselves.

Arguments that share concentration resulted because of the absence of a sufficiently broad capitalist class or because of a lack of public

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140. Collins (1974), pp.500, 504-5; and (1975), p.146.

141. Hoogvelt (1979), p.57.

142. "IEP Report", paragraph 1.51.

143. It should be noted that Collins later modified his view, claiming that access to these credit institutions contributed to the preponderance of professional groups in *public issues*. See Collins (1984), pp.34-5.

144. "IEP Report", paragraph 1.28.

awareness about the Decree also cannot be substantiated. Whether or not Nigerian investors can be regarded as a "class", there was evidently no shortage of public interest in shares. As Table 3.16 indicates, most LSE offerings were vastly over-subscribed:

Table 3.16:
Level of Subscription of LSE Issues, 1 May 1973 - 31 July 1974

Company	Shares Offered ('000s)	No. of Applications	Shares/ Application	No. Times Subscribed
Boots	400	14,900	407	11.4
Briscoe	1,600	17,100	498	7.4
Costain	852	11,100	806	6.0
Daily Times	1,101	18,000	651	4.7
Nig. Bottling	1,400	14,200	519	3.6
Wiggins Teape	340	2,300	696	3.5
Guinness	2,000	13,100	306	3.3
UAC	19,008	85,500	588	3.1
J.Holt Ltd	2,853	8,300	862	2.9
Vono	567	3,200	425	2.9
Nig. Breweries	4,200	28,100	289	2.8
Berger Paints	1,153	2,600	459	2.7
Lever Bros.	2,720	12,500	690	2.4
Paterson Zochonis	1,789	4,900	516	1.8
Metal Box	1,440	2,700	1,003	1.6
Blackwood Hodge	1,280	2,500	518	1.6
CFAO	1,786	5,500	1,193	1.3
Bata	2,400	4,400	357	1.1
Total:	46,889	250,900		
Mean:	2,605	13,939	599	3.6

Source: Calculated from "IEP Report", Table II.4.

Moreover, considering the near-daily appearance of press reports about the Decree over a period of several years, it is doubtful that members of the reading public and, indirectly, many others were unaware of at least the *opportunity* to invest, even if their knowledge extended no further.

It is true that implementation of the NEPD was sloppy, that little was done to thwart fronting, and that the Decree did not empower the authorities to arrest the development of a concentrated pattern of share ownership. However, contrary to the IEP's contention, the authorities failed to prevent inequalities from arising in public offerings as well. Indeed, it will be suggested below that state regulation and rigid, rather

than sloppy, intervention by government agencies might have contributed to share maldistribution.

There is some validity in the IEP's claim that inequalities developed because foreign companies were permitted to recruit their own indigenous partners. Hoogvelt's survey of Kano-based firms indicates that 31 of 47 expatriate firms polled made use of this freedom in order to solicit the interest of Nigerian investors. Only ten firms reported that the overture had been initiated by the Nigerian, and the remaining six firms said that their indigenous partners had been recruited by a third party.[145] Interviews conducted by the author suggest that European firms relied substantially on those who were engaged in the private placement of their shares, merchant bankers, solicitors and accountants, to identify suitable investors. This contrasted with the practice of Asian firms, which typically courted Nigerian investors without professional assistance.

The motive for recruitment affected share distribution. Hoogvelt observes an inclination amongst Lebanese firms in Kano to recruit amongst six wealthy local businessmen, each with strong links to both commercial and governmental institutions. The presumption was that these "Alhajis" would use their extensive contacts to advance the interests of a firm in which they held a financial stake. Other firms solicited investments from Nigerians able to bring in extra business. Publishing companies recruited State education officials; pharmaceutical dealers enlisted doctors. According to the IEP, expatriates also recruited Nigerians who would help them to evade the Decree. The Panel claimed to have found evidence "in almost all instances, [that] the devices employed by the foreign owners could not have worked without the active support and connivance of some misguided Nigerians".[146] In view of the

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145. Hoogvelt (1979), p.62.

146. "IEP Report", paragraph 1.55.

IEP's charge, it is ironic that several British executives expressed disappointment that, despite having appointed well-connected Nigerians to serve as board directors, their new colleagues preferred not to involve themselves actively in company affairs.[147]

Some expatriates tried to enlist as local partners Nigerians whom they believed they could control. Hoogvelt reports that many Kano-based firms recruited their local distributors as investors, calculating that the latter's dependence on the foreign parent for credit and supplies would ensure their adherence to company policies.[148] A variant on this approach was to involve indigenous managerial employees as shareholders. It was correctly reasoned that indigenous executives, like Nigerian distributors, were apt to identify their interests with those of their expatriate associates. If, as shareholders, they were not inclined to acquiescence, they were still unlikely to risk their jobs by questioning the business judgement of those who employed them. European firms, according to Hoogvelt, preferred to diffuse share ownership amongst many Nigerians in order to minimize the influence of any one.[149] Biersteker claims that for related reasons, several European firms chose to comply with the Decree through the LSE, which was supposed to ensure that shares would be scattered amongst not dozens but thousands of Nigerian investors.[150] However, the evidence of share concentration cited above (and that discussed in Chapter Five) seems to contradict Biersteker's contention.

Whether motivated to distribute shares widely or to just a favoured few, foreign companies enhanced their influence over the distribution of shares by financing investors' acquisitions. Some firms simply sold their shares to Nigerians in return for little or no financial consideration.[151]

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147. Interviews: executives at two British publishing multinationals.
148. Hoogvelt (1979), p.59.
149. Hoogvelt (1979), p.63.
150. Biersteker (1983), p.194.
151. See "IEP Report", paragraphs 1.55-59.

Many of the largest foreign enterprises, such as Nigerian Breweries, CFAO, Paterson Zochonis, Vono and Bata, guaranteed the commercial bank loans of managerial employees who purchased shares.[152] More common still, firms extended credit to their employees directly. Some Nigerians "bought" shares but paid for them out of future dividends, an undertaking which was expedited by the generous yields some companies paid. In the view of at least one top official, the latter practice was really just another manifestation of fronting.[153]

Regulated Inequality

Collusion between foreign and indigenous investors abetted share concentration but, at a more basic level, share maldistribution was rooted in existing inequalities in Nigeria. Disparities in wealth, education, in personal connections with foreign business and contacts with the government bureaucracy in large measure determined who benefited from a state intervention which was conducted within the "formal" (or regulated) sector of the Nigerian economy. For example, apart from access to finance, participation in the programme required some knowledge of corporate forms of investment. Yet, in a country with a short tradition of formalized financial markets and where sole proprietorships are the norm, even rich people were indisposed to profit from the Decree. As a Lagos-based accountant explained:

> Only 50% of the people are aware of the share sales; 50% who see the offering documents don't read them; of those, 95% don't understand them; of those who do, 75% think there's a catch.[154]

Government officials were mindful of these inequalities and they made some attempts to remedy them during the course of implementing

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152. See Collins (1974), p.505, for a complete list.
153. S. Asabia (then Deputy Governor, CBN), quoted in *New Nigerian*, 30 October 1974.
154. J.K. Randle, *Sunday Sketch*, 4 August 1974.

the NEPD 1972. However, by intervening to spread the Decree's benefits, the authorities sometimes aggravated disparities amongst investors. As seen above, public sector institutions invested very actively and captured a large proportion of the equity made available by the Decree. Thus, intervention brought large blocks of shares into the hands of *government* investors and left fewer shares for everyone else.

Government intervention also restricted the pool of shares open to the private sector at large. It is true, as the IEP observed, that public offerings were shunned because private placements afforded greater flexibility in selecting compatible indigenous partners. However, some companies were probably dissuaded from public issues because of their justifiable expectation that the regulators would treat them heavy-handedly. It will be recalled from Chapter Two that prior to the NEPD 1972, several companies issued shares on the LSE voluntarily. They regarded the Exchange as an attractive venue at which to generate local goodwill, if not to raise much capital. Since then, however, the CIC assumed regulatory responsibility for public issues, and the possibility of a punishing valuation at the hands of the Commission diminished any attraction the Exchange may have held for foreign companies. Thus, of the 593 companies which complied with the NEPD 1972, only 4% (the 24 firms listed in Table 3.14) sold shares through the LSE, "a mean achievement against the potential offered by the Indigenization Decree".[155] Virtually all of the firms which did make public issues either were compelled to do so or were already listed.

Having discounted prices to the extent that average dividend yields exceeded 30% (see Table 3.14), the Commission succeeded in making listed shares very attractive to Nigerian investors. However, by so doing, it not only discouraged firms from selling shares to the general public but

155. G. Onosode, quoted in *Daily Times*, 19 November 1974.

also raised the demand for the shares which were available. Over-subscription, as evidenced by Table 3.16, was the predictable outcome of the CIC's policy of forcing companies to sell shares on the cheap.

Over-subscribed public issues enhanced the control of those who adjudicated between claimants for undervalued shares. The government-controlled Allotment Committee, comprising officials from the CIC, the NEPB, the LSE and one representative of the issuing house handling the sale, performed this function. The IEP argued that the advantage of selling through the Exchange was that it "ensures that all Nigerian citizens and associations who care to do so, are given the opportunity and each application has equal chances of success provided it complies with the terms of the offer".[156] In practice, the Allotment Committee did not treat all applicants alike. The Committee favoured State governments, entitling each to a large allocation. Other public sector institutions were also given preference. According to the IEP, the Allotment Committee was biased against private institutional investors "to ensure fairness".[157]

The Committee's intervention not only left large shareholdings in the hands of government investors but probably disadvantaged small-scale investors more than anyone else. These Nigerians were less likely to have personal contacts with foreign businesses or bountiful resources which might have opened opportunities for them to participate in private sales. And with LSE offerings few and over-subscribed, the potential for less privileged investors to participate in public sales was reduced as well.

This is not to claim that the Allotment Committee systematically discriminated against small-scale share applicants. Indeed, as a matter of *general* practice, the Committee sharply reduced the size of allocations it would allow to those private investors who applied for large numbers of

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156. "IEP Report", paragraph 1.45.
157. "IEP Report", paragraph 2.20.

shares.[158] However, in view of the great disparities in the size of individual holdings despite thousands of share applications unfulfilled, it is apparent that the Committee did favour *certain* private investors more than others. Shareholder registers indicate that some of the most prolific Nigerian investors were the merchant bankers, lawyers and senior corporate managers involved in public offerings, people in direct contact with the Allotment Committee. Other large-scale investors, including top businessmen, senior civil servants and military officers, might have been able to secure their allocations through informal pressures.

Allocated according to administrative discretion rather than competitive bidding in the market, shares appear to have been distributed in a way that benefited particular applicants who had access to the administrators themselves. We might expect élite groups to prevail in a competition predicated on associations with other élites, both in business and in government. As will be seen in Chapter Four, the Decree's regulated inequalities persisted in the programme's extension.

158. See Collins (1980), pp.155-6, for details on the allotment of UAC's shares.

CHAPTER FOUR

THE NIGERIAN ENTERPRISES PROMOTION DECREE 1977

PART ONE: REGULATORY DESIGN

Prelude to Intervention

Even before the compliance deadline, the shortcomings of the NEPD 1972 had been widely chronicled in the Nigerian press.[1] Most of the criticism was directed towards foreign firms (particularly Lebanese and Indian) and their expatriate employees who, with apparent impunity, seemed capable of circumventing, if not the requirements of the Decree, at least the "spirit" of its provisions. If there were Nigerians to indict for the Decree's failings, they were the "unpatriotic" collaborators who, it was alleged, assisted expatriates with their evasions and captured the bulk of the shares made available.

The July 1975 coup led to a redirection of the criticism towards the Gowon Administration itself. As one of its most prominent economic policies, the Decree provided grounds upon which the defunct regime could be discredited. An editorial in the Federal government-controlled *Daily Times* is like many others which condemned the previous government's handling of the NEPD 1972:

> If the Enterprises Promotion Decree of 1972 aimed at greater involvement of the Nigerian in the management of his country's economy, the implementation of the decree by an administration best known for mismanagement and wholesale corruption, definitely defeated that aim. ... Foreign businessmen had a good time as they manipulated the government to make concessions and amendments while they were busy inflating their shares.[2]

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1. See *Daily Express*, 18 July 1973; *Daily Sketch*: 17 March 1972; 7 November 1972; 13 June 1973; *Daily Times*: 17 May 1972; editorial, 13 June 1972; 2 March 1973; 19 March 1973; 27 April 1973; editorial, 1 April 1974; *Morning Post*, 12 December 1972; *New Nigerian*: 11 July 1972; 23 June 1973.

2. *Daily Times*, editorial, 21 January 1976.

In addition to charges of incompetence and corruption, the regime was accused of abetting gross inequality amongst Nigerians. By ignoring its "avowed egalitarian intentions", the Gowon Administration created "a class of a handful of Nigerians who are now rich enough to hold this country to economic and hence political ransom".[3]

The coup, organized by colonels and majors, replaced senior military officers who had exercised administrative power during the Civil War with field officers who had fought. Four brigadiers (including Murtala Mohammed, the new Head of State) took over the key posts in the government and army, and all officers above that rank were retired.[4] However, the task of the new regime was more complex than simply to discredit deposed senior colleagues. By 1975, the popularity which the military government had enjoyed during and immediately after the Civil War had been badly shaken. A series of scandals exposing corruption in high places, the cancellation of the 1973 census, the Gowon Administration's isolation from public and, indeed, military opinion, and the indefinite postponement of the promised return to civilian rule damaged the reputation of the armed forces and, by association, the acceptability of rule by soldier-politicians. After nine years of military government, it was incumbent upon the new administration to re-establish the political legitimacy of the armed forces by casting itself as competent, honest and, above all, reformist.

Shortly after the coup, Murtala set up a number of special commissions to investigate the policies and practices of the Gowon Administration, with a view to their correction. One of these was the Industrial Enterprises Panel (IEP), appointed on 17 November 1975 to consider the "indigenisation policy". Serving under the chairmanship of Mr

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3. *Daily Times*, editorial, 21 January 1976.
4. See Williams (1980), p.99.

Oluwole Adeosun, Director of Nigerian Stockbrokers Ltd, the seven members of the IEP included a lawyer, two businessmen, a company director (a retired Federal permanent secretary), an official of the Nigerian Bank for Commerce and Industry (NBCI), and the Managing Director of the New Nigerian Development Corporation (NNDC), the investment-holding company of the northern States.[5]

The IEP's brief makes it plain that the Murtala Administration wanted a major extension of the 1972 Decree and a broader dissemination of its benefits. Amongst other things, the IEP was charged with:

> 1. Reporting on [the Decree's] implementation to date and assessing the extent to which the aims and objectives of the Federal Military Government in establishing the scheme had been achieved and if not fully achieved identifying various devices employed in circumventing the provisions of the Decree.
>
> 2. Identifying cases where the basis and spread of ownership are considered to be restrictive and not in keeping with the aims and objectives of the scheme and recommending a more rational system for the participation by Nigerian citizens and associations in similar enterprises in future.
>
> 3. Recommending amendments to the Decree with a view to expanding the enterprises affected by it, as well as increasing the level of indigenous participation in such enterprises.[6]

Apart from its consideration of the Decree, the IEP was also directed to investigate the expatriate quota system, the utilization of Nigerian management, the operation of the stock market, the serviceability of the NBCI and NIDB, the criteria for establishing new enterprises and, more generally, "to plan the methodology and mechanics of meaningful and rapid indigenization of industrial and commercial enterprises within and outside the scope of the indigenisation scheme".[7]

Despite the participation of businessmen, including those closely associated with foreign firms, the Panel's report strongly criticized the private sector and advocated a larger role for the state. In an analysis

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5. "IEP Report", Introduction.
6. Letter of appointment, reprinted in the Introduction of the "IEP Report".
7. Letter of appointment, reprinted in the Introduction of the "IEP Report".

of the Nigerian political economy evocative of "dependency" theory, the "IEP Report" characterized the indigenous private sector as "only a poor satellite of the historically powerful foreign sector".[8] Foreign firms were condemned summarily for their "singular motive of acquiring quick wealth which they equally quickly transfer home to Europe or to a Caribbean haven".[9] The NEPD 1972 was flawed, argued the Panel, because private sector-led development "is not a useful model on which to plan the indigenization of the economy".[10] Because "even the basest propensities can be contained and rechannelled through determined, honest and strong leadership", the IEP urged acceptance of the "historical process" of public sector leadership of the "mixed economy".[11] Such a policy, it contended, would restore the conception of indigenization articulated in the *Second National Development Plan 1970-74.* It would also "widen the areas of influence, operation and authority of the state thereby establishing its ascendancy and laying a better foundation for egalitarian and social mobilisation".[12] Members of the Panel probably felt vindicated by (or took their cues from) the recent utterances of the leaders of the Murtala regime who had already "spelt a death-kneel [sic] for the private sector leadership brand of mixed economy".[13]

The IEP's recommendations reflect its suspicion of the private sector and inclination to expand the state's powers. Dismayed by the tactics it alleged that foreign firms had used to circumvent the NEPD 1972, the Panel proposed a swift "mopping-up operation" to rectify the Decree's lax enforcement. It called for a review of suspected "fronting" cases, with Nigerian investors required to prove the legitimacy of their acquisitions.

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8. "IEP Report", paragraph 4.3.
9. "IEP Report", paragraph 4.34.
10. "IEP Report", paragraph 4.3.
11. "IEP Report", paragraphs 4.4, 4.7.
12. "IEP Report", paragraph 4.6.
13. "IEP Report", paragraph 4.7.

Regarding the payment for shares out of future dividends as fronting, the Panel urged that such sales be declared void and the parties involved prosecuted by the authorities. It also called for a review of exemptions and "regrouping" and recommended that companies found to have contravened the Decree be sealed up and disposed of by the NEPB. The Panel further proposed that naturalization applications submitted after the NEPD's compliance deadline of 31 March 1974 be rejected and the expatriate operators of Schedule I firms expelled from the country.[14]

The IEP's second series of recommendations concerned an extension of the Decree's scope. The Panel wanted the programme to affect all foreign companies. Under the proposed arrangement, 24 additional activities would be reserved for exclusive Nigerian ownership in Schedule I, including supermarkets, department stores, all forms of domestic goods and passenger transport, manufacturers' representatives, commissioned agencies, brokerages, soft drink bottling and wholesale distribution (see Table 4.1a). The revised Schedule II, for which a minimum of 60% Nigerian capital participation was prescribed, was to include "enterprises which by their nature, are of strategic importance to the economy", namely: banking, insurance, mining, construction, cement, iron and steel, fertilizers, plantation agriculture and processing, as well as the petroleum industry.[15] A third schedule, for which a minimum of 49% Nigerian equity was recommended, was to encompass all other activities not covered by Schedules I and II.[16] The Panel further stipulated that enterprises established after 1 April 1976 have at least 60% Nigerian equity participation, "unless satisfactory reasons of a peculiar nature can

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14. "IEP Report", paragraph 1.60.
15. "IEP Report", paragraph 1.70.
16. "IEP Report", paragraph 8.19.

be adduced to justify lower indigenous content in ownership, which at no time shall fall below 49%".[17]

To implement the "mopping-up" operation and the proposed extension of the Decree, the Panel recommended an expansion of the regulatory machinery. The NEPB Secretariat was to be fortified, and the Board itself elevated in standing through the appointment of more numerous and higher-ranking officials. The proposed membership included permanent secretaries, heads of Federal research, development and financial institutions, representatives of the private sector, labour organizations and the universities, with the Governor of the Central Bank serving as Chairman. The Board was to enjoy autonomy from ministerial control by having a person from outside the Public Service as its chairman and by reporting directly to the Cabinet Office. Moreover, the Enterprise Promotion Committees were to be removed from the control of the States and placed under the Board's direction.[18]

The revamped NEPB was to have far greater powers to supervise and enforce share transfers. It would gain the authority to approve all acquisitions prior to their transaction.[19] In co-operation with the Capital Issues Commission, the Board would oversee the pricing, timing, mode of issue and distribution of shares of all enterprises, both public and private. In this regard, it would be empowered to direct companies to sell shares to the public through the Stock Exchange.[20] To enforce its decisions, the Board would have sweeping powers of subpoena and inspection, and it would be authorized not only to seal up but also to dispose of the assets of firms found to have violated the legislation's provisions.

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17. "IEP Report", paragraph 8.39.
18. "IEP Report", paragraph 1.72(b).
19. "IEP Report", paragraph 4.59(ii).
20. "IEP Report", paragraph 3.3(1b).

The Panel also recommended measures to enhance the authority of Nigerian managers in companies affected by the Decree. First, it called on the Board to provide technical, managerial and financial consulting services. Second, it wanted the Board to conduct "management audits" to verify that control by Nigerians matched their level of equity participation. More generally, the Panel proposed a far-reaching but vague series of regulations intended to ensure that foreign businesses would adhere to national development objectives, with or without the assistance of Nigerian managers. It was recommended that foreign firms be required to register as limited liability companies, follow clearly defined and approved programmes of technology transfer, train and promote Nigerians in keeping with a rigid time-table, that expatriate firms be restricted in their use of local overdraft facilities, meet local value-added targets, and that any future investments should conform to the priorities set out in national development plans.[21] Although the "IEP Report" did not specify which government agency it envisaged would enforce these new regulations, one member indicated that an up-graded NEPB, if liberated from the control of the Federal Ministry of Industries (FMI), was the Panel's preferred choice.[22]

Central to the IEP's recommendations were its proposals to promote egalitarian ownership of foreign company shares. To this end, the Panel stipulated an upper limit of ₦50,000 or 5% of paid-up capital as the maximum value of equity per enterprise which any one Nigerian could acquire.[23] Only Nigerian investors who would operate Schedule I enterprises as full-time "owner-managers" for at least five years were to be exempted. Second, because the Panel believed that "only a few Nigerians at present know of or have access to the Stock Exchange and

21. "IEP Report", paragraphs 8.40-1.
22. Interview: IEP member.
23. "IEP Report", paragraph 8.47.

their interest should be represented by appropriate public sector institutions", it argued that the public and private sectors should purchase on an equal basis all shares sold through the Exchange.[24] The Panel nominated the NEPB as the "public sector organ operating as the professional entrepreneur of the Federal government" and, to ensure adequate co-ordination, advocated that existing shareholdings of the various ministries be transferred to the Board.[25] Third, it proposed that 10% of any fresh sale be reserved for company employees. Finally, the IEP wanted to extend the principle of egalitarianism retroactively. If, during the NEPD 1972, fewer than ten persons had acquired any Schedule II company without subsequently taking a role in its management, the Panel urged that such sales be revoked and the company involved directed to sell the requisite level of share capital through the Stock Exchange.[26]

The Federal government tried to limit the private sector's input into the policy-making process by formalizing the channels of communication open to them. It both convened and participated in conferences which were billed as opportunities for businessmen to advise the government about the Decree's proposed extension. However, in practice these were not occasions for meaningful dialogue but rather platforms from which government policy was proclaimed. Businessmen were also invited to express their views to the IEP. Although this promoted the impression of the regime's openness, the Panel's intercession served to insulate the policy-makers from private interests more than it enabled the latter to influence the Decree's design.

A few of the largest expatriate firms and the West Africa Committee, the influential British business lobby, wrote to the IEP directly. Most submissions came from the top indigenous managers of

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24. "IEP Report", paragraph 8.17.
25. "IEP Report", paragraphs 8.30, 8.49.
26. "IEP Report", paragraph 1.60(j).

expatriate firms, and from the Nigerian organizations which, to varying degrees, spoke for foreign business interests.[27] Nearly all of the private sector's formal representations to government, whether read at conferences or submitted to the IEP, expressed reservations about the Decree's extension. Having affirmed in their communiqué that "indigenisation is a policy which every right-thinking Nigerian should whole-heartedly support", the participants of a conference sponsored by the Nigerian Institute of Management spelt out the ills which would befall the economy if the government proceeded with plans to extend it.[28] Chief Ogunbanjo's caution is typical of most voiced by members of the "organized private sector":

> Great care has to be taken if we are not to produce chaos in the economy. The level of managerial manpower has to be increased both qualitatively and quantitatively to cope with the responsibilities incidental on increased level of ownership to a majority position. The transfer of technology from foreign companies may require the next decade or more to reach an appreciable level. The problem of interdependence ... calls for a judicious approach to indigenization.[29]

It is ironic that Nigerians who had once lobbied forcefully for the NEPD 1972 (see Chapter Two) now argued against the Decree's extension on the same grounds: that few indigenous entrepreneurs yet possessed the ability to engage in "modern enlightened capitalism". Chief Ogunbanjo, an early champion of indigenization, now urged the government to avoid making further concessions to uncooperative local businessmen who sought undeserved advantages over foreigners whose talents they could not rival:

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27. Appendix I of the "IEP Report" lists the memoranda received. The author was granted access to these memoranda but not permitted to copy them.

28. "Conference summary and recommendations", in Nigerian Institute of Management (1976), pp.13-5.

29. Ogunbanjo (1978), p.49.

> In defence of what is regarded as their inalienable right, the indigenous businessmen apply pressure on the Government to legislate and restrict the activities of their foreign counterparts to minimize competition. ...It is pertinent to observe that some indigenous entrepreneurs have been criticized for being less than co-operative with the Government in complying with the policies and regulations made to improve the economy.[30]

Very few local entrepreneurs and business groups without foreign associations either spoke at these conferences or submitted memoranda to the IEP. Only one Nigerian businessman wrote to the IEP in favour of an extension of the Decree on the grounds of "unfair" expatriate competition.

It proved politically expedient for the government to deal with a sensitive issue such as the NEPD 1972 through an outside commission. By appointing people to the IEP from important constituencies, the regime not only placated potential opponents but also acquired a credible document which could be contrived to endorse the decisions it would ultimately take. The "IEP Report" itself was never released to the public but the Federal government did publish a White Paper in 1976 which quotes and responds selectively to some of the report's findings and proposals. This gave the appearance that the NEPD 1977 followed directly from the "blue ribbon" panel's recommendations which, in turn, had been informed by outside opinion.[31] Yet, the real policy debate, and the decision-making that mattered, were conducted within elite military and administrative circles.

There was sharp disagreement within the government as to how the Decree should be corrected, extended and reformed. The "IEP Report", submitted in March 1976 and circulated amongst members of the Supreme Military Council (SMC) and senior officials of the relevant ministries, was met by some with enthusiasm for its radicalism and considered "quite

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30. Ogunbanjo (1978), p.50.

31. The "Report of the Committee on the Nigerian Financial System" ("Okigbo Committee Report") was handled by the government in the same way.

outlandish, unrealistic" by others.[32] The top military leadership favoured a more confrontational stance towards foreign business.[33] It wanted to re-establish the political legitimacy of the armed forces by taking bold policy initiatives. Following the unsuccessful coup attempt in February 1976 in which General Mohammed was assassinated, the new Head of State, General Olusegun Obasanjo, tried to capitalize on the personal popularity of his predecessor. He pledged to continue Murtala's policies and stressed that he too was a leader of reformist intentions. An extension of the NEPD presented him with an excellent chance to bestow largess on a broad constituency.

Beneath the immediate objectives of restoring political stability and securing popular support was a growing disaffection with foreign enterprise. Expatriate investors, to whom Nigeria had long offered multifarious fiscal incentives, were being reproached with increasing intensity for their unwillingness to import new capital, transfer technology, promote Nigerian management, undertake local research and development, and utilize domestic resources. Obasanjo remarked that despite the opportunities created by oil wealth, the Nigerian economy was more dependent on imported technology, manpower and materials than ever before.[34] An editorial in one national daily echoed the military leadership's openly critical attitude towards foreign business:

> With her size, potential and actual resources, Nigeria holds such promise that it needs no advertising for foreign investment. Indeed, one of the critical pitfalls of our economic policies in the past had been the too-liberal, un-co-ordinated system of incentives, based on an outdated laissez-faire philosophy that makes Nigeria the dumping ground for third-rate hustlers, eager to dispose of their archaic machinery.[35]

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32. Interview: retired Federal permanent secretary.

33. The following discussion was informed by members of the Obasanjo Administration, especially by the then-Secretary to the Military Government, A. Ayida.

34. Obasanjo, "New Year's Message", Federal Ministry of Information Press Release, 5 January 1978.

35. *Nigerian Herald*, editorial, 5 August 1976. See also editorials in *Daily Sketch*, 27 July 1976 and *Daily Times*, 11 August 1977.

With burgeoning petroleum revenues giving new meaning to Nigeria's self-proclamation as "the Giant of Africa", some members of the SMC were less inclined to cower at the prospect of inhibiting foreign investment by an extension of the Decree. As Major-General J.J. Oluleye, Federal Commissioner for Finance and a member of the SMC, put it, "maybe this is the price which the people of this country have to pay for taking part in controlling their economy".[36]

Within the civil service, however, many senior officials retained their commitment to a vital role for both the private sector and foreign enterprise in advancing economic development. Although these officials conceded that Nigeria was no longer reliant on the capital contributions of foreign investors, which even from the largest firms were acknowledged to have been small, they argued that the country still needed foreign technology and managerial skills. Concern was expressed that the NEPD 1972 damaged Nigeria's allure as a market for foreign investment, and that to extend the Decree at this juncture might jeopardize the success of the *Third National Development Plan 1975-80*, which had assumed that capital investment worth ₦10 billion would be forthcoming from the private sector.[37]

In opposition to the more conservative elements within the bureaucracy was a rising cadre of civil servants, usually younger and often educated at Nigerian universities, who were more statist in outlook. These officials were often critical of foreign business (and the private sector in general), but with the additional complaint that the government's regulatory controls were inadequate. The Director of the Central Planning Office in supported the Decree's extension *because* it

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36. Oluleye (1977), p.5.

37. Interviews: C. Ezeife; retired Federal permanent secretary.

had discouraged foreign investment. His ambivalence towards foreign capital and suspicion of foreign businessmen was shared by many of his colleagues:

> A developing country like ours could not do without making conscious efforts to regulate her economy. ... Foreign businessmen would not like any regulation that would not ensure the speedy flow of money to their pockets.[38]

The increasingly *dirigiste* orientation of the bureaucracy coincided with a purge of the Public Service by General Mohammed and the subsequent rise to key positions of more radical civil servants, particularly those from the North. This group of officials wanted not only to extend government controls over the economy but also to promote state institutions through which they could exert influence. They perceived a widening economic gap between the North and South which they, and many outside the Public Service, believed had been aggravated by the NEPD 1972. They agitated for a massive expansion of equity controls with which they were determined to remedy supposed regional imbalances.

Provisions of the NEPD 1977

The *Federal Military Government's Views on the Report of the Industrial Enterprises Panel* (hereafter, *White Paper*), published on 30 June 1976, described the government's plans for extending the NEPD 1972. The document was written principally by Mr Ayida, then Secretary to the Military Government, who had been a keen proponent of the 1972 Decree (see Chapter Two). Ayida favoured a less radical approach than that recommended by the IEP. The regulatory programme outlined in the *White Paper* suggests that he persuaded his military "masters" to go along with some of his opinions but not all.

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38. T. Ilugbuhi, quoted in *New Nigerian*, 17 August 1978.

Although the *White Paper* accepted that malpractices had occurred during the NEPD 1972, the government was not eager to revoke past transactions. It agreed to empower the Board to seal up and dispose of defaulting enterprises, to investigate suspected cases of fronting, and to prosecute if necessary.[39] But the government discreetly withheld consent for an investigation of Schedule II fronting cases, and it refused to initiate a general review of exemptions on the grounds that each case had already been ratified by the Federal Executive Council (FEC).[40] More likely, its reluctance was due to the embarrassment a review might cause to FEC members who remained in government service. The government also declined to reconsider its earlier approval of corporate reorganizations, though the *White Paper* pledged that evasions of this kind would not be allowed to recur.[41]

The most radical proposal of the "mopping-up" operation, that acquisitions of 40% equity in Schedule II firms by fewer than ten people be revoked, was rejected because "its indiscriminate implementation will cause hardship and involve injustice to those who genuinely and in good faith acquired their 40% holding".[42] This proposal enjoyed considerable support from some SMC members who suggested that the Decree's political appeal would be enhanced further if a list of the investors involved were also published. The idea was dropped completely after it was pointed out that the names of several SMC members would have appeared on the list.[43]

The *White Paper* scaled down the extension of the programme recommended by the IEP. It significantly slackened the IEP's schedules

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39. *Federal Military Government's Views on the Report of the Industrial Enterprises Panel* (hereafter, *White Paper*), (Lagos: Federal Ministry of Information, Printing Division, 1976), paragraphs 6, 16.

40. *White Paper*, paragraph 12.

41. *White Paper*, paragraph 17.

42. *White Paper*, paragraph 15.

43. Interview: retired Federal permanent secretary.

both by modifying the placement of industries and by ignoring a few of the Panel's classifications entirely (see Table 4.1a). The level of Nigerian equity participation in Schedule III firms was reduced from the proposed 49% to 40%, and the automatic requirement of 60% Nigerian equity for new firms was rejected.[44] The initiation of "Development Criteria" to which all new foreign investments were to conform was postponed pending further study.[45]

Despite these relaxations, the *White Paper* sanctioned a significant extension of the Decree's scope. Several key activities such as manufacturers' representatives and wholesale distribution of local manufactures were now slated for exclusive Nigerian ownership. Expatriate firms which set up local manufacturing facilities in the 1960s and 1970s to secure market share for their exports would now have to depend on Nigerians to distribute these products. Revisions to Schedule II meant that even the largest expatriate firms would retain only a minority stake in their local subsidiaries. With the addition of Schedule III, the programme would affect virtually all foreign companies in Nigeria.

The *White Paper* conferred additional supervisory powers on the Board but without altering existing channels of command. The Board was empowered to scrutinize all transactions, including the distribution of shares. This time all shares, whether sold by public issue or private placement, were to be priced by the Capital Issues Commission (CIC). However, the government balked at giving the Board the authority to force companies to make public offerings; it accepted "the principle" but ignored the specific guide-lines which the IEP had proposed.[46] The provision of consulting services by the Board was rejected because these

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44. *White Paper*, paragraphs 24, 48.
45. *White Paper*, paragraph 49.
46. *White Paper*, paragraph 47.

were "already adequately taken care of by other institutions".[47] The membership roster put forward by the *White Paper* makes it clear that the government wanted a Board of lesser stature than the IEP had envisaged. Moreover, outsiders were to join the NEPB only at the invitation of the government rather than *ex officio.*[48] The Board was denied greater autonomy, and control of the Enterprise Promotion Committees was to remain with the States. The NEPB would continue to report to the FMI.[49]

Significantly, the IEP's proposal to transform the Board into the Federal government's principal investment holding company was rejected outright. The *White Paper* maintained that the proper role of the Board was to regulate, a function "equally essential and different in nature from that of a holding company".[50] The *White Paper* also rejected the IEP's recommendation that the public sector acquire one half of all shares sold through the Stock Exchange.[51] It out-manoeuvred high-level supporters of this idea by endorsing a deliberate misinterpretation of the proposal. It treated the IEP's scheme as merely a call for the government to "warehouse" shares if under-subscription should arise. It then "agreed" with the "IEP Report" that the NEPB should indeed retain *unsubscribed* shares until private investors came forward with sufficient funds.

The most heated debate concerned the proposed upper limit on acquisitions by individual Nigerians. As Mr Ayida recounted,

> The Government was distributing wealth and didn't want anyone to get too much. People like ... [names SMC members] misunderstood the national objectives of indigenization, to give Nigerians a real stake and share of control in the economy, and saw it in terms of a political thing. Unfortunately, the wrong people won. Indigenization, as it was formulated, didn't stand a chance.[52]

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47. *White Paper*, paragraph 28.
48. *White Paper*, paragraph 29.
49. *White Paper*, paragraph 27.
50. *White Paper*, paragraph 59.
51. *White Paper*, paragraph 20.
52. Interview: A. Ayida.

Ambiguity in the IEP's proposal for an upper limit left room for very different interpretations. In paragraph 4.21, the Panel clearly applied the limit of 5% or ₦50,000, "whichever is higher", to fresh equity sales. However, in Chapter Eight, the Panel appears to have applied a limit to *total* equity holdings (i.e. both existing and additional acquisitions), and this limit is stated as "5% maximum equity or ₦50,000 worth of shares per each [sic] beneficial owner whichever comes *first* [italics mine]".[53] It is not clear whether or not the Panel intended to prevent an existing 5% shareholder from acquiring additional shares, or whether the limit on his acquisition was to be the higher or the lower of 5% paid-up capital or ₦50,000 worth of shares. The distinction is important in view of the low capital value of most foreign firms in Nigeria. The *White Paper* accepted the limit of 5% or ₦50,000 "whichever comes first", without clarifying the matter. However, it went further than the "IEP Report" by prohibiting any one Nigerian investor from acquiring a controlling interest in more than one enterprise.[54] True to its populist aims, the government seized upon the IEP's proposal that 10% of future share issues should be reserved for employees and amended it to read: "at least half of which should go to non-managerial staff".[55]

Only six days after the *White Paper*'s release, the Federal government promulgated Decree No.27, which reconstituted the NEPB and provided it with the necessary powers to deal with firms in default of the 1972 Decree.[56] The Nigerian Enterprises Promotion Decree 1977 was not promulgated until 12 January 1977, nearly eight months later. As with the NEPD 1972, business interests secured several regulatory concessions

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53. "IEP Report", paragraph 8.47.
54. *White Paper*, paragraph 58.
55. *White Paper*, paragraph 58.
56. Nigerian Enterprises Promotion (Amendment) Decree, No.27 of 1976, (5 July).

between the Decree's announcement and its eventual publication, despite the government's concerted efforts to control outside participation in the policy-making process.

Dispensations are evident from the discrepancies between the *White Paper* and the NEPD 1977. The arrangement of schedules was altered to permit continued foreign involvement in certain activities and reduce Nigerian participation in others.

Table 4.1a:
Rulings on "IEP Report's" Proposed Schedules by the *White Paper* of 1976 and the NEPD 1977

"IEP Report"	*White Paper*	NEPD 1977
Additions to Schedule I: (100% Nigerian)		
1. Cosmetics & perfume manufacture	as IEP	Sch II
2. Department stores & supermarkets	turnover less than N2,000,000	as *WP*
3. Distribution agencies, excl. motor vehicles, tractors, spare parts	excl. machinery & equipment	as *WP*
4. Estate agencies	as IEP	as *WP*
5. Furniture manufacture	as IEP	Sch II
6. Luggage manufacture	as IEP	as *WP*
7. Internal air transport	Sch II	as *WP*
8. Passenger bus services	as IEP	as *WP*
9. Poultry farming	as IEP	as *WP*
10. Printing of books & stationery	not books	as *WP*
11. Meat slaughtering and processing	as IEP	Sch II
12. Travel agencies	as IEP	as *WP*
13. Wholesale distribution	locally produced goods only	as *WP*
14. Shipping & shipping agencies	not specified	Sch II:inland, coastal Sch III:ocean
15. Commercial transport (wet and dry cargo, and fuel)	as IEP	as *WP*
16. Clearing and forwarding	not specified	Sch II
17. Film distribution	as IEP	as *WP*
18. Lighterage	Sch II	as *WP*
19. Brokerage (produce, insurance, etc.)	not specified	not specified
20 Manufacturers' representatives	as IEP	as *WP*
21. Indenting	as IEP	& confirming
22. Commission agents, all other agencies	Commission agents only	as *WP*
23. Soft drink bottling	not specified	Sch II
24. Coastal and inland shipping	not specified	Sch II (see 14)

Schedule II: (60% Nigerian ownership)			
1.	Banking	as IEP	as *WP*
2.	Insurance	as IEP	as *WP*
3.	Mining & quarrying	as IEP	as *WP*
4.	Basic iron & steel manufacture	as IEP	as *WP*
5.	Cement manufacture	as IEP	as *WP*
6.	Petroleum industry	not specified	not specified
7.	Petro-chemical feedstock industries	as IEP	as *WP*
8.	Fertilizer production	as IEP	as *WP*
9.	Pulp & paper mills	as IEP	paper conversion
10.	Sugar plantations & processing	as IEP	as *WP*
11.	Salt refining & packaging	as IEP	as *WP*
12.	Large-scale construction industries	All construction industries	as *WP*
13.	Plantations of cash crops	as IEP	as *WP*
14.	not specified	Textile manufacture	Sch III
15.	not specified	Oil milling & crushing	& cotton ginning
Schedule III: (49% Nigerian ownership)		(40% Nigerian ownership)	as *WP*
All other enterprises		as IEP	see Table 4.1b

Source: "IEP Report", paragraph 1.70; *White Paper*, paragraphs 22-4; NEPD 1977, Schedules.

Cosmetics and perfume manufacture, furniture-making and meat processing were all transferred from Schedule I to Schedule II in the NEPD 1977. Soft drink bottling, lighterage, brokerage, and inland and coastal shipping, activities for which the *White Paper* had delayed its rulings, were placed under Schedule II following successful representations by private firms and industry associations.[57] Tobacco manufacturers, unlike producers of all other consumer non-durables, secured placement in Schedule III. Other likely concessions went to brick manufacturers (which had been listed under Schedule I in the NEPD 1972) and ocean-going shippers. Clearing and forwarding agencies, which had been transferred to Schedule II by an amendment to the NEPD 1972 (see Chapter Three), were again spared from placement under Schedule I. Panalpina, one of the leading firms in

57. Interviews: C. Ogunbanjo; two Federal permanent secretaries (one retired).

that business, complied with the NEPD 1977 (under Schedule II) by selling 20% of its equity to several very influential Nigerians.[58]

The lobbying efforts of indigenous entrepreneurs were rewarded with the addition of several new activities to Schedule I, which were overlooked both in the "IEP Report" and the *White Paper.*

Table 4.1b:
Other Schedule Additions, NEPD 1977

Other Additions to Schedule I:

1. Electrical repair shops not associated with distribution
2. Watch, clock and jewellery repair
3. Garment manufacture
4. Ice cream manufacture not associated with other dairy products
5. Indenting and confirming
6. Office cleaning
7. Protective agencies
8. Travel agencies

Other Additions to Schedule II:

1. Business services other than machinery and equipment rental
2. Canning and preserving of fruits and vegetables
3. Grain mill products excl. rice milling
4. Industrial cleaning
5. Manufacture of biscuits and dry bakery products
6. Manufacture of cocoa, chocolate and sugar confectionery
7. Manufacture of dairy products
8. Manufacture of food products such as yeast, starch, baking powder, coffee roasting; processing of tea leaves into black tea
9. Manufacture of leather footwear
10. Manufacture of plastic products such as kitchenware, mats, machinery parts, bottles, tubes and cabinets
11. Manufacture of rubber products such as footwear, gloves, mats, sponges, and foam
12. Manufacture of tyres and tubes for bicycles, motorcycles, and motor vehicles
13. Other manufactures such as toys, pens, pencils, umbrellas, canes, buttons, brooms, brushes, lamp-shades, tobacco pipes, and cigarette holders
14. Publishing of books and periodicals
15. Restaurants, cafes and other eating and drinking places
16. Tanneries and leather finishing
17. Wholesale distribution of imported goods
18. Photographic studios incl. commercial and aerial photography

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58. These included: Colonel M. Buhari (then Chairman of the NNPC, Nigeria's state-owned oil company, and later Head of State); Colonel I. Babangida (then an SMC member and now also President); J. Oyegun (formerly Permanent Secretary, Federal Ministry of Commerce and Industry); H. Alile (Director-General of the Nigerian Stock Exchange); P. Asiodu (by then a retired Federal permanent secretary); and A. Dantata (one of Nigeria's most successful businessmen and shareholder in dozens of foreign companies). See NEPB, *Sixth Progress Report on the Implementation of the Nigerian Enterprises Act, 1977: covering the period 30th April, 1980 to 1st May, 1981* (hereafter, *Sixth Progress Report*), (Lagos: Federal Government Press, 1982), Appendix IX, for further details.

Additions to Schedule III:

1. Distilling and blending of spirits
2. Tobacco manufacture
3. Manufacture of basic industrial chemicals excl. fertilizers
4. Manufacture of synthetic resins, plastic materials, man-made fibres, excl. glass
5. Manufacture of drugs and medicines
6. Manufacture of pottery, china and earthenware
7. Manufacture of glass and glass products
8. Manufacture of burnt bricks and structural clay products
9. Manufacture of miscellaneous non-metal mineral products
10. Manufacture of primary non-ferrous metal products
11. Manufacture of fabricated metal cutlery, hand tools and hardware
12. Manufacture of structural metal products and components
13. Manufacture of miscellaneous fabricated metal products excl. machinery and equipment
14. Manufacture of engines and turbines
15. Manufacture of agricultural machinery and equipment
16. Manufacture of metal and wood-working machinery
17. Manufacture of specialized industrial machinery
18. Manufacture of office, computing and accounting machinery
19. Manufacture of other machinery excl. electrical equipment, pumps, air and gas compressors, blowers, air-conditioning and ventilating machinery, refrigerators
20. Manufacture of electrical industrial machinery and apparatus
21. Manufacture of radio, television and communication equipment and apparatus
22. Manufacture of electrical appliances and housewares
23. Manufacture of electrical apparatus and supplies not classified elsewhere
24. Ship building and repairing, excl. boat-building
25. Manufacture of railway equipment
26. Manufacture of motor vehicles and motorcycles
27. Manufacture of aircraft
28. Manufacture of professional and scientific measuring and controlling equipment
29. Manufacture of photographic and optical goods
30. Manufacture of watches and clocks
31. Ocean transport and shipping
32. Oil servicing equipment
33. Storage and warehousing facilities for public hire
34. Textile manufacturing
35. Hotels, rooming houses, camps and lodging places
36. Data processing and tabulating services
37. Production of cinema and television films
38. Machinery and equipment rental and leasing
39. All other enterprises not included in Schedules I or II, not being public enterprises

Source: NEPD 1977, Schedules.

The most blatant concession was that which enabled the largest foreign commercial houses to retain their Schedule I activities, just as they had managed to do through re-grouping arrangements during the NEPD 1972. Section 7(1) of the NEPD 1977 permitted firms with turnover exceeding ₦25m and operations in at least ten States to comply under Schedule II, even if one or more of their subsidiaries was engaged

in a Schedule I business. Coined "the UAC clause" by the NEPB, the provision also accommodated the UTC, CFAO, John Holt, Paterson Zochonis, SCOA, BEWAC, Leventis, Bata, Bhojsons and Chellaram Groups.[59] In other respects the NEPD 1977 was identical to the programme announced in the *White Paper*, except that the individual upper limit on *additional* share acquisitions applied both to new *and existing* holdings and was amended to 5% of *total* equity or ₦50,000 worth of shares per firm, "whichever is the *higher* [italics mine]".[60]

A Policy Critique

As with the 1972 Decree, the government claimed that the NEPD 1977 was intended to place "the commanding heights" of the economy in Nigerian hands, but this time "in keeping with the egalitarian objectives of the present military administration".[61] Just as the FMG would have wished, the Nigerian press trumpeted the Decree to an enthusiastic public. Its extravagant rhetoric played on nationalist sentiment by vilifying foreign businessmen, "those who try to make living in this country almost an insufferable experience",[62] and the local "jackals of the imperialist tiger".[63] The government's campaign to publicize the Decree, assisted by the press, imparted the message that finally this was an administration serious about indigenizing control of the Nigerian economy. As before, the effort to generate popular support for the government and its indigenization programme raised unrealistic expectations of what the NEPD 1977 could accomplish. The *Daily Sketch* was moved to temper the public's enthusiasm by cautioning that placing "control of the Nigerian

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59. NEPB, *First Progress Report on the Implementation of the NEPD 1977, covering the period January to October 1977* (hereafter, *First Progress Report*), (Lagos: Federal Government Press, 1981).

60. NEPD 1977, Section 11(c).

61. O. Obasanjo, "Broadcast to the Nation" (coinciding with publication of the *White Paper*), Federal Ministry of Information Press Release, 30 June 1976.

62. *Nigerian Observer*, editorial, 3 July 1976.

63. *The Punch*, editorial, 18 January 1977.

economy squarely in Nigerian hands will take some time. It will take at least a year".[64]

Such "moderation" seems all the more ironic because, as an exercise in *indigenization*, the NEPD 1977 was hardly more ambitious than the NEPD 1972. A larger number of enterprises were now slated for majority ownership by Nigerians, but the Decree refrained from directing any specific changes in company policy. As before, none of the supposed aims of indigenization, such as the promotion of Nigerian managers, technology transfer, indigenous technological development, the utilization of local resources in production, and domestic capital accumulation, were dealt with directly or explicitly. The NEPD 1977 reserved many important new activities exclusively for Nigerians, but it fell short of turning away the most important foreign participants in these markets. Moreover, other than by directing the NEPB to prevent their recurrence, the Decree provided little scope to remedy either the alleged malpractices of foreign firms or the share maldistribution which resulted during compliance with the NEPD 1972.

Expectations that the NEPD 1977 would eradicate foreign control of the economy appear especially naïve in view of the experience with the 1972 Decree. The NEPD 1972 had been thoroughly discredited, but its failure was attributed to "loop-holes" in its provisions, lax enforcement, foreign evasions, and "unpatriotic" collusion by certain well-placed Nigerians, misconceptions reinforced by journalists and academic critics. Although the government claimed to have learned from the mistakes of the past, it maintained that the objectives and approach of the NEPD 1972 remained valid for the NEPD 1977.[65] The first Decree's underlying premises, that private and national interests coincide and that ownership

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64. *Daily Sketch*, editorial, 2 July 1976.

65. Yar'adua (then Chief of Staff, Supreme Headquarters) (1976), p.11.

brings about control, were both unchallenged and intact in the design of the second. The conception of the policy was not questioned, only the means by which it could be extended and enforced.

If "national" objectives were to be achieved, the 1977 Decree, like its predecessor, depended on the co-operation of Nigerian investors to promote them. Referring to the Decree, the Federal Commissioner for Industries frankly acknowledged that

> no matter how well conceived and how efficiently executed a Government's economic programme may be, it would labour in vain if the attitude, approach and acts of its citizens are at variance with official aims and objectives.[66]

One top official, citing the experience of the NEPD 1972, suggested that it was wishful thinking for the FMG to have expected Nigerian investors to promote further indigenization once they had acquired majority ownership from foreigners under the NEPD 1977:

> In fact, indigenization was anti-Nigerian. Nigerian investors instinctively favour expatriates because they wouldn't trust other Nigerians to run a company. They have no confidence in Nigerian technical skills. ... They would be afraid that if Nigerians were in charge of the firm, they would start stealing or hiring incompetent employees from their families.[67]

Private investors would understandably wish to maximize the returns to their investments in foreign firms, and this was most easily accomplished by consenting to the operational status quo.

Even if private and 'national' objectives were harmonious, it is still doubtful that Nigerian shareholders could pursue indigenization by voting to redirect corporate policies. Following the 1972 Decree, with only 40% ownership in foreign firms, indigenous investors presumably enjoyed financial participation but little control. By endowing them with a majority stake, the NEPD 1977 attempted to install Nigerians as the

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66. Adeleye (1977), p.27.

67. Interview: retired Federal permanent secretary.

"senior partners" in joint-ventures with foreigners. However, this supposed attempt to reverse the structure of control conflicted with the Federal government's political decision to broaden share distribution. As the government conceded in its *White Paper*, "it must be admitted that direct management control becomes more difficult with diffused ownership". Forced to choose between control and egalitarianism, it decided that "future indigenization must ensure a broader and more equitable distribution of enterprise ownership".[68] By imposing an upper limit on acquisitions by individual Nigerians, the government shackled the private investors on whom it depended to promote indigenization. Moreover, it implicitly confirmed that the second phase of the equity transfer programme would be an exercise in share diffusion.

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68. *White Paper*, paragraph 20A.

PART TWO: REGULATORY IMPLEMENTATION

The government acted quickly to dispatch firms in default of the NEPD 1972. Following the Board's reconstitution on 5 July 1976, the names of defaulting enterprises were published and the public was invited to bid for them at an auction advertised for the next month.[69] Sixty-three of these firms had been abandoned and were sealed up.[70] The Board also launched a probe into the exemptions which had been granted to 37 firms, although no subsequent action was apparently taken.[71] Thereafter, the NEPB concerned itself with "the more ambitious and gigantic indigenisation programme ushered in by the new Decree".[72]

Foreign Enterprises Affected

As of 31 December 1983, approximately 2000 firms were affected by the NEPD 1977. Some 1200 of these were operating when the Decree came into effect on 30 June 1976. The rest were established after that date.[73] Firms were classified into schedules as indicated in Table 4.2:

Table 4.2:
Classification of Firms Affected by the NEPD 1977

	Schedule I		Schedule II		Schedule III		Total Classified	
	No.	% of T.	No.	% of T.	No.	% of T.	No.	% of T.
Existing firms:[a]	67	7.2%	680	73.4%	179	19.3%	926	83.0%
All firms:[b]	92	5.3%	1191	68.8%	448	25.9%	1731	100.0%

[a] Includes only those firms in existence as of 30 June 1976.
[b] Includes all firms in existence as of 1 May 1981.

Source: NEPB, *Second Progress Report* (current to 30 April 1978); *Sixth Progress Report*, Appendix VIII (current to 1 May 1981).

69. NEPB, public advertisement published in most national newspapers, 24 July 1976.
70. *Nigeria Standard*, 9 August 1976.
71. *New Nigerian*, 13 June 1977.
72. NEPB, *First Progress Report*, Introduction.
73. NEPB, *Eighth Progress Report on the Implementation of the NEPD, 1977* (hereafter *Eighth Progress Report*), (Lagos: Federal Government Press, 1984).

By contrast with the 1972 Decree, most firms affected by the NEPD 1977 were already joint-ventures between Nigerians and expatriates.

Foreign companies affected by the NEPD 1977 were heavily concentrated in Nigeria's main commercial and industrial centres.

Table 4.3:
Location in Nigeria of Firms Affected by the NEPD 1977

	Schedule I		Schedule II		Schedule III		All Firms	
State	No.	% of I	No.	% of II	No.	% of III	No.	% of T.
Lagos	50	52.6%	813	67.1%	309	69.0%	1172	66.8%
Kano	18	19.0	148	12.2	39	8.7	205	11.7
Oyo	2	2.1	58	4.8	23	5.1	83	4.7
Kaduna	1	1.1	42	3.5	20	4.5	63	3.6
Bendel	0	.0	36	3.0	14	3.1	50	2.9
Plateau	18	19.0	17	1.4	2	.5	37	2.1
Rivers	2	2.1	22	1.8	10	2.2	34	1.9
Ondo	1	1.1	16	1.3	10	2.2	27	1.5
Anambra	0	.0	16	1.3	9	2.0	25	1.4
Cross River	2	2.1	9	.7	2	.5	13	.7
Sokoto	1	1.1	8	.7	2	.5	11	.6
Borno	0	.0	7	.6	1	.2	8	.5
Imo	0	.0	7	.6	1	.2	8	.5
Kwara	0	.0	5	.4	3	.7	8	.5
Bauchi	0	.0	3	.3	3	.7	6	.3
Benue	0	.0	2	.2	0	.0	2	.1
Gongola	0	.0	1	.1	0	.0	1	.1
Ogun	0	.0	1	.1	0	.0	1	.1
Niger	0	.0	0	.0	0	.0	0	.0
Total:	95	100.0%	1211	100.0%	448	100.0%	1754	100.0%

Source: Calculated from NEPB, *Sixth Progress Report*, Appendix VIII.

Table 4.3 indicates that more than two-thirds of all affected firms were based in Lagos State, and nearly four-fifths were located in either Lagos or Kano States.

Of the 1116 foreign companies registered by the NEPB as of 30 April 1978, 190 were considered to have previously satisfied the Decree's requirements. The nationalities of the 926 which were compelled to sell at least some equity to Nigerians were recorded as follows:

Table 4.4:
Nationality of Existing Firms Affected by the NEPD 1977

Nationality	Number	% of Total
British	269	29.1%
Lebanese	88	9.5
Indian	72	7.8
Italian	56	6.1
American	48	5.2
German	40	4.3
French	24	2.6
Swiss	20	2.2
All others[a]	309	33.4
Total:	926	100.0%

[a] Includes firms involving investors of more than one foreign nationality.

Source: NEPB, *Second Progress Report*.

If these 926 firms are typical of all others affected by the Decree, Table 4.4 suggests that the NEPD 1977 affected mainly Western-based companies, in distinction to the Decree's first phase, in which Lebanese and Indian firms were more preponderant.

Most of the firms affected by the NEPD 1977 were relatively small. This can be deduced from the nominal value of the share capital the Decree required them to sell:

Table 4.5:
Nominal Value of Share Offerings by Firms Affected by the NEPD 1977

Nominal Value of Offering			No. of Firms	% of Total	Est. Total Value in Range[a] Naira	% of Total
N1	-	N1,000	51	5.5%	N25,500	.0%
N1,001	-	N5,000	77	8.3	231,000	.1
N5,001	-	N10,000	84	9.1	630,000	.4
N10,001	-	N20,000	86	9.2	1,290,000	.8
N20,001	-	N30,000	51	5.5	1,275,000	.8
N30,001	-	N40,000	59	6.4	2,065,000	1.3
N40,001	-	N50,000	26	2.8	1,170,000	.7
N50,001	-	N70,000	48	5.2	2,880,000	1.8
N70,001	-	N100,000	165	17.8	14.025,000	8.5
N100,001	-	N200,000	111	12.0	16,650,000	10.1
N200,001	-	N300,000	60	6.5	15,000,000	9.1
N300,001	-	N400,000	23	2.5	8,050,000	4.9
N400,001	-	N500,000	21	2.3	9,450,000	5.7
N500,001	-	N700,000	15	1.6	9,000,000	5.5
N700,001	-	N1,000,000	16	1.7	13,600,000	8.2
N1,000,000	-	or more	33	3.6	69,658,500[b]	42.2[b]
Total:			926	100.0%	N165,000,000	100.0%

[a] Estimates based on the median value of each range (e.g. N500 for the first range, N1-1000).
[b] Calculated as the difference between N165,000,000 (the NEPB's estimate of the total nominal value of share capital sold by these firms) and the sum of each range's value.

Source: Calculated from the NEPB, *Second Progress Report*.

Table 4.5 indicates that almost one half of the firms were obliged to sell shares nominally worth only ₦50,000 or less, and 70% were to sell less than ₦100,000. Relatively few firms were to sell the great majority of the equity specified for transfer to Nigerians. Thirty-three companies, 3.6% of the total number, were each required to make offerings of ₦1,000,000 or more, about 42% of the total equity for sale. By contrast, the 434 smallest firms, about 47% of the total number, were to sell only 4% of the nominal share capital to be sold.

Regulatory Administration

It has been said that the NEPD 1977 was enforced much more capably than the NEPD 1972. Biersteker notes the "seriousness" of the rejuvenated Board and its executive director and concludes that "there is little question that the NEPB as upgraded for the implementation of the second decree was more capable than its predecessor".[74] As will be seen below, the Board did assert its authority much more actively during the implementation of the NEPD 1977 than it had in its previous incarnation. Its regulative efforts, however, were hardly more successful.

The Board had been granted more extensive powers and a fortified Secretariat. Even so, the NEPB Executive Chairman protested repeatedly to his ministerial supervisors that, given the enormity of the NEPB's task and its level of responsibility, "the NEPB has probably been the most starved Government establishment".[75] Criticism of the government's "lethargic attitude" towards the NEPB served to deflect attention from problems which were often of the Board's making (see Part Three).[76] Nonetheless, it is also true that the NEPB lacked the human and material resources needed to implement even the basic provisions of the Decree, let alone to fulfil its bolder mandate.

Positions on the NEPB were not initially established as permanent civil service appointments because the Board was expected to disband after completing its assignment on 31 December 1978. As before, the Board was confined to recruiting staff from within the Federal Public Service (see Chapter Three). Without permanent status or comparable terms of employment, secondment to the NEPB was not attractive to

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74. Biersteker (1987b), p.203.

75. NEPB, *Eighth Progress Report*.

76. See M. Gadzama (NEPB Executive Chairman), quoted in *Nigerian Observer*, 3 September 1981; NEPB, *Third Progress Report on the Implementation of the NEPD, 1977, 1st May 1978 to 31st Oct, 1978* (hereafter, *Third Progress Report*), Lagos: Federal Government Press, 1982); NEPB, *Eighth Progress Report*.

Federal civil servants posted to other ministries.[77] As a result of problems with staff recruitment, many positions in the NEPB Secretariat remained vacant.

Table 4.6:
Management Staffing Levels of the NEPB Secretariat in 1978

Department	Establishments[a]	No. Filled	No. Vacancies	Vacancy Rate
Administration	19	10	9	47.4%
Accounting	20	3	17	85.0
Legal	3	1	2	66.7
Inspectorate	82	28	54	65.9
Total:	124	42	82	66.1%

[a] Gazetted establishments in 1977.

Source: Compiled and calculated from NEPB, *Second Progress Report*.

Table 4.6 indicates that in 1978, vacancies in each of the NEPB's functional departments, apart from Administration, exceeded the number of positions filled.

The Board's five zonal offices, from which it carried out inspections, were particularly starved of personnel. Only two inspectors served in the Ibadan and Benin City offices, and one each in Jos, Port Harcourt and Kano.[78] Thus, just seven people were supposed to verify the compliance of all foreign companies outside of Lagos State. A consignment of workers from the National Youth Service Corps was supposed to improve the Board's staff shortage. However, the short tenure of these appointments aggravated the already severe problem of staff turnover. In 1981, the Board lost more administrative staff than it had employed at any one time in the past. The NEPB complained that chronic problems

77. "Report of an inter-ministerial committee on NEPB staffing procedures", submitted 26 October 1978, included as Appendix IV in NEPB, *Fifth Progress Report on the Implementation of the NEPD, 1977, covering period 1st March, 1979 to 30th April, 1980* (hereafter, *Fifth Progress Report*), (Lagos: Federal Government Press, 1981).

78. NEPB, *Eighth Progress Report*.

with recruitment and retention of staff had devastated Board morale and compromised its ability to carry out its mission.[79]

The staffing problem was exacerbated by inadequate funding of the NEPB's activities. For instance, the Board's grant for the 1979/80 financial year excluded any provision for payment of office rents, investigations, litigation, and for the Nigerian Enterprise Promotion Committees (NEPCs) in the States.[80] Whilst the Federal government denied the Board funds to allocate to the NEPCs, State governments regarded the Committees as a Federal responsibility and refused to finance them. As a result, nearly all NEPCs were completely dormant throughout the exercise. Most convened only once, in 1981, to greet the NEPB Executive Chairman during his national tour to evaluate the Committees' performance.[81] He found that local politicians had exempted firms from compliance, and that there were "vast numbers" of unregistered foreign companies in the States which "make their killing" before anyone in Lagos could catch up with them.[82]

Although problems with enforcing the NEPD 1977 were apparent to Board and Ministry officials alike, the impression conveyed to the public was quite different. Shortly after the compliance deadline, the NEPB Executive Chairman convened a press conference to announce that 95% (1120) of the companies affected by the NEPD 1977 had complied on time. Only 30 firms, he maintained, were in default of the Decree's provisions.[83] However, the NEPB's Progress Reports, submitted periodically to the FMI, indicate that a favourable view of the Decree's enforcement is tenable only if "compliance" is defined very loosely.

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79. NEPB, *1982 Annual Progress Report: The Nigerian Enterprises Promotion Board* (hereafter, *Seventh Progress Report*), (Lagos: Federal Government Press, 1983).

80. NEPB, *Seventh Progress Report.*

81. NEPB, *Sixth Progress Report.*

82. M. Gadzama, quoted in *New Nigerian*, 4 September 1981.

83. A. Al-Hakim (NEPB Executive Chairman), quoted in *Daily Times*, 22 January 1979.

These reports indicate that hundreds of firms were still to comply fully by the NEPD's deadline.

Table 4.7:
Compliance with the NEPD 1977

Year	(Prior to Compliance) Classified	Valued	(NEPB Designation of Compliance) "Certificate"	"Provisional"	"Progress"	"Grace"	Default
April '78	1116	216	-	-	-	-	-
Dec. '78	1150	450	-	-	-	-	-
1979	1200[e]	878	-	-	-	-	-
	150[n]	-	-	-	-	-	-
1980		965	-	886	N/A	N/A	30
1981	1856	1013	11	908[e]	404	657	30
				51[n]			110[lq]
1982		1144	181	954[e]	247	582	35
				67[n]			
1983	2000		269	1050[e]	160	452	30
			78[a]	100[n]			

[a] approved, but not issued.
[e] existing firms.
[lq] liquidated.
[n] new firms registered after NEPD 1977 came into effect.

Source: NEPB, Progress Reports (various years); SEC, *Annual Report and Accounts* (various years).

Table 4.7 reveals that, contrary to the NEPB chief's public pronouncement, the number of firms which had been issued either "Provisional Letters" or "Certificates" of compliance did not reach 1120 until nearly *four years* after the 31 December 1978 deadline. Moreover, the ranks of these so-called "compliant firms" were swelled by 67 others which had not even existed when the earlier, exaggerated compliance results were announced. As of 1 May 1981, in addition to the 404 companies which had been reprieved because of their "progress" towards compliance, some 657 new firms had been granted a two-year "grace period" before their compliance would be required.[84] More than five years after the prescribed deadline, 612 firms were still to satisfy even the Board's now-liberalized definition of compliance (see below). Of the

84. NEPB, *Sixth Progress Report.*

1419 firms which had met these relaxed terms, only 269 had been issued with "Certificates of Compliance".[85]

Most firms waited until the second half of 1978 before submitting their vending proposals to the NEPB and their applications for valuation to the Securities and Exchange Commission (SEC), the revamped CIC (see below and Chapter Five).[86] Although the Board had classified 1116 enterprises by 31 March 1978, with 900 still to be valued, it was feared that firms were postponing their submissions to forestall compliance. The NEPB issued stern warnings that extensions would not be granted and that non-compliant firms would be declared in default and then prosecuted.[87] Noting that "moral suasion" had not yielded a satisfactory response, the Board adopted a time-table which required firms to comply at staggered dates as determined by the schedule to which they had been assigned. This time-table, however, was not legally enforceable. Even if firms had consented to the Board's time-table, the SEC would have needed to value approximately 800 firms within five months to meet the compliance deadline. In the event, the SEC's task was hardly less herculean: 450 companies had to be valued in the last quarter of 1978, approximately five per day, seven days a week.[88]

Faced with this impossible situation, the Board hedged that "at least in terms of value of the shares they are selling and their significance to the Nigerian economy", most companies would comply on time.[89] Such an assurance was possible only because the large public companies which were to sell the bulk of the shares affected by the Decree were the first to comply.[90] Confronted by the prospect of mass default by smaller

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85. NEPB, *Eighth Progress Report*.
86. NEPB, *First Progress Report*.
87. *New Nigerian*, 27 March 1978.
88. NEPB, *Third Progress Report*.
89. NEPB, *Third Progress Report*.
90. NEPB, *Sixth Progress Report*, Appendix IA.

firms, the need to undertake hundreds of prosecutions, and the exposure of its own inadequacies, the NEPB liberalized the conditions according to which it would deem firms to have complied by the deadline.

In lieu of an actual transaction, the Board accepted the mere finalization of arrangements by the company concerned as "technical" compliance.[91] Later, the Board established two categories of compliance. Firms in "Category A" were those in possession of "Certificates" or "Provisional Letters" of compliance, those in "Category B" were "making progress" towards compliance but had not yet fulfilled the Decree's provisions. In order that companies still awaiting SEC valuation would satisfy one category or the other, the NEPB acquired the requisite level of indigenous equity in many firms for a nominal N1.[92] Eventually any company which was "making progress" towards compliance was considered to have complied with the Decree, a catch-all designation still being applied in 1984.[93]

In its communications to the FMI, the Board blamed the delays on deliberate stalling by foreign companies and a down-turn in the economy which, it maintained, had undermined the ability of private investors to buy shares.[94] There is some truth in the former defence, much less in the latter. Apart from those companies which might have "gone into hiding" until the Board could catch up with them,[95] other firms postponed compliance in the belief that the SEC's valuations were becoming more generous.[96] Prospective investors could have suffered financial misfortune

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91. NEPB, *First Progress Report*; SEC, *Report ... for the Period 1977-1979*, p.10.

92. NEPB, *Fourth Progress Report on the Implementation of the NEPD, 1977, 1st Nov, 1970* [1978] *to 28th Feb, 1979* (hereafter, *Fourth Progress Report*), (Lagos: Federal Ministry of Information Printing Division, 1982).

93. NEPB, *Eighth Progress Report*.

94. NEPB, *Third-Seventh Progress Reports*; M. Gadzama, quoted in *Daily Times*, 14 February 1981.

95. Biersteker (1983), p.200.

96. Interviews: D. Odife; P. Ifaturoti; E. Banigo; C. Ogunbanjo; C. Ezeife; G. Akamiokhor; O. Adeosun.

during the recession of 1978, but most shares offered throughout 1978, those sold by public issue, were nonetheless over-subscribed. When the market did reveal signs of saturation, it seems to have resulted more from the SEC's failure to stagger public offerings than from financial constraints.[97] Moreover, the Board did not insist, as it had for public issues, that investors in private firms enclose full payment with their share applications. Prospective shareholders gained time to change their plans, to delay payment in anticipation of a price discount, and, occasionally, to arrange private financing with the foreign vendor. In any case, even when firms failed to sell the requisite shares because investors were not forthcoming, the Board still considered them to have fulfilled its terms because they were "making progress" towards compliance.

As discussed in Part One, foreign companies secured certain concessions which eased the provisions of the NEPD 1977. But once the Decree was enacted, the government resisted amending it further. By contrast with its lenience during the 1972 Decree and despite its present administrative difficulties, the Board lobbied the government to tighten the provisions of the NEPD 1977. The NEPB seems to have favoured resurrecting the more stringent requirements proposed by the IEP. The NEPB argued that placing petroleum marketing and tobacco manufacture in Schedule III was an unnecessary and anomalous dispensation to foreigners, and it encouraged the SMC to restore these activities to Schedule II.[98] The Board also recommended that government rescind the exceptions from Schedule I granted to large supermarkets, department stores and wholesale distributors of imports because, it claimed, these businesses were "dominated by Indians and Lebanese who while

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97. Unpublished list produced by the SEC which notes levels of subscription of public issues and the date of issue. See also acknowledgement of the problem in SEC, *Report ... for the Period 1977-1979*, p.15.

98. NEPB, *Eighth Progress Report*.

contributing very little to the country's developmental process ... (indeed they create more problems through hoarding and inflated invoices) make the highest profits".[99]

Like the Board, the IEP's chairman, Chief Adeosun, was also eager that the Decree's provisions be relaxed no further. He urged the government not to succumb to pressures from foreign businesses:

> Everything has a price and anybody willing to do business in Nigeria should be ready to pay the price. We do not go to America, Britain or elsewhere to dictate the terms of business to them. ... Those who are interested in real business will always remain but the marginal investors do not like us.[100]

A few amendments to the Decree, such as the transfer of rice milling, jewellery repair and garment manufacture from Schedules I to II, and of cement manufacture from II to III, followed from lobbying by foreign interests. But reclassifications were also motivated by the Government's wish to encourage foreign participation in lagging sectors of the economy, and its perception that the NEPDs had indeed become a serious disincentive. According to participants in the negotiations, foreign investors stipulated the transfer of fertilizer production and metal container manufacture from Schedule II to III as a prerequisite for undertaking two major industrial projects.[101]

Though amendments to the Decree were rare, many firms petitioned the authorities for special dispensations from its provisions, whether through reclassification or outright exemption. Section 21 of the NEPD 1977 guaranteed firms the right to appeal to the Federal Commissioner for Industries against Board decisions. Under the 1979 Constitution, firms could file suit against the NEPB in court, but few pursued this course, preferring instead to appeal directly to the government. Firms based

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99. NEPB, *Eighth Progress Report*.

100. Adeosun, quoted in *Daily Times*, 18 November 1978.

101. Interviews: D. Lutter (Commercial Officer, U.S. Embassy), re: M.K. Kellog; C. Ogunbanjo, re: Metal Box-Toyo Glass.

their claims for reclassification on investment plans, the insignificance of their proscribed activities, their wrongful classification, or the authorities' confusion about the nature of their businesses. They sought exemptions on grounds that their activities displaced "inefficient" middlemen, retarded inflation, were not genuinely commercial, had not achieved profitability, or that production, distribution, and technology transfer would be disrupted if their requests were denied.[102] The government usually upheld the Board's rejection of such pleas, but the NEPB itself demonstrated some willingness to negotiate the Decree's terms. It permitted a shoe manufacturer to continue wholesale and retail activities, provided that it sold 70% of its equity to Nigerians. Two tyre makers were assigned to Schedule III after agreeing to invest in agricultural production.[103]

The petitions of two British pharmaceutical firms underscored one of the vexing administrative problems of classification. Describing their Nigerian subsidiaries as "manufacturers of pharmaceuticals", both firms argued that they were entitled to assignment on Schedule III. However, because most "manufacturers" in Nigeria employed highly import-intensive production methods, it was often difficult to distinguish between manufacturing and mere repackaging and distribution of imports. In these two cases, the Board ruled (and the government upheld) that the firms "only break, bulk, blend, repack, rebottle and redistribute" imported goods, all Schedule II activities.[104] Considering that the NEPB relied on foreign firms themselves to provide details of the operations upon which classifications were based, it is probable that the information submitted mostly blurred such subtle distinctions.

To close what was regarded as a major "loop-hole" in the 1972 Decree, the NEPD 1977 stipulated that, for the purposes of compliance,

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102. NEPB, *Seventh Progress Report*, Appendix 5.
103. NEPB, *Seventh Progress Report*, Appendix 5.
104. NEPB, *Seventh Progress Report*, Appendix 5.

"Nigerian" meant of "African descent".[105] The Board defined "Nigerian" more narrowly but failed to resolve ambiguity in the Decree's definition. It ruled that a "Nigerian" is someone with at least one parent of "African descent", and it also excluded naturalized citizens of OAU-member countries.[106] These provisions did not, however, ward off a rush of naturalization applications prior to the compliance deadline. Between 1975 and 1977, 850 applications were submitted, but there were nearly 3000 during the next 12 months.[107] Most applicants, according to the Federal Ministry of Internal Affairs (FMIA), wished to acquire Nigerian citizenship solely for the purpose of evading the Decree.[108]

The FMIA hoped to stem this abuse by stipulating residence of 15-20 years as a precondition for consideration. However, many "alien" businessmen had been resident in Nigeria for decades. In the end, the NEPB recommended that the government repeal the "African descent" clause because of its discriminatory effect on naturalized citizens and, perhaps more to the point, because the administrative determination of "descent" had proved too difficult.[109] At least 500 naturalization applications were approved in 1978 alone, in addition to the 341 approved between 1975 and 1977.[110] Even if few of these approvals were granted inadvertently to foreigners seeking to evade the Decree, a large number of the firms affected by the regulations could well have been exempted in this manner.

However, the majority of foreigners affected by the Decree, those whose firms were classified under Schedules II and III, did not contemplate naturalization. Most were not adamantly opposed to sharing

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105. NEPD 1977. Section 23(1).
106. NEPB, *First Progress Report*.
107. *Nigerian Observer*, editorial, 10 June 1978.
108. *Nigerian Observer*, 22 July 1978.
109. NEPB, *Fifth Progress Report*.
110. *Nigerian Observer*, editorial, 22 July 1978.

ownership with local investors. Many had already taken on Nigerian shareholders voluntarily and as a result of the NEPD 1972. Furthermore, by 1977, mandatory local financial participation had become a common feature of host-country investment codes throughout the world. For Schedule II and III firms, the main concerns were to minimize disruption and the costs of compliance.

Companies which had been forced to relinquish majority ownership sometimes rewrote their articles of association to maintain control in the board room. Others amended voting rules to require a three-quarters majority. Still others gave veto powers to expatriate directors. Biersteker reports that some companies conducted fewer board meetings after compliance, sometimes transferring their venue overseas.[111] International accountancy firms advised their clients that Nigerians could be sold shares which carried subordinate voting rights.[112] The NEPB protested against these "evasions" but it was powerless to act. Such practices were legal under the NEPD 1977 and the government did not later outlaw them.

The provision in the Decree which required divestiture of local distributive activities was particularly threatening to some foreign companies. This was so because, as noted above, many foreign "manufacturers" in Nigeria were essentially marketing organizations, the function of which was to assemble, repackage, and distribute semi-finished -- even finished -- imports from the parent abroad. It was incumbent upon expatriate firms to find distributors who could be trusted or controlled. Some chose to engage Nigerian businessmen whom they had recruited as shareholders during the NEPD 1972. Others awarded

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111. Biersteker (1983), pp.198-9.

112. See: *A Guide to Business in Nigeria*, (Lagos: Coopers & Lybrand, Oyediran, Faleye, Oke and Co., 1979); *A guide to trade and investment in Nigeria*, (London: Arthur Andersen & Co., 1981).

distributorships to the largest commercial houses which, though foreign-controlled, had been permitted to continue trading under Section 7(1) of the Decree. The Board had harsh words for firms which had qualified for this concession: "It is unfortunate that while most of them do not go into any worthwhile manufacture themselves, they seek to monopolize another company's products".[113] It subpoenaed lists of distributors, banned sole agencies, and insisted that distributorships be broadly assigned. However, firms could refuse to comply with these demands since the Board lacked the legislative authority to issue them.

The largest firms entered into contractual arrangements which codified the foreign partner's control.[114] Brand-name producers signed royalty agreements stipulating compensation for use of patents, trademarks and copyrights. Local manufacturing and commercial subsidiaries became party to contracts which prevented them from purchasing imports from other foreign (or domestic) suppliers. Technical and managerial service contracts provided for the foreign parent's continued influence in the operations of local affiliates. In addition to these formal contracts, many parent companies took over key administrative functions from their Nigerian affiliates. Two British publishing multinationals handled legal affairs, finance, royalty payments, book design and pay-roll administration at their head offices in England, tasks which had previously been carried out locally.[115] Apart from cementing foreign control, these contractual agreements also created new sources of revenue for foreign companies, off-setting the reduction in the parents' share of dividend payments.

Although the Decree's provisions had not addressed managerial employment, the NEPB stipulated that Nigerians participate in

113. NEPB, *Eighth Progress Report.*

114. Contractual agreements of listed firms maintained by the NSE and SEC.

115. Interviews: company executives of Longman and Oxford University Press.

management at levels commensurate with indigenous financial participation. It directed Schedule II firms to appoint at least two Nigerian executive directors, and Schedule III firms at least one.[116] It also tried to force companies to promote Nigerians to posts as "General Manager" in marketing, production and finance. The Board's demands again faltered without legal backing. Some firms agreed to satisfy its instructions but most refused and complained to Ministry officials about NEPB "harassment".[117] The Board desisted from intervening in managerial appointments after the Shagari Administration explicitly declined to give the Board such powers.[118] However, as noted in Chapter One, Nigerianization gathered pace in the late 1970s and early 1980s, regardless of the Board's abortive attempts to regulate it.

Financial Adjustment

The NEPD 1977 led some foreigners to close down their Nigerian businesses. Excluding companies which had been sealed up, the Board removed 110 firms from its register because they had gone into voluntary liquidation.[119] However, most of these firms had operated on a small scale and wound up for financial reasons. Anticipating under-valuation by the SEC, they preferred to sell off assets piecemeal. The NEPB was alarmed by this phenomenon and called for "drastic" action "to protect the interests of the country".[120] The government responded by declaring "asset-stripping" illegal. Companies wishing to wind up were supposed to demonstrate to a Board-appointed liquidator that their businesses were no longer viable.[121] This "law" against "indiscriminate liquidations" was

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116. NEPB, *Fifth Progress Report.*

117. NEPB, *Seventh Progress Report.*

118. Interview: C. Ezeife.

119. See NEPB, *Sixth Progress Report*, Appendix IV, for a list of liquidated companies.

120. NEPB, *Second Progress Report on the Implementation of the NEPD, Nov. 1977 - 30th April, 1978* (hereafter *Second Progress Report*), (Lagos: Federal Government Press, 1982).

121. SEC, *Report ... for the Period 1977-79*; NEPB, *Fifth Progress Report.*

neither formally enacted nor does it appear to have been enforced. To have denied expatriates permission to sell their own businesses would have further eroded Nigeria's long-standing guarantees against expropriation.

Only a few large multinationals chose to leave the country rather than meet the Decree's terms. Companies based in the United States appear to have been the most resistant to Nigerian financial participation. For some, the decision to depart was dictated not by local considerations but by corporate policies which insisted on sole ownership of foreign subsidiaries. Citibank closed their Nigerian office for this reason. Stanley Manufacturing, Colgate-Palmolive and IBM withdrew after appointing local distributors to whom in future they would export from abroad.[122] Divesting companies were denounced in the Nigerian press. One newspaper urged the government to ban the importation of these companies' products in retaliation.[123]

Although few important foreign firms departed, nearly all withdrew significant quantities of capital. Like the NEPD 1972, the NEPD 1977 did not, in principle, affect foreign investors' rights to remittances, whether of capital, dividends or wages. However, the authorities did attempt to prevent them from doing so in practice. Beginning in 1976, the Federal Ministry of Finance (FMF) imposed a ceiling of 60% on the ratio of annual profits after tax (PAT) which companies were allowed to pay out as dividends. To block foreign firms from repatriating equity capital through dividend remissions, the 1977 Federal Budget added a restriction which limited dividend pay-out ratios to a fixed proportion of paid-up share capital. Justified as means to dampen inflation and to promote capital investment,[124] the measures were actually intended to

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122. *Daily Times*, 21 July 1977.
123. *Daily Sketch*, editorial, 26 July 1977.
124. Oluleye (1977). See also Odife (1976).

eliminate a principal device used by firms to remit capital before complying with the 1972 Decree (see Chapter Three).

The restrictions served to boost capital accumulation but not productive investment. Instead of distributing profits in the form of dividends, firms retained earnings, converted reserves into equity, and issued scrips (bonus shares) to existing shareholders. Excluding banks and a few other firms which for various reasons are not relevant to this analysis, Table 4.8 indicates the extent to which the share capital of listed companies was expanded through scrips during the period between the NEPDs 1972 and 1977:

Table 4.8:
Scrips Issues of NSE Firms Prior to Compliance, and Subsequent Mode of Compliance with the NEPD 1977

Company	Share Capital (N'000s) Post-NEPD'72	Pre-NEPD'77	Increase[a]	Percent Increase	Compliance issue by...
Vitafoam	N420	N5,460	N5,040	1200.0%	subscription
International Paint	400	5,200	4,800	1200.0	sale
Sterling	200	2,600	2,400	1200.0	sale
Van Leer Containers	240	2,900	2,660	1108.3	subscription
Morrison	200	2,405	2,205	1102.5	subscription
Dumez	600	6,500	5,900	983.3	sale
Nigerian Ropes	100	1,067	967	967.0	subscription
Cappa & D'Alberto	1,000	10,000	9,000	900.0	sale
Enpee	587	4,791	4,204	716.2	subscription
Julius Berger	1,497	12,000	10,503	701.6	sale
Lever Brothers	3,400	25,500	22,100	650.0	sale
Briscoe	2,000	15,000	13,000	650.0	sale
Intra Motors	1,000	7,500	6,500	650.0	sale
Christlieb	200	1,500	1,300	650.0	subscription
Nig. Sewing Machine	420	2,940	2,520	600.0	sale
Livestock Feeds	425	2,935	2,510	590.6	sale
Industrial Gases	500	3,250	2,750	550.0	subscription
SCOA	3,000	18,000	15,000	500.0	sale
Boots	500	3,000	2,500	500.0	sale
Nigerian Enamelware	400	2,400	2,000	500.0	sale
Beecham	667	4,000	3,333	499.7	sale
Paterson Zochonis	1,367	7,891	6,524	477.4	subscription
Thomas Wyatt	765	4,344	3,579	467.8	subscription
NCR	800	4,500	3,700	462.5	sale
Cappa	1,000	5,000	4,000	400.0	sale
Wiggins Teape	410	2,050	1,640	400.0	subscription
Mobil	4,800	23,200	18,400	383.3	sale
Hoechst	420	2,000	1,580	376.2	subscription
Ovaltine	420	2,000	1,580	376.2	subscription
WAPCO	7,000	30,500	23,500	335.7	subscription
Stokvis	240	1,000	760	316.7	subscription
Roads Nigeria	400	1,600	1,200	300.0	subscription
Lennards	270	1,080	810	300.0	sale
Hagemeyer	200	800	600	300.0	subscription
Food Specialities	2,000	7,500	5,500	275.0	sale
Nigerian Breweries	6,100	21,960	15,860	260.0	sale
Chemical & Allied	1,666	5,883	4,217	253.1	subscription
Total	3,000	10,000	7,000	233.3	sale
Berger Paints	1,440	4,800	3,360	233.3	sale
Alumaco	670	2,160	1,490	222.4	subscription
Vono	1,417	4,433	3,016	212.8	sale
Flour Mills	5,000	15,000	10,000	200.0	sale
Bewac	2,500	7,500	5,000	200.0	sale
Taylor Woodrow	1,200	3,600	2,400	200.0	subscription
WESTEX	900	2,700	1,800	200.0	subscription
John Holt	7,133	20,544	13,411	188.0	sale
Pharma-Deko	420	1,184	764	181.9	subscription
Nigerian Bottling	2,324	6,536	4,212	181.2	subscription
UTC	6,000	16,000	10,000	166.7	subscription
Guinness	5,000	12,900	7,900	158.0	sale
Berec Nigeria	754	1,885	1,131	150.0	sale

Company	Share Capital (N'000s) Post-NEPD'72	Pre-NEPD'77	Increase[a]	Percent Increase	Compliance issue by...
Arbico	N400	N1,000	N600	150.0%	subscription
John Holt Invst.	2,254	5,600	3,346	148.5	sale
CFAO	5,200	12,480	7,280	140.0	sale
Dunlop	3,000	7,000	4,000	133.3	sale
Pfizer	978	2,250	1,272	130.1	subscription
Leventis Motors	4,000	9,000	5,000	125.0	sale
Blackwood Hodge	1,600	3,600	2,000	125.0	subscription
Texaco	3,028	6,804	3,776	124.7	sale
Agip	1,600	3,350	1,750	109.4	sale
Incar	1,250	2,500	1,250	100.0	subscription
Costain	1,225	2,450	1,225	100.0	sale
Poly Products	500	1,000	500	100.0	subscription
Foremost Dairies	360	720	360	100.0	subscription
Glaxo	2,000	3,920	1,920	96.0	sale
Cadbury	3,337	6,230	2,893	86.7	sale
N. Nig. Flour Mills	3,000	5,500	2,500	83.3	sale
Studio Press	500	898	398	79.6	subscription
Chellaram	850	1,488	638	75.1	sale
Leventis Technical	2,500	4,375	1,875	75.0	subscription
UAC	23,760	39,600	15,840	66.7	sale
Nigerian Wire	1,500	2,500	1,000	66.7	subscription
Afprint	4,568	7,613	3,045	66.7	subscription
Mandrides	1,250	2,000	750	60.0	sale
UNITEX	8,000	12,000	4,000	50.0	subscription
Metal Box	2,880	4,320	1,440	50.0	subscription
Leventis Stores	2,500	3,750	1,250	50.0	sale
Bata	3,000	4,000	1,000	33.3	sale
African Petroleum	6,000	7,500	1,500	25.0	sale
BFN	1,200	1,500	300	25.0	subscription
Nig. Textile Mills	3,800	4,560	760	20.0	subscription
Tate & Lyle	1,156	1,158	2	.2	subscription
Nigerian Tobacco	15,000	15,000	0	.0	sub./sale
Leventis	4,000	4,000	0	.0	sale
Total:	N199,568	N559,164	N359,596	Mean: 326.5%	

[a] Scrips only (i.e. increases owing to capital subscriptions and rights issues are excluded).

Source: Company Reports, NSE-listed firms (various years); Prospectus of Share Offerings, NSE-listed firms (various years).

Listed companies increased their share capital with scrips by 326.5% (at the mean) over the levels achieved following compliance with the 1972 Decree, or by 180% overall.. Because the dividend ceilings applied to the now-enlarged equity base, foreign investors could derive more remittable dividends in the long run than before the restrictions were imposed. Moreover, they amassed more share capital to sell to Nigerians under the NEPD 1977, the proceeds of which they were also entitled to remit.

The regulators also attempted to diminish the foreign exchange cost of the equity transfer exercise, and to promote productive investments, by influencing the way in which foreign companies sold shares to comply with the Decree. The authorities much preferred companies to meet the requisite levels of Nigerian financial participation through issues for subscription rather than by selling existing shares outright, (the proceeds from which, as noted above, firms were legally permitted to remit). Initially, the Board and the SEC merely encouraged firms not to disinvest, but few companies heeded the authorities' wishes. As of 1978, two-thirds of the ₦150m worth of shares that had been sold by public firms to Nigerians was existing equity capital. The situation had improved only slightly by the following year, when ₦123m of the ₦193m worth of equity which had then been sold constituted existing shares.[125]

To forestall large-scale disinvestment, the SEC used the threat of a low valuation to press for compliance by subscription. When this failed, the SEC dictated its preferred mode of compliance. Although the SEC maintained in public that its rulings were tailored to suit the capital requirements of each firm, the Commission assured its Central Bank overseers that it was ever mindful of the "basic goals of indigenisation", one of which was the conservation of foreign exchange.[126] The FMF also applied levers to pressure firms into raising new capital. It delayed its authorization for capital remittances to firms which defied its wishes and, thereafter, discriminated against their applications to remit dividends.[127]

These interventions contributed to a reversal in the mode by which foreign firms issued shares to comply with the Decree. From 1978 to mid-1979, 28 of the 36 public issues were sales of existing shares.

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125. NEPB, *Fourth Progress Report*.

126. SEC, *Report ... for the Period 1977-79*, p.6.

127. Interviews: two CBN officials; two chartered accountants. See also *Statement on the 1980 Budget*, by Professor S.M. Essang, Federal Minister of Finance, 31 March 1980, (n.p [Lagos]: [Federal Government Printer], n.d. [1980]), p.14.

However, of the next 27 issues, 20 were offers for subscription.[128] Of 84 public companies which complied by selling shares through the Stock Exchange, 42 issued new equity, 41 sold existing shares, and one undertook a combination of both (see Table 4.8). By the end of 1980, the majority (60.3%) of the equity offered by both public and private firms was sold by subscription, as indicated in Table 4.9.

Table 4.9:
Mode and Value of Public and Private Share Issues, 1977-80

	Public Companies	Private Companies	All Companies
No. of Firms:	155	863	1018
% of Total:	15.2%	84.8%	100.0%
No. Shares Sold by			
issues for subscription:	293,649,174	106,325,982	399,975,156
offers for sale:	211,370,725	89,345,942	300,716,667
Total:	505,019,899	195,671,924	700,691,823
Value of Shares Sold by			
issues for subscription:	N220,300,597	N132,568,834	N352,869,431
offers for sale:	158,984,308	73,296,523	232,280,831
Total:	N379,284,905	N205,865,357	N585,150,262
% Value of Shares Sold by			
issues for subscription:	58.1%	64.4%	60.3%
offers for sale:	41.9	35.6	39.7
Total:	100.0%	100.0%	100.0%
% Value of All Companies'			
issues for subscription:	62.4%	37.6%	100.0%
offers for sale:	68.4%	31.6%	100.0%
Total offerings:	64.8%	35.2%	100.0%

Source: Calculated from SEC, *Annual Report and Accounts*, 1980, Table 5.

Despite having forced firms into complying with the Decree in this manner, government officials claimed that the preponderance of subscription issues demonstrated foreigners' "faith in the future of the Nigerian economy" and the benefits of the Decree even for expatriates.[129] The latter proposition, which has gained wide currency amongst scholars (see Chapter One), will be considered below and in Chapter Five. It is ironic, however, that the regulators' intervention to reduce the foreign

128. List provided by the SEC (photocopy, n.d.).

129. See, for examples: Oluleye (1977), p.6; R. Adeleye, quoted in *New Nigerian*, 27 October 1978, and in *Nigerian Tribune*, 2 November 1978.

exchange cost of the share transfer exercise might well have had the opposite effect in the long-run. For by prodding foreign firms to expand their local capital base, the authorities entitled parent companies to higher levels of dividend remittances. Moreover, foreigners achieved the equity expansion using local currency, whilst Naira-denominated dividends were paid to them in officially under-valued foreign currencies.

PART THREE: REGULATORY EFFECTS

Expanded Role of the State

As with the NEPD 1972, the state increased its direct and indirect participation in the economy with the NEPD 1977, both as investor and regulator. Senior officials assured businessmen that the government was not using the Decree to embark "on a scheme of creeping nationalisation".[130] These assurances were doubted by one Nigerian newspaper, which remarked that indigenization was indeed "nationalization through the back door ... usher[ing] into the country a new form of exploiters [those in the public sector], gross inefficiency and indifference to our rights and welfare".[131] Compared to its predecessor, however, the NEPD 1977 stimulated little public discussion about the nature of Nigeria's "mixed economy" and the impact of the Decree on the course of its development. With the programme's extension, the main preoccupations were the distributive effects of state intervention.

The rationale for Federal and State government investments in shares had changed since 1972. Despite the much larger capital requirements of the exercise's second phase, the private sector's capacity to mobilize sufficient funds was not seriously doubted. Speaking to a group of indigenous businessmen, the Federal Commissioner for Finance concluded confidently, "You will therefore easily agree that money as such, does not constitute such a constraint".[132] Nevertheless, as a precaution against "the unlikely event" of under-subscription, the government announced in 1977 the formation of another consortium of public sector investors which would act as a buyer of last resort.[133]

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130. Yar'adua (1976), keynote address to conference organized by Nigerian Institute of Management, p.11. See also remarks made at same conference by Chikelu (Permanent Secretary, Federal Ministry of Economic Development) (1976), p.25.

131. *Nigerian Tribune*, editorial, 3 November 1976.

132. Oluleye (1977), p.5.

133. NEPB, *First Progress Report*; SEC, *Report ... for the Period 1977-1979*, p.16.

Some new issues eventually were under-subscribed, but the consortium was never activated. However, most of its constituent institutions, as well as other parastatals, invested extensively, even in issues which were comfortably over-subscribed.

The main justification for public sector share acquisitions during the NEPD 1977 was not the paucity of wealth in private hands but the inequality of its distribution. It was generally accepted that relatively few people captured most of the benefits of the 1972 Decree. A chief objective of the NEPD 1977, as discussed above, was to involve larger numbers of investors, especially those from the so-called "disadvantaged states". Despite the 1977 Decree's specific provisions to broaden share ownership, some Federal and State officials expressed concern that wealthy investors in the South would again outpace their less privileged compatriots. Indeed, they worried that these investors would be even more likely to dominate the exercise's second phase because of the advantages gained in the first. The NEPB canvassed FMI officials about a proposal to require share applicants to identify their "state of origin", presumably so that it could discriminate on that basis. However, the Ministry rejected the idea, and despite informal attempts to implement the scheme, the Board acknowledged its impracticability.[134]

Lacking alternatives it considered feasible, the Board argued that "the only way" to offset maldistribution of shares amongst persons and States was for equity to be sold on a preferential basis to public agencies in the States, including local government councils.[135] To this end, the NEPB and SEC worked out share allocation rules which exempted public sector institutions from the 5% upper limit on shareholdings. Acquisitions by Federal institutions and parastatals were approved without restriction.

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134. NEPB, *Sixth Progress Report*.

135. NEPB, *First Progress Report*.

Government investors which held a significant equity interest prior to the NEPD 1972, as well as state ministries "with the relevant bearing on the business", were allowed up to a 51% stake. The applications of all other public sector agencies were evaluated "to take into account sectional and regional interests".[136] Further to the latter aim, the 19 State governments were favoured when allocating over-subscribed public share issues. Each State was automatically entitled to a 1.5% or 1% stake, depending on whether or not the total nominal value of the equity for sale exceeded ₦2.5m. Once State government entitlements had been fulfilled, potentially 28.5% of each issue, the applications of all investors, including the States, were treated equally.[137]

As a result of this bias towards the public sector, Nigerian governments greatly expanded their investment portfolios. Of 343 private firms for which data are available, public sector investors acquired shares in 42 (12.2%). Table 4.10 indicates that when government investors made acquisitions under the NEPD 1977, they usually acquired the majority of the equity reserved for Nigerians.

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136. NEPB, *First Progress Report.*

137. SEC, *Report ... for the Period 1977-1979*, p.4.

Table 4.10:
Government Acquisitions in Selected Private Firms Under the NEPD 1977

Company	Total Shares[a] ('000s)	Equity Sold[b] (%)	Value of Sales (N'000)	Fed. Govt.[c] Bought (%)	Fed. Govt.[c] Value (N'000)	State Govts.[c] Bought (%)	State Govts.[c] Value (N'000)	Total Govt. Acquisitions % of TS	Total Govt. Acquisitions % of NE
Eko Hotels	N/A	51.0%	N/A	.0%	N/A	51.0%	N/A	51.0%	100.0%
Asbestos Cement	4350	40.0	3480	.0	0	40.0	3480	40.0	100.0
J.Holt Agric. Eng.	250	40.0	200	.0	0	40.0	200	40.0	100.0
Household Utils.	N/A	60.0	N/A	.0	N/A	60.0	N/A	60.0	100.0
Phillips Oil	N/A	60.0	N/A	55.0	N/A	.0	N/A	55.0	91.7
Pan Ocean Oil	N/A	60.0	N/A	55.0	N/A	.0	N/A	55.0	91.7
Stirling Eng.	1495	20.1	960	.0	0	18.1	865	18.1	90.1
ACM	167	40.1	67	36.1	60	.0	0	36.1	90.0
Keydrill	150	40.0	12	36.0	11	.0	0	36.0	90.0
C'wealth Dev't Co.	4608	60.0	2212	54.0	1991	.0	0	54.0	90.0
Niger Construction	5000	20.0	3200	.0	0	18.0	2880	18.0	90.0
Mother Cat	500	20.0	75	.0	0	18.0	68	18.0	90.0
Dresser	1200	40.0	480	36.0	432	.0	0	36.0	90.0
Schlumberger	1200	40.0	144	36.0	130	.0	0	36.0	90.0
Amalgtd. Tin Mines	6000	20.0	576	18.0	518	.0	0	18.0	90.0
Gold & Mtl. Mining	700	60.0	420	54.0	378	.0	0	54.0	90.0
McCorquodale	210	60.0	192	.0	0	54.0	173	54.0	90.0
DCC Company	150	60.0	68	54.0	61	.0	0	54.0	90.0
Niger Biscuit	575	60.0	1173	.0	0	53.0	1036	53.0	88.3
Baker	23	44.4	200	38.8	175	.0	0	38.8	87.5
Bisichi Jantar	3681	40.0	294	35.0	257	.0	0	35.0	87.5
Holman Brothers	747	60.0	88	.0	0	50.9	75	50.9	84.8
Cotton & Agr. Proc.	1124	60.0	843	24.0	337	26.3	370	50.3	83.9
Kano St. Insurance	675	11.1	38	.0	0	9.1	31	9.1	82.0
WA Properties	1875	40.0	90	30.0	68	.0	0	30.0	75.0
Tower Galvanised	700	40.0	560	.0	0	30.0	420	30.0	75.0
Dolphin Properties	72	40.0	108	30.0	81	.0	0	30.0	75.0
Socus Schall	87	49.0	32	36.0	24	.0	0	36.0	73.5
Solel Boneh	2720	33.5	911	.0	0	20.0	544	20.0	59.7
Dorman Long Eng.	1640	27.6	163	.0	0	15.0	89	15.0	54.6
Plateau Confect'ry	250	20.0	105	.0	0	10.0	53	10.0	50.0
Record M'facturers	420	40.0	168	.0	0	20.0	84	20.0	50.0
Union Carbide	2400	40.0	1920	.0	0	20.0	960	20.0	50.0
Great No. Tanning	837	35.0	176	.0	0	15.0	75	15.0	42.9
Tarpaulin Indus.	1306	60.4	513	.0	0	22.8	194	22.8	37.8
Hogg Robinson	50	60.0	120	.0	0	22.5	45	22.5	37.5
Tower Aluminium	1044	40.0	N/A	.0	N/A	12.8	N/A	12.8	32.0
Northern Asbestos	1300	40.0	520	.0	0	11.0	143	11.0	27.5
Edok-Eter-Mandilas	1516	60.0	910	.0	0	14.7	223	14.7	24.5
Kano Oil	500	26.9	403	.0	0	3.3	50	3.3	12.4
DP Maintenance	2801	46.6	653	4.5	63	.0	0	4.5	9.7
Int'l Computers	1647	47.8	394	.0	0	4.0	33	4.0	8.4
Total:[d]	53970	38.5%	22468	8.2%	4586	20.4%	12089	29.9%	74.2%
Mean:	1420	43.6%	607	15.1%	124	32.2%	327	30.3%	70.8%

[a] Shares outstanding at the time of compliance with the NEPD 1977 (abbreviated as "TS").
[b] Percentage of TS sold to Nigerians under the NEPD 1977 only (abbreviated as "NE").
[c] Includes acquisitions by wholly-owned government institutions.
[d] Totals do not always tally because of rounding.

Source: Collated and calculated from NEPB, *Sixth Progress Report*, Appendix IX.

Nigerian governments and their institutions purchased on average about 30% of the equity of these 42 companies, worth in total approximately ₦16,675,000, and representing nearly three-quarters of the shares they sold under the Decree. Furthermore, these figures exclude government holdings in these firms acquired prior to the NEPD 1977 which, in a few cases, were already very large.

Nigerian governments participated in public share issues even more actively than in private placements, though their acquisitions typically represented a smaller component of each company's total equity than that of private firms. The shareholder registers of 60 listed firms indicate that Federal and State governments and their institutions invested in nearly every company which sold shares through the Exchange. Of the equity offered during the NEPD 1977 by 14 firms for which the SEC gathered data, state governments alone acquired between 3% in the case of Chellarams to 27.6% in that of the UAC.[138] It has not been possible to distinguish between the existing holdings of Nigerian governments and their additional acquisitions under the NEPD 1977. However, in 51 of 76 companies for which data are available (see Table 4.17), at least one government investor owned more than 1% of the shares owned by Nigerians. Large-scale government holdings comprised more than 20% of the shares owned by Nigerians in these firms, constituting approximately 11.6% of their total equity, and worth about ₦70m at the time of valuation. Because other large government holdings (of less than 1% of Nigerian-owned equity) have been excluded from these calculations, the total shareholdings of the public sector as a result of both Decrees were actually even greater.

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138. SEC, *Report ... for the Period 1977-1979*, Appendix II.

Simultaneous with their share purchases under the NEPD 1977, Nigerian governments stepped up their investments in "strategic" industries. Although some of these acquisitions emerged from other decrees and policies, the rationale of the NEPDs lent support to nearly all of them. Each investment was justified on the grounds that ownership was essential to control, an argument which was combined with another that posited that the public rather than private sector should control "strategic" sectors of the economy, especially if foreigners were involved. Public officials asserted that a "controlling" equity stake, in addition to business regulation, was necessary to oversee the performance of petroleum and steel production, banking, insurance, mining, and certain large-scale manufacturing and agricultural activities. This rationale for government investment was eventually applied to hundreds of businesses, some of which were of no obvious strategic significance, including hotels, breweries and shrimp trawling.[139]

Official reluctance to rely upon regulatory policy alone to implement public policy featured prominently in the Federal government's decision to acquire a majority stake in the banks. The government had already identified banking as a strategic sector and approved 60% as the minimum level of indigenous equity participation in the industry.[140] The "Okigbo Committee", appointed to review Nigeria's financial system, though suspicious of excessive state intervention, was also aware that the Federal government wanted to take up most, if not all, of the bank shares reserved for Nigerians. The Committee proposed a compromise which it hoped would temper the government's takeover plans. Stressing that the banking system was already regulated extensively by the Central Bank and

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139. See *Report of the Presidential Commission on Parastatals* (hereafter, *Onosode Commission Report*), (Lagos: Federal Government Press, 1981), pp. 68-72, for an (incomplete) list of firms in which the Federal government held equity as of October 1981.

140. *White Paper* (on the "IEP Report"), paragraph 23.

FMF, the Committee recommended that public sector participation should match that of foreigners but fall short of an absolute majority.[141] Rejecting this proposal, the Federal government announced that it would acquire the full 60% equity stake because it was necessary "for the operation of government economic policy".[142]

This declaration notwithstanding, in practice the Government acquired a majority stake in only one of the "Big Three" banks, Barclays' Nigerian affiliate.[143] And in the case of Barclays it was motivated not by strategic considerations but by a desire to express publicly its disapproval of the bank's dealings in South Africa.[144] The NEPB reported that the Federal government's equity in commercial and merchant banks ranged from 20% to 60%. Private Nigerian investors owned 40% of the shares in Nigerian Acceptances Ltd, a stake equalled by the holdings of that merchant bank's foreign investors.[145] In recent years, several banks have been licensed without having been required to accept any public sector investment.

Government investment in other "strategic" sectors was as inconsistent and muddled in approach as was its participation in banking. Following the Insurance Decree of 1976, indigenous ownership of the industry was raised from 40% to 60%, and State governments became involved as minority shareholders. However, the ownership structure of 14 "alien insurers" indicates little coherence in the government's policy, or in its rationale for public sector financial participation in the industry:

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141. "Okigbo Committee Report", paragraph 2.43.

142. *Federal Military Government's Views on the Report of the Committee on the Nigerian Financial System* (hereafter, *White Paper on the Okigbo Committee Report*), (Lagos: Federal Ministry of Information, 1977), paragraph 7.

143. NEPB, *Sixth Progress Report*, Appendix VIIa.

144. See Union Bank of Nigeria, *Annual Report and Accounts*, 1979.

145. NEPB, *Sixth Progress Report*, Appendix VIIa.

Table 4.11:
Structure of Ownership in Selected Foreign Insurance Companies (1981)

Company	Fed. Govt.	State Govts.	Private Nig.	Foreign
Guinea Insurance	24.8%	11.0%	24.2%	40.0%
Crusader Insurance	49.0	11.0	-	40.0
Mercury Insurance	41.0	-	49.0	10.0
Law Union & Rock	39.1	11.0	9.9	40.0
United Nigeria	48.8	11.0	.2	40.0
NEM Insurance	49.0	11.0	-	40.0
Royal Exchange	47.0	11.0	2.0	40.0
Lion of Africa	4.0	11.0	45.0	40.0
New India Assurance	49.0	11.0	-	40.0
Sun Insurance	49.0	11.0	-	40.0
British-American	49.0	11.0	-	40.0
American International	49.0	11.0	-	40.0
West African Provincial	33.4	11.0	15.6	40.0
United Nigeria Life	42.5	11.0	6.5	40.0

Source: Adapted from NEPB, *Sixth Progress Report*, Appendix VIIb.

Was the aim to secure the largest equity stake for the Federal government or simply a majority for the Nigerian public sector? Or was it merely intended to ensure majority ownership by Nigerians, even if the local private sector held the largest stake? Compounding the confusion, the NEPB reported that all other foreign insurance companies had been sold to private indigenous investors in accordance with the NEPD 1977 because Nigerian governments "were not interested" in acquiring the shares of those firms.[146]

Government policy on the ownership of "strategic" industries was not only in disarray but was also sometimes at variance with the NEPD's stipulations. For example, foreigners owned the largest block of equity in each of the vehicle assembly firms, though not always the 60% majority stake to *which* they were entitled as investors in enterprises classified under Schedule III. Federal and State governments (and their institutions) collectively owned shareholdings ranging from 39% to 53.4% of the outstanding equity, with the Federal government's stake never less than

146. NEPB, *Sixth Progress Report*, Appendix VIIa.

35%.[147] Despite the significant and sometimes controlling equity interest of the public sector, certain dispensations from the Decree were granted to each of these firms. Investment holding companies which were regarded as "alien" under the NEPD (because they included foreign participation) were treated as Nigerian companies for the purpose of their investments in vehicle assembly firms. Moreover, only one firm appears to have sold shares to employees, though not the requisite amount. None of the assemblies was directed to become a public company, as had been required of considerably smaller firms.

If the vehicle assembly industry was typical of others in which the public sector held equity, state ownership evidently contributed little to regulatory control. The Presidential Commission on Parastatals, set up by the Shagari Administration in 1981, found that government-appointed directors operated ineffectively in the board rooms of most companies in which foreigners were also involved. It observed that the government's delegates, regarded as representatives of the regulatory authorities, were either excluded from important discussions or were themselves indifferent to the companies' affairs.[148] When government directors tried to pressure firms to accommodate public policy, they seemed unable to elicit positive results. Frustrated by its resistance to undertake local research and development, train workers, and promote Nigerianization, one Federal appointee spoke out publicly against Volkswagen of Nigeria even though he served as the firm's chairman. The Chairman, a retired permanent secretary, acknowledged that the government's 49% stake had not been translated into meaningful influence in the company's affairs. He urged the authorities to pursue their policy aims through regulation instead.[149]

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147. NEPB, *Sixth Progress Report*, Appendix VIIb.
148. *Onosode Commission Report*, paragraphs 12-22.
149. G. Ige, quoted in *Business Times*, editorial, 5 June 1979.

The NEPD 1977 not only served to expand the state's proprietary role in the economy but also, by adding to the corpus of business regulations, bolstered state institutions. The magnitude of the programme's extension and the supposed failings of the Decree's implementation during its first incarnation strengthened the case for a significant improvement in the administrative machinery. In practical terms, this meant more funds, personnel and authority for the regulators. Apart from spurring institutional developments, the Decree rekindled the bureaucracy's concern for indigenization, which became a pretext for regulatory interventions not prescribed by the legislation itself. Once introduced, the NEPD 1977 was amplified by the NEPB and by other government agencies, to pursue their own objectives. The Board's embellishment of the Decree is an instructive example of how business regulations serve the regulators' interests and how bureaucratic aims evidently took precedence over effective enforcement.

Although the NEPB failed to implement the Decree's provisions effectively, it was adept at using its statutory authority to promote itself. Enforcement was no doubt hindered by the NEPB's institutional weakness (see Part Two), but the slow rate of compliance in some ways worked to the Board's advantage. Indeed, there is evidence for believing that the Board deliberately obstructed the compliance process by erecting new hurdles in the path of companies seeking to comply. In 1978 the Board decided that enterprises would be inspected three times rather than once as had been originally planned. The first was to verify the "Preliminary Data Forms" firms submitted, the second to confirm information supplied on the "Basic Data Form", and the third to ensure that enterprises had satisfied the Board's requirements.[150] The NEPB established a multi-tiered system of designations to recognize the fact

150. NEPB, *First Progress Report.*

that some firms had attained a higher state of compliance than others. This combined the features of "Categories A and B" (described in Part Two) with "Provisional Letters of Compliance" and "Certificates of Compliance".[151] The NEPB eventually insisted that companies apply for "Post-Compliance Certificates" and in 1982 began to conduct what amounted to a "Post-Post Compliance Inspection" to determine if firms had later lapsed into a non-compliant state.[152]

The Board required companies to submit a profusion of documents at each stage. For example, to obtain a Certificate of Compliance, firms were obliged to submit copies of share transfer certificates, company resolutions approving share transfers, evidence of delivery to purchasers, lists of investors approved by the SEC, investors' bank-endorsed cheques, certified copies of bank tellers' stamps (to verify the bank endorsements), bank account statements for three months prior to and following lodgment of funds, certified letters from banks stating that cheques had been cleared, and the constitutions of the employee trust funds.[153] By 1984, with all but 200 Certificates of Compliance held up by the Board for one reason or another, the NEPB was accused of regulatory harassment and its officials were alleged to have used their powers to extort bribes.[154]

This was one reason for the delay: civil servants from outside and within the NEPB privately acknowledged the "freelancing" activities of some Board officials.[155] Another motive for the NEPB's officious and seemingly interminable demands on would-be compliant firms was its attempt to extend its institutional tenure beyond the Decree's deadline. Yet, by delaying full compliance it could gain only a temporary respite.

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151. NEPB, *Fourth Progress Report.*

152. NEPB, *Seventh Progress Report.*

153. NEPB, *Fifth Progress Report.*

154. See M. Gadzama's denial in *National Concord*, 15 June 1984.

155. Interviews: two NEPB officials; one retired NEPB official; one Federal permanent secretary.

By insisting on post-compliance inspections, the Board assumed a monitoring role which could be carried on indefinitely. The *de facto* case for the Board's permanent establishment was supplemented by lobbying efforts within the Administration. In 1978, the Cabinet Office appointed an inter-ministerial committee on which the Board was well-represented "to review the mode of recruitment into the NEPB".[156] Recognizing "the socio-economic implications" of the Board's functions, the committee concluded that "enterprises must be continually surveilled [sic]; new enterprises must still be classified; progress must still be evaluated and monitored". It proposed that NEPB staff be entitled to the same employment conditions as other members of the Federal Public Service. The new civilian administration approved this recommendation in April 1980, and the NEPB became a "scheduled service" of the Federal government under the Pensions Act of 1979.[157]

Having gained permanent standing for its employees, the Board attempted to broaden its regulatory purview and fortify its powers. The Decree granted the Board authority only "to advise" the Industries Minister on measures that would assist indigenization,[158] but the NEPB used its statutory powers over compliance to *execute* measures which it considered compatible with this aim. It directed companies to appoint Nigerians to board directorships and to senior managerial posts, though it later complained to the government that the Decree had denied it powers to interfere in the management of enterprises.[159] It not only scrutinized technical service agreements which had been approved previously by the FMF but also pressured firms to transfer technology, including those in

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156. The following is informed by the "Report of an inter-ministerial committee on NEPB staffing procedures", in NEPB, *Fifth Progress Report*, Appendix IV.

157. NEPB, *Sixth Progress Report*.

158. NEPD 1977, Section 1(b).

159. NEPB, *Fifth Progress Report*.

which the Board's supervising ministry, the FMI, held a stake.[160] The Board rejected the applications of some new ventures on the grounds that their planned capital investment was "ridiculously low",[161] even though these firms had previously been sanctioned by the FMIA which was the ministry responsible for awarding business permits. The NEPB also tried to compel firms to broaden their distributive networks,[162] and to force expatriate banks to set up branches outside Lagos,[163] responsibilities of the FMI and CBN respectively.

Under the chairmanship of Alhaji Minzo Wadzani Gadzama, the Board was infused with still greater activism and breadth of purpose. To implement the broader regulations envisaged, the NEPB established an "Indigenization Audit Unit" which was to monitor corporate training programmes, dividend and profit rates, turnover growth, profit repatriation, the prices of imported inputs (then being performed by an international inspection firm), mergers and Nigerian participation in corporate decision-making.[164] The Board also made an abortive attempt to gain an independent source of revenue by seeking the Ministry's permission to charge fees for its certificates, to assess and collect penalties for minor infractions, to acquire a proprietary interest in non-compliant firms, and to take up any unsubscribed shares.[165]

As the compliance deadline drew near, the Board began to focus attention on the indigenous private sector as a means to enhance its authority on a promotional pretext. The NEPB Executive Chairman wrote to the Minister that he considered enforcement of the NEPD 1977 to be "secondary" in importance. "To start the major function of the Board,"

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160. NEPB, *Eighth Progress Report*, Addendum.
161. NEPB, *Fifth Progress Report*.
162. NEPB, *Eighth Progress Report*.
163. NEPB, *Seventh Progress Report*.
164. NEPB, *Fifth Progress Report*.
165. NEPB, *Seventh* and *Eighth Progress Reports*.

the NEPB requested government approval and funding for a "Promotions Department".[166] As originally conceived and approved, the Promotions Department was to play primarily an informative role: to assemble data on prospective investors and projects and to disseminate this information through seminars and publications.[167] Before long, the Department's brief encompassed project formulation, appraisal, studies of government policies affecting business, management and financial consulting, and "marriage-making" between Nigerian and foreign investors.[168]

Even a promotional Board had a regulatory side: encouraging some indigenous businessmen often involved discouraging others. Criticizing "illiterate individuals who go into contracting for quick profits and don't know how to invest money meaningfully", the NEPB voiced its intention "to educate them" about projects which it considered to be more "worthwhile".[169] The Board screened the appointment of Nigerian executive directors and proposed an amendment to the Decree which would give the NEPB authority both to enforce appointments of its choosing and to impose a ceiling on the number of directorships any single Nigerian could hold.[170] Local distributive arrangements were also scrutinized and efforts made to alter their geographical spread. Here again, to give its promotional efforts legal standing, the Board requested government legislation which would outlaw sole distributorships and empower the Board "to make such regulations as it considers necessary in the national interest".[171] It was also Board policy to use the Promotions

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166. NEPB, "Memorandum for the Establishment of a Promotions Department within the NEPB", dated 1 September 1980, reprinted in NEPB, *Sixth Progress Report*, Appendix X.
167. NEPB, *Fifth Progress Report*.
168. NEPB, *Sixth Progress Report*.
169. NEPB, *Fifth Progress Report*.
170. NEPB, *Eighth Progress Report*.
171. NEPB, *Eight Progress Report*.

Department to re-channel industrial investments away from the South towards the "disadvantaged states".[172]

The Board played heavily upon perceived geographical imbalances to justify its expanded activity. It argued that its intervention was necessary to ensure that participation in the economy by Nigerian businessmen reflected the "federal character" of the nation. A Promotions Department, it maintained, would enable it to ameliorate regional economic disparities, and by doing so

> ...the lopsided redistribution of wealth resulting from the implementation of the allotment of shares of the old established companies during implementation of the Indigenization Acts would in the long run be corrected.[173]

It was ironic that the NEPB's case for assuming new functions implicitly condemned the conduct of its statutory ones.

The Board's attempt to establish itself as a powerful Federal agency provoked retaliation by other government bureaucracies which perceived their own regulatory domains to be threatened. Officials within other institutions, especially the Board's supervisors in the FMI, resisted the NEPB's proposals to expand its legal authority. The Federal government withheld its legislative backing even when the Board's request pertained directly to the enforcement of a strict interpretation of the NEPD 1977. An amendment to rectify a "legislative oversight" in the Decree -- authorization for the Board to seal up defaulting enterprises in Schedules II and III, as the Decree had empowered it to do for those in Schedule I -- was approved in principle but never legalized by publication in the *Federal Gazette.*[174]

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172. M. Gadzama, quoted in *Daily Times*, 14 March 1981, and in *New Nigerian*, 11 August 1982.

173. NEPB, *Sixth Progress Report.*

174. NEPB, *Seventh* and *Eighth Progress Reports*.

Some ministries responded by refusing to co-operate with the Board. Because they continued to grant approvals to foreign companies which did not possess some form of certification from the NEPB, the Board's enforcement powers, as well as its capacity to extract concessions from these firms, were severely undermined. The Board outspokenly criticized government departments which neglected to demand NEPB certificates, reserving its severest admonishment for the expatriate quota and exchange control authorities.[175]

The Federal government also hindered the NEPB's freedom of independent action by sapping its administrative strength. Two years after the Board had been approved as a "scheduled service", the Head of the Federal Public Service had yet to authorize any transfers of staff to the NEPB Secretariat.[176] The Federal Ministry of Housing and Environment refused to build quarters for the Board's personnel on the grounds that, as a government parastatal, the NEPB should build its own.[177] The FMI delayed more than a year before appointing new members to the Board following the resignation of the NEPB Executive Chairman in March 1979 and the expiry of the terms of other Board members in May 1979. As a result, the NEPB could not reconvene until October 1980, 16 months after its previous meeting.[178] Moreover, the Ministry redeployed the Head of the NEPB Secretariat. With no Board members to appoint his replacement, effective administrative control fell to the FMI during this period.

The Board's funding, already tight, was also used as a device to curb its expansion. The NEPB budgeted expenditure of ₦2,282,587 in 1981 but was allocated just ₦851,150, precisely the sum appropriated for

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175. See *The Punch*, 24 October 1980; NEPB, *Fifth*, *Seventh* and *Eighth Progress Reports*.
176. NEPB, *Seventh Progress Report*.
177. NEPB, *Seventh Progress Report*.
178. NEPB, *Fifth Progress Report*.

a nine-month period the previous year. Recognizing its "mistake", the Budget Committee of the Cabinet Office forwarded another ₦200,000, but this still left the NEPB with a smaller budget than in each of the preceding two years.[179] The government also withheld the funds to staff the Promotions Department, despite having approved its foundation.[180] Even the NEPB's physical infrastructure was left severely impaired. Its cramped "temporary" accommodation in a dilapidated Lagos building (which was then serving mainly as a furniture warehouse for the produce marketing boards) became its permanent headquarters. Office equipment was neither replaced nor repaired, leaving the Board in 1985 with no photocopier, just two operable typewriters, and important files stuffed in boxes or stacked on the floor.[181] Adding to its predicament, the Board's telephone service was disconnected in 1981, ostensibly because of non-payment. The lines were not restored for nine months, (even though the Board's main office was situated just 100 yards from the telephone company's headquarters).[182]

Undeterred, in 1984 the Board submitted another memorandum to the Minister which proposed the most ambitious expansion of its authority yet.[183] Entitled "New Directions for the NEPB", the paper advocated that the NEPB become "the operational focal point for the promotion, in practical terms, of enterprises in Agriculture, Mining, Commerce, Finance and Industry". As such, it would not only undertake policy analyses, feasibility studies, promotion and match-making but also provide land to farmers, register deeds and certificates of occupancy, review and monitor agricultural pricing policy, oversee the relationship between farmers and

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179. NEPB, *Sixth Progress Report.*

180. NEPB, *Seventh Progress Report.*

181. Interviews: NEPB officials. Personal observations in 1985.

182. NEPB, *Fifth Progress Report.*

183. NEPB, "New Directions for the NEPB", memorandum to the Federal Minister for Commerce and Industries, (unpublished, 20 December 1984).

the River Basin Development Authorities, advise on tariffs and industrial incentives, remove "practical constraints" on industrial growth, co-ordinate Nigerian investments in ECOWAS, and supervise all Federal government investments, to name just some of its envisaged functions.

Moreover, it proposed that the Board be recast into something akin to a "National Economic Council", situated much higher in the Federal bureaucracy so that it could both develop and implement a broad range of economic policies. As the NEPB Executive Chairman explained, "The Board could become the source and practical implementing body of Ministry policies. We could do this for all enterprises and all ministries in general".[184] As of November 1985, the Board had not received a response to its memorandum, but, as in the past, Ministry officials were known to have opposed both the NEPB's expansion and its rise in the Federal hierarchy. As for the Minister, he favoured the Board's abolition and the full transfer of its regulatory functions to his ministry.[185]

The NEPB's self-promotion coincided with the Administration's waning enthusiasm for the Decree. The civilian government of Shehu Shagari, at least in its rhetoric, offered a warmer welcome to foreign investors than had its military predecessors. At the annual convention of the NPN, the ruling party declared itself in favour of liberalizing the NEPD 1977.[186] The following year, the Federal Minister for Industries announced the government's intention to revise the Decree with a view to stimulating foreign investment.[187] A few scheduling amendments were enacted (see Part Two), but no further action was taken before the New Year's Eve coup of 1983. Continuing the trend towards relaxation of the Decree, the new Head of State, Major-General Muhammadu Buhari,

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184. Interview: C. Ezeife.
185. Interview: M. Tukur.
186. Communiqué, NPN Annual Convention, 1980, reprinted in *New Nigerian*, 2 July 1980.
187. A. Ciroma, quoted in *Daily Times*, 28 January 1981.

announced in his 1984 Budget Address that a fourth schedule was being considered which would enable foreigners to own up to 80% of large agricultural projects.[188] Schedule IV would also have included three industries from Schedule II: manufacture of dairy products; tyre production; and pulp and paper mills.[189] This proposal, too, was abandoned because it was decided that other, more deeply-rooted disincentives to foreign investment required prior attention. As Dr C. Ezeife, the NEPB's latest Executive Chairman, explained, "There is no point having equity controls if there is no equity to control".[190]

Dr Ezeife's appointment in December 1984 signalled the effective subsumption of the Board into the Federal bureaucracy. The autonomy from ministerial control which had been provided for by the NEPD 1977, but which had been steadily eroded ever since, was implicitly renounced. Not only was Ezeife the first Federal permanent secretary to head the Board, he was appointed to serve without fellow Board members. Under the new arrangement, the Board was run as any other FMI department. And in contrast with his predecessors, Ezeife claimed to receive full co-operation from all Federal agencies.[191]

State Creation of Spoils

As a result of the NEPD 1977, Nigerian businessmen took over at most about 100 foreign firms, those which fell under Schedule I. The actual number of acquisitions was probably much lower since many of these firms liquidated their assets prior to compliance (see Part Two). Most of the commercial opportunities provided by the Decree were enjoyed indirectly. Because many companies were obliged by the NEPD 1977 to rely upon local distributive channels, some Nigerians gained

188. Federal Ministry of Information Press Release, 7 May 1984.
189. NEPB, *Eighth Progress Report*, Addendum, dated 30 May 1984.
190. Interview: C. Ezeife.
191. Interview: C. Ezeife.

lucrative distributorships. Despite the NEPB's efforts to broaden the spread of these trading concessions, however, the number of Nigerians who benefited from them was relatively small. This was because foreign firms preferred to concentrate marketing rights in just a few local hands, which simplified their task of identifying suitable Nigerian agents and of monitoring the latter's performance. Moreover, when goods were scarce (and profit margins high), foreign suppliers could demand kick-backs from their local "sole agents".[192]

The NEPD 1977, even more than its predecessor, was primarily a share transfer exercise. It provided *investment* opportunities for Nigerians more than it opened up possibilities for indigenous entrepreneurship. Because of the 1977 Decree's restrictions on the size of individual acquisitions, almost all of the investments on offer were of a portfolio type. The passive nature of Nigerian participation was further reinforced by the government's intervention to diffuse share ownership. Observing that thousands of Nigerians had acquired shares in those firms which had complied with the first Decree through the Stock Exchange, the government was keen that more companies comply with the NEPD 1977 in a like manner. To this end, the NEPB and SEC devised and published "guide-lines" for companies on public issues. Although it was maintained that "every company would be treated on its own merits", in practice firms offering more than ₦500,000 worth of equity were ordered to sell through the Exchange.[193] As will be seen below and in Chapter Five, a public listing was not attractive to most companies.

As a result of the NEPB and SEC's joint intervention, approximately 150 firms were directed to sell shares publicly through the Stock

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192. Interviews: M. Akpobasah (Director, Commerce and Industries, Federal Ministry of National Planning); E. Fapohunda (Director, Industrial Inspectorate Division, Federal Ministry of Industries); executives of import inspection firms.

193. SEC, *Report ... for the Period 1977-1979*, p.9.

Exchange, 112 of them for the first time.[194] However, the Exchange, reconstituted in 1978 as the Nigerian Stock Exchange (NSE), rejected nearly half of the companies referred to it because they failed to satisfy its listing requirements. Even so, 88 companies did comply by selling equity through the NSE, offering shares worth, according to the SEC's 1979 year-end estimate, about ₦430m.[195] Taking the SEC's 1980 valuation of the shares transferred between 1977 and 1980 (see Table 4.9), it can be estimated that listed companies, both new and existing, sold 74% of the total equity on offer as a result of the NEPD 1977.

As before, the government intervened in the pricing of shares but, because of alleged over-payment by Nigerians for shares during the NEPD 1972, this time the SEC's authority encompassed private transactions as well.[196] The evidence available suggests that the SEC priced the shares of private firms at only a modest premium above the "par value" of their share capital. The equity sold by the 42 private companies in Table 4.10 attracted a 3.25% premium overall.[197] Though they represented just a small proportion of the number of firms affected by the valuation exercise, public firms tendered almost three-quarters of the equity sold under the NEPD 1977 (see above) and involved the vast majority of Nigerians who acquired shareholdings. For this reason, the SEC's pricing of public share issues commands our attention in the discussion to follow.

The Commission recognized that most Nigerian participants in the share transfer programme, as portfolio investors, were more concerned with current returns than with the capital value of their holdings. It took the view when pricing shares that "the value of a business as a

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194. NEPB, *Third Progress Report*.

195. SEC, *Report ... for the Period 1977-1979*, 10.

196. See Alile and Anao (1986), pp.35-47, for a review of official justifications for regulating the price of public share offerings.

197. See Table 4.9 for value of shares sold. Data on par value of share capital were also reported in NEPB, *Sixth Progress Report*, Appendix IX, but are not given in the Table.

going concern does not depend on the assets it owns but on how efficiently the assets are being utilized as measured by profits records".[198] Consequently, the "net asset method" was used to value only those companies which were strictly assets-based, such as banks and property companies, (and private firms which were sold in their entirety to just a few Nigerians). Most listed companies were valued on the basis of "maintainable annual profit", the method which the CIC had employed during the 1972 exercise (see Chapter Three).

Foreign companies and their Nigerian representatives again accused the SEC of under-valuing shares for the benefit of Nigerian investors. Government officials defended the Commission's impartiality and discounted such objections as "unfounded". As before, they maintained that foreigners' dissatisfaction arose either because firms had understated their record of profitability for the purpose of tax avoidance,[199] or because of the latter's "lack of understanding" of how the SEC calculated share prices.[200] The Finance Commissioner cited the vehemence of reactions against the prices set by the SEC on the part of both sellers *and* buyers as "proof" that foreign firms had been equitably treated.[201]

The Commission's well-publicized and universally-applicable methodology was a veneer of impartiality which it displayed to its critics. But the "profit capitalization rates" upon which its valuations were based were themselves arbitrarily determined. The method by which the SEC arrived at these rates is not clear, but one former member said that capital intensity was the main consideration.[202] If so, their use contradicted the Commission's contention that profits, not assets, were its main criterion in making valuations. For if returns were the sole

198. SEC, *Report ... for the Period 1977-1979*, p.22.
199. Interview: C. Ezeife. (Dr Ezeife had been a member of the CIC.)
200. SEC, *Report ... for the Period 1977-1979*, p.8.
201. Oluleye (1977), p.5.
202. Interview: C. Ezeife.

determinant of a firm's value, and not also, for example, assets, risk and expectations, then all companies should have been priced at the same price/earnings multiple.

Apart from their arbitrary nature, the SEC's methods tended to discriminate against firms which failed to fit its formulae. Relatively highly capitalized firms engaged in activities for which the "expected rates of return" were high (services and commerce, according to the SEC) suffered low valuations. Conversely, under-capitalized firms engaged in activities for which low rates of return were expected by the Commission (i.e. agriculture and property) received relatively generous valuations. Investments requiring long periods of gestation were also disadvantaged when the "maintainable annual profit" was calculated before these firms had become fully profitable. To compensate for the rigidity of its methods, the SEC claimed to take into account "many factors which are not quantifiable and therefore incapable of being subject to mathematical computation".[203] The factors it specified included profit trends and prospects, market competition, whether the goods sold by the enterprise "change with fashion", the potential adverse effects of likely changes in government policy, the probable effect of indigenization on management efficiency and future profitability, the adequacy of provisions for depreciation of fixed assets and for bad and doubtful debts, and prospects for the success of business development plans.[204]

Despite its pledge to evaluate the particular circumstances of each firm, the Commission's conduct of such complex assessments was extremely superficial. Without the capacity to undertake physical inspections of its own, the SEC depended upon foreign firms to disclose fully and truthfully the details upon which valuations were based. Even if

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203. Akamiokhor (1984), pp.13-4.

204. SEC, *Report ... for the Period 1977-1979*, Appendix III, p.21.

the Commission had been able to obtain accurate information, required to value several firms each day (see Part Two), it lacked both the time and staff necessary to undertake sophisticated analyses. In view of the administrative constraints with which it operated, the SEC had little choice but to rely on formulaic methods, adjusted, wherever possible, by its subjective projections.

The pricing of share issues by any underwriter involves uncertainty and an application of fallible judgment. The *professional* underwriter tries to balance the financial interests of buyers and sellers when pricing issues. He wants to maximize the proceeds of the sale for his client, minimize the possibility of under-subscription (for which he might be financially liable), and protect his professional reputation upon which he depends to generate business in future. In contrast with its private sector counterpart, the SEC had no incentive to satisfy foreign firms which were required by law to accept its valuation "services". Moreover, in its dual capacity as underwriter and government regulatory agency, the SEC was positioned to use its valuation authority to pursue other policy objectives, as the Commission itself acknowledged.[205] The SEC entertained appeals to its decisions, and firms were also entitled to address their claims to the Commissioner (Minister) for Finance.[206] In practice, however, appeals were undertaken infrequently and involved considerable risk: in 1980 the authorities reduced the share prices originally assigned to three of seven appellants.[207]

Much as the SEC advertised itself as "an informed and impartial intermediary",[208] the evidence indicates that in practice it under-valued the worth of foreign companies' shares, whether intentionally or not. In

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205. SEC, *Report ... for the Period 1977-1979*, p.5.
206. Securities and Exchange Decree, No.71 of 1979, Section 13(1).
207. SEC, *Report and Accounts*, 1980, p.25.
208. Akamiokhor (1982), p.7.

defence of their conduct of the valuation exercise, SEC officials noted that most listed firms were permitted to sell share capital at a premium to its "par value". This observation is correct but of little significance because the concept of "par value" does not take into account capital reserves or shareholder returns. One indication of the SEC's under-valuation is the extent to which the Commission's prices discounted the value of "common shareholders' funds" (CSF) per share. This more meaningful measure includes not only share capital but also capital reserves, retained profits and provisions for bonus issues, all of which accrue to the owners of ordinary shares.

Table 4.12:
SEC Discount/Premium on Share Capital and Common Shareholders' Funds, NSE-listed Firms

Company	SEC Price (kobo)	Par Value (kobo)	CSF/Share (kobo)	Discount(-)/Premium (%) on Par Value	Discount(-)/Premium (%) on CSF/Share
Costain	65	50	302	30.0%	-78.5%
Nig. Enamelware	52	50	222	4.0	-76.6
Chellaram	45	50	178	-10.0	-74.7
Mandrides[a]	50	50	190	.0	-73.7
AG Leventis	70	50	250	40.0	-72.0
BEWAC	65	50	228	30.0	-71.5
Industrial Gases	52	50	174	4.0	-70.2
Arbico	52	50	157	4.0	-66.8
Cadbury	58	50	160	16.0	-63.8
Van Leer[a]	50	50	136	.0	-63.3
Leventis Motors	75	50	194	50.0	-61.4
WESTEX[a]	38	50	92	-24.0	-58.7
Christlieb	75	50	179	50.0	-58.0
Pharma-Deko	40	50	89	-20.0	-55.3
Blackwood Hodge	80	50	177	60.0	-54.8
Leventis Stores	65	50	143	30.0	-54.7
Nig. Breweries	65	50	142	30.0	-54.1
Incar	55	50	120	10.0	-54.1
Sterling Products	65	50	136	30.0	-52.4
Roads Nigeria	75	50	155	50.0	-51.5
Dumez	50	50	102	.0	-50.8
Paterson Zochonis	60	50	122	20.0	-50.8
Vono Products	52	50	105	4.0	-50.4
Flour Mills	65	50	130	30.0	-50.1
Berec Int'l	30	50	58	-40.0	-48.7
Agip	54	50	104	8.0	-48.2
Thomas Wyatt	65	50	125	30.0	-48.0
SCOA	50	50	93	.0	-46.5
Taylor Woodrow	45	50	83	-10.0	-45.8
Golden Guinea[a]	55	50	99	10.0	-44.5
Tate & Lyle	90	50	161	80.0	-44.0
Lever Brothers	65	50	116	30.0	-44.0
Hagemeyer	85	50	151	70.0	-43.9
Intra Motors	40	50	71	-20.0	-43.7
Julius Berger	40	50	71	-20.0	-43.5
John Holt	40	50	70	-20.0	-43.3
NCR	52	50	91	4.0	-43.0
Nig. Hoechst	40	50	69	-20.0	-41.9
Cappa	40	50	69	-20.0	-41.8
Guinness	90	50	153	80.0	-41.3
Cappa & D'Alberto	45	50	76	-10.0	-40.9
Studio Press	50	50	85	.0	-40.9
UTC	55	50	92	10.0	-40.0
Stokvis	85	50	139	70.0	-38.9
Nig. Bottling	110	50	178	120.0	-38.3
WA Portland Cement	55	50	88	10.0	-37.5
UAC	125	50	199	150.0	-37.3
Nig. Sewing Machine	65	50	104	30.0	-37.3
Berec	65	50	101	30.0	-35.6
Berger Paints	80	50	122	60.0	-34.4
Alumaco[b]	85	50	130	70.0	-34.4

Company	SEC Price (kobo)	Par Value (kobo)	CSF/Share (kobo)	Discount(-)/Premium (%) on Par Value	Discount(-)/Premium (%) on CSF/Share
Total	54	50	82	8.0%	-33.8%
Chemical & Allied	55	50	82	10.0	-32.8
CFAO	61	50	91	22.0	-32.7
Mobil Oil	80	50	113	60.0	-29.3
African Petroleum	60	50	85	20.0	-29.3
Vitafoam	50	50	70	.0	-28.8
Enpee	55	50	76	10.0	-28.0
Morrison	55	50	76	10.0	-27.7
Afprint	42	50	58	-16.0	-27.5
Nig. Tobacco	58	50	80	16.0	-27.3
Glaxo	80	50	110	60.0	-27.0
BFN	70	50	96	40.0	-27.0
Leventis Technical	75	50	102	50.0	-26.8
Union Bank[c]	140	100	186	40.0	-24.6
Boots	55	50	73	10.0	-24.6
Food Specialities	65	50	85	30.0	-23.5
Bata	80	50	103	60.0	-22.6
N. Nig. Flour Mills	50	50	64	.0	-22.5
Poly Products	53	50	68	6.0	-22.5
Mercantile Bank[c]	100	100	129	.0	-22.2
Foremost Dairies	55	50	71	10.0	-22.1
Nig. Ropes	65	50	80	30.0	-19.0
Pfizer	62	50	74	24.0	-16.3
UNITEX	50	50	59	.0	-15.4
Wiggins Teape	75	50	88	50.0	-14.3
Texaco	70	50	79	40.0	-11.7
Metal Box	50	50	56	.0	-11.2
Int'l Paints	50	50	56	.0	-10.2
Livestock Feeds	65	50	72	30.0	-10.1
University Press[a]	50	50	55	.0	-9.2
RT Briscoe	50	50	50	.0	.0
Nig. Wire[a]	50	50	50	.0	.0
Ovaltine	70	50	63	40.0	10.3
Lennards	30	20	N/A	50.0	N/A
Beecham	80	50	N/A	60.0	N/A
Mean:				22.2%	-38.9%

[a] Under-subscribed issue.
[b] Company valued by CIC in 1975.
[c] Company valued by SEC for issue unrelated to NEPD 1977 but coinciding with it.

Source: Company Reports (various years); Prospectus of Offerings; *NSE Handbook*, 1980 and 1984.

Of the 88 firms in Table 4.12, the SEC afforded foreign vendors a premium on share capital in 62 cases, on average by 22.2% (at the mean). However, the Commission discounted common shareholders' funds in 83 of the 86 cases for which data are available, on average by 38.9%.

Further evidence of under-valuation is the fact that SEC-determined prices were often below prevailing market prices for the shares of companies which were already listed on the Exchange.

Table 4.13:
SEC Discount/Premium on Prevailing Market Prices, NSE-listed Firms

Company	Mode of Issue	Ttl. Market Value (N'000s) at: Existing Price[a]	SEC Price	Increase/ (Decrease) (N'000s)	% Discount(-)/Premium on: Existing Mkt. Value	New Share Capital	Adjusted Mkt. Val.[b]
John Holt	sale	24,413	16,435	(7,978)	-32.7%	-	-32.7%
Nig. Tobacco	sub/sale	26,100	21,750	(4,350)	-16.7	-228.7%	-29.6
UNITEX	sub	17,040	17,000	(40)	-.2	-100.8	-29.6
Metal Box	sub	5,616	6,480	864	15.4	-60.0	-23.1
CFAO	sale	19,718	15,226	(4,492)	-22.8	-	-22.8
Wiggins Teape	sub	4,387	4,500	113	2.6	-88.1	-19.1
Lever Bothers	sale	39,780	33,150	(6,630)	-16.7	-	-16.7
Lennards	sale	2,835	2,430	(405)	-14.3	-	-14.3
Nig. Breweries	sale	32,574	28,548	(4,026)	-12.4	-	-12.4
PZ	sub	15,645	17,756	2,111	13.5	-46.5	-11.7
Tate & Lyle	sub	3,011	3,434	423	14.1	-43.5	-10.8
Guinness	sale	29,400	27,000	(2,400)	-8.2	-	-8.2
Berger Paints	sale	8,064	7,680	(384)	-4.8	-	-4.8
UTC	sub	18,880	25,850	6,970	36.9	-7.1	-2.8
Union Bank	sale	51,892	50,803	(1,089)	-2.1	-	-2.1
Bata	sale	6,400	6,400	0	.0	-	.0
RT Briscoe	sale	15,000	15,000	0	.0	-	.0
Costain	sale	3,185	3,185	0	.0	-	.0
Vono	sale	4,714	4,714	0	.0	-	.0
Berec Nigeria	sale	2,443	2,451	8	.3	-	.3
Leventis Motors	sale	13,320	13,500	180	1.4	-	1.4
UAC	sale	97,416	99,000	1,584	1.6	-	1.6
Alumaco	sub	1,688	2,550	862	51.0	3.8	1.9
Cadbury	sale	6,319	7,227	908	14.4	-	14.4
Boots	sale	2,760	3,300	540	19.6	-	19.6
Blackwood Hodge	sub	5,328	8,640	3,312	62.2	84.0	28.4
Nig. Bottling	sub	13,856	21,569	7,713	55.7	136.0	32.1
Mean:					5.8%	-35.1%	-5.2%

[a] Estimated from year-end prices prior to year of issue.
[b] Excludes new paid-up share capital issued for subscription.

Source: Company Reports (various years); Prospectus of Offerings; NSE "Daily Official Lists".

Table 4.13 indicates that, excluding new shares issued for subscription ("adjusted market value"), the SEC discounted the total market value of 15 out of 27 listed companies. Furthermore, of the ten firms which issued additional shares for subscription, the new share capital raised by seven was effectively discounted at the prices set by the Commission, on average by 35%. Discounts are justifiable if a fresh infusion of share capital dilutes existing equity without immediately generating extra profits. However, in two cases, that of Nigerian Tobacco and United Nigeria Textiles (UNITEX), the SEC reduced the market value of these companies by *more than* the total worth of the new capital they raised, ₦3,381,250 and ₦5,000,000 respectively.

A third indication of under-valuation is the high level of shareholder returns at the prices the Commission set.

Table 4.14:
Dividend Yields, Price/Earnings Multiples and Corporate Profitability, Prior to and Following Valuation by the SEC

Company	Dividend Yield		P/E Multiple		Profits/Share Cap.		Profits/CSF	
	Existing[a]	@SEC	Existing[a]	@SEC	Existing[a]	@SEC	Existing[a]	@SEC
African Petrol.	-	41.5%	-	1.2	37.2%	99.6%	31.0%	58.7%
Total	-	31.3	-	1.6	60.4	67.7	23.4	41.5
Texaco	-	23.0	-	2.1	79.2	64.3	27.9	40.6
Agip	-	37.0	-	1.2	79.7	84.0	N/A	40.3
No.N. Flour Mills	-	24.0	-	1.9	114.3	51.9	65.1	40.2
N. Hoechst	-	20.0	-	1.4	14.2	55.2	9.6	40.1
Berec	18.5%	5.1	2.5	1.7	131.8	76.7	42.9	37.9
Leventis Stores	-	12.7	-	1.2	137.8	106.9	46.9	37.3
CFAO	10.4	6.8	1.0	1.9	164.0	64.1	57.0	35.4
UTC	14.9	13.5	1.4	1.7	85.5	63.4	52.5	34.6
Pharma-Deko	-	16.3	-	1.3	58.1	61.5	40.0	34.4
SCOA	-	5.0	-	1.6	176.1	61.6	45.1	33.0
Mobil	-	22.3	-	2.1	40.6	74.0	19.7	32.7
UAC	28.0	4.0	1.8	2.0	85.7	124.5	43.5	31.2
Livestock Feeds	-	31.2	-	2.9	98.2	44.7	39.9	30.9
Pfizer	-	17.6	-	2.8	41.3	43.6	30.5	29.5
Food Specialities	-	18.5	-	2.6	55.1	49.7	35.3	29.2
Glaxo	-	19.1	-	2.5	55.5	63.6	29.8	29.0
Blackwood	9.0	4.6	1.3	2.4	116.8	64.7	37.8	27.5
Leventis Motors	24.3	11.0	1.2	1.4	125.2	104.6	27.8	26.9
N. Sewing Machine	-	21.2	-	2.3	129.3	55.1	36.0	26.6
Sterling	-	27.4	-	1.8	58.9	71.3	25.1	26.1
N. Bottling	11.0	9.1	3.7	2.4	57.0	88.5	17.6	24.8
Chellaram	-	12.7	-	1.0	86.4	88.3	31.1	24.8
Julius Berger	-	31.3	-	2.3	39.2	34.7	29.7	24.5
Arbico	-	22.0	-	1.4	85.7	73.3	23.4	23.4
Cadbury	16.9	20.7	2.6	2.2	55.1	51.2	20.4	22.4
Cappa & D'Alberto	-	13.3	-	2.7	30.6	33.2	21.6	21.8
Flour Mills	-	12.3	-	2.3	41.5	55.8	18.3	21.4
Lever Bros.	3.4	19.0	4.7	2.6	33.4	49.4	16.1	21.3
Vitafoam	-	12.6	-	3.4	822.9	29.4	37.1	20.9
N. Breweries	8.3	21.5	6.2	2.2	28.9	58.6	11.2	20.7
Roads Nigeria	-	13.3	-	2.3	75.6	63.6	36.8	20.6
Union Bank[b]	4.0	4.5	10.0	7.5	28.5	37.3	14.8	20.1
Tate & Lyle	5.3	11.1	3.2	2.8	82.4	62.7	23.3	19.5
Hagemeyer	-	9.6	-	2.8	137.0	59.0	42.5	19.5
Guinness	6.5	7.4	4.3	2.6	45.5	69.0	12.8	19.3
Alumaco[c]	10.0	9.7	4.7	3.4	54.2	49.5	13.2	19.1
BFN	-	14.3	-	3.8	41.3	36.1	21.0	18.8
Leventis Technical	-	8.9	-	3.9	81.7	38.5	42.6	18.8
NCR	-	3.4	-	3.0	58.6	34.0	38.7	18.6
University Press[d]	-	10.1	-	4.9	85.2	20.3	30.4	18.4
Leventis	-	14.3	-	1.5	66.7	91.8	13.7	18.4
N. Ropes	-	6.6	-	4.4	35.4	29.2	19.6	18.2
Ovaltine	-	7.1	-	6.1	73.0	23.0	41.2	18.1
Paterson Zochonis	5.6	8.5	3.2	2.7	38.6	43.9	16.0	18.0
Foremost Dairies	-	20.0	-	4.5	61.9	24.4	31.1	17.3
John Holt	6.6	11.5	1.9	3.3	115.6	23.6	52.0	16.7
Afprint	-	11.0	-	4.5	20.4	18.5	17.2	16.0
Berger Paints	5.9	7.5	2.8	4.2	60.5	37.8	27.9	15.6
Bata	10.3	12.5	2.7	4.9	59.0	32.2	30.4	15.6

Company	Dividend Yield		P/E Multiple		Profits/Share Cap.		Profits/CSF	
	Existing[a]	@SEC	Existing[a]	@SEC	Existing[a]	@SEC	Existing[a]	@SEC
Intra	-	13.5%	-	3.6	8.2%	21.8%	6.3%	15.3%
WA Portland Cement	-	12.2	-	4.2	25.9	26.0	15.2	14.7
Boots	8.2%	9.7	1.9	5.1	49.0	21.3	N/A	14.6
Poly Products	-	11.3	-	5.4	58.0	19.5	31.9	14.3
Briscoe	5.5	5.3	2.5	7.0	40.2	14.2	40.2	14.2
N. Tobacco	14.4	13.3	4.4	5.2	39.8	22.0	24.3	13.8
Vono	9.9	6.0	1.3	3.6	80.5	28.6	21.6	13.6
Enpee	-	4.6	-	5.8	38.5	18.9	25.4	12.4
Dumez	-	24.0	-	4.0	13.5	24.7	6.7	12.2
Metal Box	8.5	12.8	4.6	7.5	28.1	13.3	23.8	11.8
Christlieb	-	6.7	-	3.6	72.5	41.5	16.6	11.6
Cappa	-	5.0	-	5.1	24.7	15.5	19.6	11.3
Golden Guinea[d]	-	8.0	-	5.0	82.7	21.7	16.9	11.0
Van Leer[d]	-	15.0	-	3.3	69.9	29.8	11.8	10.9
Incar	-	10.9	-	4.5	34.1	24.0	11.7	10.0
Thomas Wyatt	-	4.6	-	7.9	75.0	16.4	27.9	9.8
Costain	6.3	7.7	1.7	2.2	78.0	56.9	18.2	9.4
Int'l Paints	-	5.0	-	9.9	63.5	10.1	32.0	9.1
Wiggins Teape	9.9	5.2	6.0	9.5	36.0	15.6	19.7	8.9
Chemical & Allied	-	6.6	-	7.5	27.5	14.5	15.1	8.9
Morrison	-	10.0	-	9.0	17.6	12.1	10.0	8.0
Taylor Woodrow	-	8.0	-	7.4	23.6	12.1	12.0	7.3
Studio Press	-	11.2	-	8.8	23.4	11.3	14.2	6.7
Mandrides[d]	-	13.0	-	4.0	32.8	25.0	8.9	6.6
UNITEX	11.6	20.0	4.6	13.0	30.6	7.7	25.6	6.5
Mercantile Bank[b]	-	.0	-	25.3	45.7	7.9	40.3	6.1
WESTEX[d]	-	13.7	-	7.1	17.6	10.6	7.4	5.8
Lennards	5.7	13.3	3.4	3.0	51.9	48.8	19.4	4.6
Bewac	-	4.2	-	6.1	89.0	21.1	19.4	4.6
Industrial Gases	-	7.7	-	8.6	26.8	12.1	5.4	3.5
Stokvis	-	2.3	-	38.1	47.5	4.5	15.3	1.6
N. Enamelware	-	3.3	-	18.3	27.7	5.7	11.3	1.3
N. Textile Mills[e]	.0	.0	2.2	-	31.6	-17.8	23.0	-14.9
N. Wire[d]	-	.0	-	-	6.4	-20.2	5.3	-18.6
Berec Int'l	-	.0	-	-	28.0	-29.7	19.1	-25.4
Beecham	-	29.3	-	1.7	109.9	93.9	N/A	N/A
Mean...								
All firms:	10.0%	12.7%	3.3	4.8	68.9%	41.0%	25.5%	18.3%
Already listed:	10.0%	10.1%	3.3	4.1	65.5%	46.9%	27.1%	18.2%

[a] Results of year prior to issue for the purpose of compliance with the NEPD 1977.

[b] Company valued by SEC for issue unrelated to NEPD 1977 but coinciding with it.

[c] Issue for subscription in 1975 which brought company in compliance with the NEPD 1977.

[d] Under-subscribed issue.

[e] Company issued preference shares to comply with the NEPD 1977, which are excluded here.

Source: Company Reports (various years); Prospectus of Offerings; NSE "Daily Official Lists".

Table 4.14 indicates that the profitability of listed firms (as suggested by "profits/share capital" and "profits/CSF") usually fell following compliance with the NEPD 1977. Reasons for this decline will be suggested in Chapter Five. Even so, most companies remained extremely profitable. Despite restrictions on dividend pay-outs (see Part Two), profits were sufficiently high to pay investors very attractive returns. Fifty out of 87 firms distributed annual dividends per share equivalent to at least 10% of the price set by the Commission, 18 yielded 20% or more, five yielded more than 30%, and one firm, African Petroleum, yielded 41.5%. The indirect distribution of profits through bonus shares further enhanced investors' returns. And the SEC enabled Nigerian investors to purchase these remunerative shareholdings at very low prices. In the cases of 39 firms, the Commission induced a price/earnings multiple of less than three, and less than two in 17 cases. Furthermore, as with the NEPD 1972, the SEC perversely accorded the most profitable firms the lowest price multiples on earnings.

Distribution of the Spoils

Having created lucrative investment opportunities for Nigerians, did the authorities succeed in their aim to distribute them evenly and to remedy existing inequalities?[209] The Decree had empowered the Board to intervene in the allocation of shareholdings in private firms. However, in practice, the Board never took the initiative in shareholder selection and only rarely vetoed prospective investors whose names foreign firms had put forward. As with the NEPD 1972, companies recruited wealthy and sympathetic Nigerian investors who would either work on their behalf or willingly concede control. The NEPB admitted that its efforts to broaden share distribution in private companies had been "less than successful".

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209. NEPB, *First Progress Report*.

However, it contended that companies which had sold shares through the Exchange, and those in which there had been significant Federal and State government investments had achieved "egalitarian ownership".[210]

The Board appears to have confused share diffusion with equitable distribution. As will be seen below, the NEPD 1977 undoubtedly involved a great many more Nigerian participants than had the first Decree and diffused share ownership to hundreds of thousands of new investors. However, a meaningful assessment of efforts to improve share distribution must focus on disparities *amongst* investors, not between the investing public and everyone else. Furthermore, to characterize share distribution as "widespread" simply because State governments in all parts of the country acquired shareholdings is to imply that government acquisitions somehow had a progressive effect on share distribution. Data from shareholder registers indicate that listed companies in which governments acquired major shareholdings were frequently those in which inequalities amongst all investors were most pronounced (see Table 4.17 below).

The CIC's (now SEC's) "Allotment Committee" was reactivated to distribute shares in public companies amongst aspiring Nigerian shareholders (see Chapter Three). Its statutes contained a provision which prescribed that

> ...beneficial ownership of affected enterprises should be as wide-spread as the circumstances of each case would justify and deliberate efforts must be made to prevent the concentration of ownership in few hands.[211]

Because of the robust enthusiasm for public offerings, this obligation proved easy to discharge.

NSE issues were again comfortably over-subscribed, though to a somewhat lesser extent than during the NEPD 1972.

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210. NEPB, *Sixth Progress Report.*

211. Akamiokhor (1982), p.8.

Table 4.15:
Level of Subscription for Selected NSE Issues, NEPD 1977

Company	Shares Offered	Shares Applied for	No. Times Subscribed
CFAO	4,930,000	19,066,190	3.9
Leventis Stores	1,500,000	5,433,300	3.6
BEWAC	3,000,000	10,813,762	3.6
Bata	1,600,000	4,961,475	3.1
John Holt	8,217,600	25,025,150	3.1
Leventis Motors	3,600,000	10,497,900	2.9
RT Briscoe	6,000,000	17,362,310	2.9
SCOA	7,200,000	20,538,600	2.9
Paterson Zochonis	7,891,860	21,903,515	2.8
Chellarams	525,000	1,229,800	2.3
UAC	15,840,000	33,747,500	2.1
Leventis Technical	2,500,000	4,881,600	2.0
UTC	15,000,000	19,087,160	1.3
Total:	77,804,460	194,548,262	2.5

Source: SEC, *Report ... for the Period 1977-1979*, Appendix I (re-calculated).

The thirteen NSE issues in Table 4.15 for which the SEC collected reliable information were subscribed by 2.8 times at the mean, or by 2.5 times overall. Although the SEC's data for other public issues are less accurate, it is clear that the subscription levels receded as more companies came to the market. Nevertheless, all but six public offerings were over-subscribed by the end of 1979.[212]

Over-subscription enabled the Allotment Committee to broaden investor participation. The SEC claimed that, after public sector allocations were fulfilled, applications for few shares were favoured over those for many.[213] The Committee's task was facilitated by foreign companies themselves, which organized, and sometimes financed, share acquisitions on behalf of their employees in order to satisfy the Decree's stipulation of 10% employee ownership, including at least 5% for non-managerial staff. Firms contended that this was necessary because blue-collar workers lacked both sufficient interest and funds to purchase

212. Unpublished data on subscription levels provided by the SEC. See SEC, *Report ... for the Period 1977-1979*, Appendix V, for a list of under-subscribed issues.

213. SEC, *Report ... for the Period 1977-1979*, p.4.

shares. Convinced by these arguments, and mindful of the problem of monitoring that the requisite levels of employee ownership are maintained when staff leave companies' employ, the Board encouraged the establishment of employee trust funds to purchase and hold shares for workers.[214] As a result, the names of current employees constituted a large proportion, perhaps a majority, of those listed as shareholders in NSE-listed firms. Each of these holdings was minute, in some cases fewer than 100 shares.[215]

Praising the success of these interventions, the Director-General of the NSE claimed that 700,000 new investors bought shares as a result of the NEPD 1977.[216] Evidence from the shareholder registers of 49 of the 88 companies which sold shares through the Exchange during the exercise's second phase suggests that his estimate was exaggerated.

Table 4.16:
Estimated Nigerian Participation in Selected NSE-Issues, NEPD 1977

Company	No. of Accounts	Shares issued for NEPD77	Shares/Acct. NEPD77 issue[a]	Total Nigerian Shareholdings[b]	Holdings/ Account
UAC	132,767	15,840,000	N/A	47,520,000	358
Guinness	50,263	4,200,000	N/A	18,000,000	358
Nig. Breweries	42,042	8,675,117	N/A	26,352,000	627
CFAO	34,345	4,930,000	N/A	7,488,000	218
SCOA	31,000	7,200,000	232	21,600,000	697
Lever Brothers	30,966	10,200,000	N/A	30,600,000	988
Cadbury	22,854	2,492,000	109	7,476,000	327
RT Briscoe	19,435	6,000,000	N/A	12,000,000	617
Golden Guinea[c]	16,636	6,000,000	361	8,505,600	511
Mobil	16,315	18,560,000	1138	18,560,000	1138
BEWAC	15,857	3,000,000	189	9,000,000	568
Costain	12,924	920,000	N/A	2,940,000	227
Bata	12,612	1,600,000	N/A	4,800,000	381
Boots	11,521	2,000,000	N/A	3,600,000	312
Vono	11,506	1,813,335	N/A	5,439,600	473
Vitafoam	11,154	16,380,000	1469	16,380,000	1469
Chemical & Allied	9,974	5,833,310	585	10,500,000	1053

214. NEPB, *Eighth Progress Report*.

215. Shareholder registers of selected NSE-listed firms (see Table 4.16 below).

216. Alile (1981).

Company	No. of Accounts	Shares issued for NEPD77	Shares/Acct. NEPD77 issue[a]	Total Nigerian Shareholdings[b]	Holdings/ Account
Berger Paints	8,985	1,918,026	N/A	5,760,000	641
Tate & Lyle	8,736	1,500,000	N/A	2,404,080	275
Food Specialities	8,294	5,000,000	603	9,000,000	1085
African Petroleum	8,120	6,000,000	739	15,000,000	1847
Blackwood Hodge	7,020	3,600,000	N/A	6,480,000	923
Agip	6,595	2,680,000	406	2,680,000	406
Dunlop	5,685	N/A	N/A	8,766,800	1542
NCR	5,126	3,600,000	702	3,600,000	702
Julius Berger	5,124	4,800,000	937	14,400,000	2810
Lennards	4,669	3,015,040	N/A	8,100,000	1735
Glaxo	4,000	1,568,000	392	4,704,000	1176
Int'l Paints	3,723	2,080,000	559	6,240,000	1676
Berec Int'l	3,678	754,000	205	904,805	246
Taylor Woodrow	3,052	3,600,000	1180	6,480,000	2123
Beecham	3,026	2,000,000	661	4,800,000	1586
Intra Motors	2,895	6,000,000	2073	9,000,000	3109
Berec Nigeria	2,789	754,000	N/A	2,262,000	811
Nig. Enamelware	2,717	1,920,000	707	1,920,000	707
Chellaram	2,650	525,000	198	1,785,600	674
BFN	2,640	1,000,000	379	1,600,000	606
Pfizer	2,583	3,000,000	1161	3,000,000	1161
Foremost Dairies	2,470	2,111,000	855	2,130,000	862
Morrison	2,257	2,404,800	1065	4,328,400	1918
University Press	2,139	4,800,000[d]	2244	4,800,000	2244
Livestock Feeds	1,950	1,173,827	602	2,348,000	1204
Sterling Products	1,926	2,080,000	1080	2,080,000	1080
Christlieb	1,798	1,500,000	834	2,700,000	1502
Nig. Sewing Machine	1,643	1,176,000	716	3,528,000	2147
Nig. Textile Mills	1,456	4,000,000	N/A	5,248,322	3605
Nigerian Ropes	1,324	1,066,672	806	1,920,000	1450
John Holt Invst.	795	N/A	N/A	5,685,120	7151
Enpee	692	2,417,280	3493	4,800,000	6936
Total...					
new listings:	204,212[a]	122,721,889		205,770,405	
old listings:	398,516	70,965,518		203,445,922	
all companies:	602,728	193,687,407		409,216,327	
Mean...					
new listings:	6,587[a]	3,958,771	861 (601[e])	6,637,755	1452
old listings:	14,233	2,729,443	N/A	7,265,926	759
all companies:	12,301	4,121,009	N/A	8,351,354	1352

[a] No figures are available which indicate shareholder participation in the NEPD 1977. These are estimates and assume that all Nigerian investors acquired their holdings during the exercise's second phase. This assumption does not appreciably affect the results because all of these firms, previously private, had fewer than 50 shareholders before listing on the NSE. This assumption cannot be made for the other firms (marked N/A), because these had already been listed, many having accepted thousands of shareholders as a result of the NEPD 1972.

[b] Immediately following compliance with the NEPD 1977 (prior to subsequent bonus issues).

[c] Includes Nigerian investors who bought shares in a 1983 subscription offer.

[d] Issue was under-subscribed.

[e] Not mean: "Total offerings by newly-listed firms"/"Total shareholders of newly-listed firms".

Source: Shareholder registers; Prospectus of Offerings; and Company Reports (various years) of selected listed firms.

Assuming that these companies are representative of all firms which complied through the Exchange and that investors acquired shareholdings of comparable size in both existing and newly-listed firms (see note[a] above), it can be estimated that either 579,656 or 404,613 new shareholder *accounts* were established as a result of the NEPD 1977, depending upon which definition of "average holdings per investor" is adopted ("mean" or average overall -- see note[e] above).[217] Because many investors acquired holdings in several companies, and because a large but unspecified number of accounts were established by a single investor under several aliases and nominees (see below), the actual number of Nigerians who acquired shares during the exercise's second phase was somewhat lower. Even so, it is clear that the government did succeed in diffusing shareholdings with the NEPD 1977.

However, mass participation in the NEPD 1977 has tended to disguise persistent share concentration. The shareholder registers of NSE-listed companies reveal tremendous variation in the size of Nigerian shareholdings. The mean acquisition under the second Decree was only about 861 shares (see Table 4.16). By contrast, Table 4.17 indicates that in all 76 listed companies for which data are available, at least one individual or institutional investor owned at least 1% of the equity reserved for Nigerians as a result of both Decrees. At the time of compliance with the NEPD 1977, most of these large-scale shareholdings were worth hundreds of thousands of Naira and, in the cases of 20 firms, more than one million Naira.

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217. Calculated as: ((122,721,889-(601 [or 861]))-31)*88.

Table 4.17:
Large-Scale Nigerian Shareholdings in NSE-listed Companies Following Compliance with the NEPD 1977

	(1)	(2)	(3)	(4)		(5)		(6)		(7)		(8)	
	Nig. Equity	One₦ Shares	Value One₦	Fed.Govt. Investors		State Govt. Investors		Inst'l Investors		Individ'l Investors		Total L-S Investors	
Company	(%)	('000)	(₦)	No.	%NE	No.	%NE	No.	%NE	No.	%NE	No.	%NE
Arbico[a]	60.00	18	9,360	0	.00	0	.00	0	.00	5	94.44	5	94.44
Enpee	40.00	48	26,400	2	69.05[d]	0	.00	2	11.52	3	13.21	7	93.78
N. Sewing	60.00	35	22,932	2	3.09	0	.00	2	12.10	7	73.67	11	88.86
N. Wire[b]	60.00	37	18,516	0	.00	0	.00	2	3.78	4	83.98[d]	6	87.76
Cappa & D'A.	60.00	120	54,000	2	20.00	1	53.33[d]	0	.00	6	13.33	9	86.67
Afprint	40.00	76	31,752	2	48.77[d]	0	.00	5	10.81	6	24.40	13	83.98
N. Enamel.	40.00	19	9,984	0	.00	0	.00	2	77.45	3	5.21	5	82.66
J.Holt Invst.	50.76	57	31,836	2	32.72	0	.00	10	44.99	1	1.03	13	78.73
N. Textile	40.13	37	11,711	1	24.92	1	51.34	1	1.42	1	1.04	4	78.73
Dunlop[c]	62.62	53	27,739	3	41.69[d]	1	31.94[d]	2	2.72	1	1.06	7	77.41
Intra	60.00	90	36,000	0	.00	1	33.33[d]	1	2.22	4	40.99	6	76.54
Stokvis	60.01	18	14,884	2	5.71	0	.00	4	10.05	5	59.79	11	75.56
T'r Woodrow	60.00	65	29,160	0	.00	3	12.22	1	1.71	4	59.44[d]	8	73.38
WAPCO[a]	60.00	428	235,290	1	27.63[d]	1	44.70[d]	0	.00	0	.00	2	72.33
Mandrides[b]	60.00	24	12,000	1	4.17	0	.00	4	12.69	10	53.88	15	70.73
Van Leer[b]	49.00	43	21,313	0	.00	0	.00	3	52.10[d]	4	16.85	7	68.95
Dumez	60.00	78	39,000	0	.00	0	.00	1	1.03	3	67.58[d]	4	68.60
Roads	60.00	29	21,600	1	1.67	3	51.87	1	3.33	3	11.30	8	68.17
Chellaram	60.00	18	8,036	0	.00	0	.00	0	.00	8	66.90	8	66.90
SCOA	60.00	216	108,000	0	.00	1	2.50	4	21.12[d]	18	42.60	23	66.22
Beecham	60.00	48	38,400	0	.00	0	.00	1	2.50	22	63.33	23	65.83
Int'l Paints	60.00	62	31,200	2	36.06[d]	0	.00	3	6.55	12	22.71	17	65.32
Afr. Petrol.	100.00	150	90,000	1	60.00[d]	1	4.00	0	.00	0	.00	2	64.00
Poly Prods.	60.00	30	15,900	2	11.43	0	.00	5	18.67	4	32.23	11	62.33
Livestock	40.00	23	15,261	1	1.69	0	.00	5	6.98	3	52.80	9	61.47
BEWAC	60.00	90	58,500	0	.00	6	50.00[d]	0	.00	6	10.49	12	60.49
Ovaltine[a]	60.00	36	25,200	0	.00	0	.00	0	.00	2	60.00[d]	2	60.00
Ind'l Gases	40.00	43	22,530	2	9.25	0	.00	3	33.39	3	16.53	8	59.17
N. Ropes	60.00	19	12,480	0	.00	0	.00	0	.00	3	58.99	3	58.99
Christlieb	60.00	27	20,250	2	11.48	0	.00	2	8.61	12	34.94	16	55.04
Food Spec.	60.00	90	58,500	1	1.09	3	8.54	1	1.30	12	40.73	17	51.66
Gldn. Guinea[b]	90.00	128	70,171	3	31.00[d]	1	11.11	5	9.21	0	.00	9	51.32
J.Berger	60.00	144	57,600	1	1.02	2	46.13[d]	1	1.02	3	1.81	7	49.98
N.N. Flour[a]	60.00	66	33,000	0	.00	1	25.67	0	.00	3	21.45	4	47.11
Foremost	59.99	21	11,714	2	8.87	0	.00	4	18.16	4	19.85	10	46.88
Mobil	40.00	186	148,480	4	26.94[d]	5	8.51	4	7.37	1	2.80	14	45.63
Univ. Press[b]	60.00	37	18,276	1	5.21	3	5.17	7	25.77	5	8.40	16	44.54
Incar	60.00	45	24,750	1	2.78	0	.00	2	9.98	10	29.96	13	42.71
WESTEX[b]	40.00	35	13,139	0	.00	0	.00	0	.00	12	42.68	12	42.68
Vitafoam	60.00	164	81,900	2	12.21	6	11.10	8	13.30	4	6.02	20	42.63
NCR	40.00	36	18,720	1	3.75	3	7.56	6	23.17	3	5.53	13	40.00
Pfizer	40.00	30	18,600	1	7.24	2	5.00	7	17.89	4	9.40	14	39.53
Pharma-Deko[a]	60.00	21	8,525	0	.00	0	.00	0	.00	3	38.88	3	38.88
Sterling	40.00	21	13,520	1	4.81	0	.00	3	15.48	6	16.68	10	36.97
T.Wyatt[a]	66.67	70	45,500	0	.00	0	.00	0	.00	5	36.44	5	36.44
Chemical	60.04	105	57,791	2	2.16	2	6.67	8	9.20	11	18.22	23	36.24
Unitex	41.11	140	69,885	1	1.22	5	29.69[d]	3	5.19	0	.00	9	36.10
B'wood Hodge	40.00	43	34,560	1	11.53	0	.00	3	12.96	5	11.06	9	35.56
Vono	60.00	54	28,285	0	.00	1	33.64	0	.00	0	.00	1	33.64

Company	Nig. Equity (%)	One% Shares ('000)	Value One% (N)	Fed.Govt. Investors No.	Fed.Govt. Investors %NE	State Govt. Investors No.	State Govt. Investors %NE	Inst'l Investors No.	Inst'l Investors %NE	Individ'l Investors No.	Individ'l Investors %NE	Total L-S Investors No.	Total L-S Investors %NE
CFAO	61.54	154	93,694	1	1.58	1	2.25	8	17.94	1	1.46	11	23.22
UTC	60.12	283	155,411	0	.00	4	6.72	5	10.28	2	6.04	11	23.04
Studio[a]	60.00	27	13,470	1	18.33	0	.00	0	.00	2	3.83	3	22.17
N. Hoechst	60.00	36	14,400	1	1.21	0	.00	0	.00	2	20.56	3	21.78
Fl'r Mills[a]	60.00	180	117,000	1	20.00[d]	0	.00	0	.00	0	.00	1	20.00
Lennards	100.00	81	24,300	0	.00	2	5.68	5	9.14	3	5.00	10	19.81
Berec N.	40.00	15	9,802	0	.00	1	10.74	2	3.34	2	3.34	5	17.43
Alumaco	49.00	15	12,495	0	.00	0	.00	4	7.42	4	9.92	8	17.35
BFN	49.63	20	13,897	2	6.04	0	.00	0	.00	5	11.08	7	17.13
Agip	40.00	27	14,472	1	2.68	0	.00	3	4.81	2	6.89	6	14.39
Berec Int'l	60.01	9	2,715	0	.00	1	7.18	2	5.97	1	1.10	4	14.25
Lever Bros.	60.00	306	198,900	0	.00	1	4.09	1	1.68	5	8.14	7	13.90
Metal Box[a]	48.91	63	31,694	1	13.70	0	.00	0	.00	0	.00	1	13.70
Cappa[a]	60.00	60	24,000	0	.00	0	.00	0	.00	2	13.33	2	13.33
Tate & Lyle[a]	66.60	25	22,873	0	.00	1	5.31	4	7.11	0	.00	5	12.42
Costain	60.00	29	19,111	0	.00	1	2.81	3	6.64	1	1.13	5	10.58
Hagemeyer[a]	60.00	17	14,280	0	.00	0	.00	0	.00	3	9.03	3	9.03
Guinness	60.00	180	161,999	0	.00	2	3.14	2	2.14	2	2.09	6	7.38
Leventis[a]	60.00	48	33,600	0	.00	0	.00	0	.00	3	6.74	3	6.74
Bata	60.00	48	38,400	0	.00	1	1.39	2	3.75	1	1.11	4	6.25
N. Breweries	60.00	264	171,288	0	.00	1	1.01	2	3.99	0	.00	3	4.99
Morrison[a]	59.99	43	23,804	0	.00	0	.00	0	.00	1	4.16	1	4.16
Glaxo[a]	60.00	47	37,632	0	.00	0	.00	0	.00	3	3.44	3	3.44
Total[a]	60.00	120	64,800	0	.00	0	.00	0	.00	2	2.78	2	2.78
B'r Paints	60.00	58	46,080	0	.00	0	.00	0	.00	2	2.63	2	2.63
Briscoe	60.00	180	90,000	0	.00	1	1.20	0	.00	0	.00	1	1.20
Cadbury	60.00	75	43,360	0	.00	0	.00	1	1.06	0	.00	1	1.06
Overall:	56.97%	59	N34,028	59	9.85%	70	10.51%	170	6.08%	303	12.49%	602	38.92%
Mean:	56.79%		N44,773		7.94%		7.70%		7.91%		19.95%		43.36%
Val.('000s):	N340,278				N33,521		N35,760		N20,678		N42,488		N132,488
% of TE:	56.97%				5.60%		5.97%		3.45%		7.09%		22.11%

(1) "Nigerian Equity (NE)" is proportion of company's total equity (TE) owned by Nigerians.
(2) Number of shares represented by 1% of total NE.
(3) Value of 1% of NE at SEC prices based on shares outstanding at time of valuation.
(4) Large-scale shareholdings owned by the Federal Government and its institutions.
(5) Large-scale shareholdings owned by state governments and their institutions.
(6) Large-scale shareholdings owned by private institutional investors (mainly insurance companies, pension funds, and the trust departments of banks and securities firms), *excluding* shares held in trust for company's employees.
(7) Large-scale shareholdings owned by Nigerian individuals. Wherever detected, multiple accounts of one investor have been combined.
(8) Total number of large-scale investors and proportion of NE owned by them.

[a] Shareholder registers were unavailable. Includes only large-scale shareholdings attributable to board directors, as published in Company Reports.
[b] Under-subscribed issue.
[c] Company was not required to sell shares under the NEPD 1977. Values based on market price and shares outstanding at the end of 1977.
[d] Includes at least one investor whose holdings were worth more than N1m at time of valuation.

Source: Shareholder registers of listed firms; Company Reports (various years); Prospectus of Offerings (various years).

Enormous inequalities amongst shareholders in listed firms become evident if the estimated number of shareholder accounts in each company (Table 4.16) is compared with the proportion of Nigerian-owned equity held by large-scale investors (Table 4.17). For example, 23 large-scale investors owned about 66% of the shares reserved for Nigerians in SCOA. Most, but not all, of these investors acquired their holdings under the NEPD 1972, when SCOA sold 40% of its equity by private placement. As a result of the NEPD 1977, some 31,000 more Nigerians joined the ranks of the company's shareholders, when SCOA sold an additional 20% of its equity through the Stock Exchange. These new shareholders actually owned less than 20% of SCOA's Nigerian-owned equity because a few government institutions acquired large-scale holdings (1% or more of the Nigerian total) under the second Decree. Two individual investors, Alhajis Ahmed Joda and Aminu Dantata, both of whom bought their original holdings under the NEPD 1972, each owned 1,296,000 shares, worth ₦648,000 at the time of valuation by the SEC in May 1977. By contrast, the mean average acquisition in SCOA by all Nigerian investors under the NEPD 1977 was only 232 shares, worth just ₦116. The *median* acquisition in SCOA was much lower still.

Despite the authorities' faith in the Exchange as an instrument of share redistribution, it is clear that "egalitarian ownership" was not achieved in those companies which complied with the Decree through the NSE. Nor was it possible to rectify existing share concentration through public offerings. These misconceptions are ironic in view of the fact that Nigerian investors in private companies, though far fewer in number, typically owned holdings of roughly comparable size in any given firm.[218]

Mass participation in the share transfer exercise, as well as extensive State government acquisitions, has also over-shadowed persistent

218. NEPB, *Sixth Progress Report*, Appendix IX.

geographical disparities amongst private investors. Although the largest indigenous holdings in NSE companies were attributable to investors who hailed from all parts of the country, an examination of shareholder registers reveals that small and medium-scale investors from northern and Middle Belt States were under-represented.[219] Despite its public claims to the contrary, the Board itself was aware of these geographical imbalances. The NEPB Executive Chairman acknowledged to the Minister for Industries that public share sales under the NEPD 1977 were dominated by residents of urban areas, especially those in the South.[220] Ownership of private companies was more evenly distributed across the country,[221] though for reasons suggested below, Southerners and, in particular, Lagos residents, were still preponderant.

Some of these inequalities can be explained by the permissiveness of the Decree. For reasons described in Part One, the military leadership declined to break up the large shareholdings which had been amassed during the NEPD 1972. Because most of the firms affected by both Decrees were classified under Schedule II, they were required by the NEPD 1977 to sell only a further 20% of their equity. Even if these additional shares were allocated equitably, little could be done to rectify existing patterns of concentration.

Provisions in the Decree intended to promote equitable distribution had little bite. For example, the stipulated 10% equity tranche reserved for employees applied only to additional share offerings, not to all shares. Thus, companies which had been affected by the NEPD 1972 were required to sell only a minute proportion of their total equity to their employees. Newly-affected firms had to sell only slightly more to theirs:

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219. Shareholder registers of selected listed firms (same as Table 4.16).
220. NEPB, *Fifth Progress Report*.
221. NEPB, *Sixth Progress Report*, Appendix IX.

Table 4.18:
Effective Employee Equity Participation Prescribed by the NEPD 1977

Category of Firm	Effective Equity Participation (% of Total Equity): All Employees		Non-managerial
Newly Affected...			
Schedule II	6%	of which:	3%
Schedule III	4%		2%
Previously Affected...			
Schedule II:	2%		1%

Furthermore, the controversial "5%/₦50,000" limit on individual acquisitions in practice posed little impediment to the development of new share concentrations. First, it did not restrict the number of firms in which shares could be acquired. Second, because the ceiling was the higher of 5% or ₦50,000 (not whichever came "first"), investors were still permitted to purchase equity worth more than ₦50,000 in firms offering more than ₦1,000,000 of equity. Moreover, considering the low capitalization of most enterprises affected by the Decree (see Table 4.5), ₦50,000 was sufficient to acquire *all* of the equity transferred by nearly half of the firms involved in the exercise.

Administered inequality

The NEPD 1977 was ill-designed to achieve "egalitarian ownership" of shares, but administrative interventions not only failed to relieve share concentration but sometimes exacerbated it. For example, the SEC favoured government investors, justifying its policy as means to ameliorate inequalities. By doing so, the Commission merely delivered major blocks of equity into the portfolios of different large-scale investors, those in the public sector. Furthermore, its attempts to diffuse share ownership left those investors who had been exempted -- foreigners, existing Nigerian shareholders, and Nigerian governments -- with vastly larger holdings than those who had not.

Aware of the SEC's stated bias towards small-scale investors in the private sector, many prospective shareholders submitted multiple applications in order to secure larger allocations. Alternatively, they applied for shares using the names of children, servants, deceased relatives, house-pets, anagrams of their own names, etc., and then transferred legal title at a later date. Illegal "fronting" for *Nigerians* was not practised exclusively by relatively small investors. Large shareholders in both private and public firms also engaged in "fronting" to circumvent the "5%/₦50,000" rule. Although such "fronting" was plainly obvious from even a cursory inspection of official investor lists,[222] the authorities evidently lacked the administrative capacity to weed out this abuse. As the SEC Executive Director acknowledged, "where multiple applications were detected, they were cancelled but the fact remains that many went through undetected". He added that because the Commission was unable to foil irregular allocations, it would screen subsequent transfers in the hope that it could at least prevent shares from being registered under the names of their true sponsors.[223]

Sometimes the authorities relaxed their efforts to broaden share distribution or did away with them entirely. More often than not, they did so because of failed administration. For example, because the SEC's timing of public share issues brought too many shares to the market at once, the Commission, with the Board's approval, allowed a few investors to take up the unsubscribed shares, in contravention of the "5%/₦50,000" rule.[224] This is one reason why each of the six under-subscribed NSE issues ranks above average in terms of the proportion of shares held by large-scale investors (see Table 4.17).

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222. Shareholder registers of listed firms; NEPB, *Sixth Progress Report*, Appendix IX.
223. Akamiokhor (1982), p.10.
224. SEC, *Report ... for the Period 1977-1979*, p.12.

The Board also relented on strict application of the "5%/₦50,000" rule for private sales, mainly to preserve the illusion of its administrative competence. The NEPB was caught in an embarrassing position of having issued "Letters of Compliance" to firms prematurely (ironically, to deflect criticism of its conduct of the exercise) but then finding that many Nigerian investors refused to honour their commitments to purchase the shares they had been allotted. To speed the compliance of these firms, thereby extricating the Board from its tangle, "applicants for shares in excess of the limit were given necessary approval in the light of the prevailing circumstances", as it was phrased.[225]

Sometimes administrative practices inadvertently discriminated against certain sections of the investor population. Because issuing houses printed too few prospectuses and application forms in order to save costs, the materials necessary to apply for shares were in short supply. Only belatedly did the SEC order that copies be printed in sufficient numbers to distribute at least one complete set per 100 shares on offer.[226] Distribution and re-collection of share applications was also hindered by the inefficiency of Nigeria's communications infrastructure. Although letters could take weeks to reach Lagos from some areas, the authorities failed to allow for these delays. As a result, the short period between the call for applications and the deadline for their submission, typically two weeks, effectively precluded the participation of many people from outlying parts of the country.

Other discriminatory effects stemmed from the prescribed method of payment for shares. Because investors in public companies were required to submit full payment with their share applications, prolonged administrative delays in allocating shares imposed on them considerable

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225. SEC, *Report ... for the Period 1977-1979*, p.13.
226. Akamiokhor (1982), p.9.

costs and imposed further penalty on those whose applications were ultimately rejected. After applications had been collected, there was invariably some confusion within the Allotment Committee as to the mode of allocation. Once this was settled, applications were sorted, considered, and shares were apportioned manually. Computerized records had next to be drawn up abroad. Only then did the SEC authorize share certificates to be issued and refund to investors the balance of their unfulfilled applications. The whole process normally took six to nine months, though frequently more than a year.[227] Meanwhile, investors' funds were tied up in an SEC escrow account which paid no interest. Those that had borrowed money to finance their acquisitions also incurred accumulated interest charges. It was claimed that the implicit cost of applying for shares deterred many small-scale investors.[228]

The involvement of banks in the share transfer programme compounded these discriminatory effects. The stipulated medium of payment, bank cheque, dissuaded Nigerians who lacked access to the formal banking sector: most of the population. Furthermore, because an estimated 75-85% of the funds to finance share purchases under the NEPD 1977 came from commercial banks,[229] "credit-worthy" investors enjoyed greater opportunities to invest. Banks were most likely to extend credit facilities to members of privileged groups: urban-based professionals, military officers, civil servants, and property owners, as well as people connected with foreign businesses whose loans the latter guaranteed. The pattern of participation had become so askew that General Obasanjo took measures to discourage banks from lending to Federal government employees for the purpose of acquiring shares.[230]

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227. See *Business Times*, letter to the editor, 12 September 1978; "Conclusions and Communiqué", in Indigenous Businessmen's Group (1978), pp.32-3.

228. *Business Times*, editorial, 10 January 1978.

229. Biersteker (1987b), p.215, note 64.

230. *National Concord*, 15 June 1984.

Even if the regulators had been more successful in resolving these administrative problems, there was little they could do to rectify share concentration arising from the first Decree and persisting with the second. Like its predecessor, the NEPD 1977 involved the state in regulating that sector of the economy in which foreign businesses, their Nigerian associates and government officials were the main participants. As such, Nigerians who were integrated into the "formal economy" -- business, government and other professional élites -- were bound to be preponderant amongst the Decree's beneficiaries. If Lagos residents benefited from the NEPD 1977 more than residents of other areas, it was due in large part to the uneven distribution of foreign businesses in Nigeria (see Table 4.3) and to the concentration of commercial, financial and governmental activities in the capital.

Prior to the NEPD 1977, the Okigbo Committee had observed that "by the nature of the Capital Market, only a small proportion of the 70 million or more Nigerians can be expected to participate". For this reason, it had opposed direct government involvement in the allocation of shares, which it said "will only encumber the process and cannot add either to the speed or efficiency or equity of the allotments".[231] Committee members probably anticipated that in a state-administered share transfer programme, proximity to the government's bureaucratic apparatus would have considerable impact on the distribution of shares. Even the SEC chief later acknowledged that share procurement was "biased in favour of the staff of the institutions -- the commercial banks, merchant banks, stock brokers ... through which the [share] applications were distributed".[232] In Chapter Five, it will be seen how connections between bureaucrats in the state and "bureaucrats" in business enabled the

231. "Okigbo Committee Report", p.83.
232. Akamiokhor (1982), p.9.

latter to maintain their gains from the Decrees, at the expense of most other Nigerians who bought shares.

CHAPTER FIVE

MAINTAINING POSITION AT THE NIGERIAN STOCK EXCHANGE

The origins, implementation and distributive effects of the NEPDs were discussed in Chapters Three and Four. This chapter follows the analysis through by examining the financial benefits subsequently enjoyed by Nigerians who acquired shares in companies listed on the Nigerian Stock Exchange (NSE).[1] As described in Chapter Four, these firms collectively sold the majority of the equity made available during the share transfer exercise and involved most of the hundreds of thousands of Nigerians who participated in the programme. The evidence reveals that shareholders' returns were much less than was commonly believed and that, remarkably, this was so partly because of deliberate restraints imposed by the Exchange. The examination of the NSE below provides another illustration of how state regulation served private interests, enabling members of a "professional business élite" to maintain their relationships with foreign firms that had been fostered by the Decrees.

PART ONE: FINANCIAL GAIN

Shareholders' Returns

Tables 5.1a and 5.1b trace the performance through 1984 of listed equity shares acquired under the NEPDs 1972 and 1977 respectively.

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1. The Nigerian Stock Exchange will be referred to as the "LSE" (Lagos Stock Exchange) when describing events which preceded the Exchange's reconstitution in 1978, and as the "NSE" for events which transpired thereafter.

Table 5.1a:
Performance to Year-end 1984 of Listed Equities Acquired Under the NEPD 1972

Company	(1) Year	(2) Cost	(3) Bonus Shares	(4) Cum. Divds.	(5) Dividend Returns	(6) 1984 MktValue	(7) Market Appr.	(8) Appr. Rate	(9) Rate of TtlRtn
Lever Brothers	1974	N55	963	N823.25	1496.8%	N999.22	1716.8%	30.2%	37.5%
Nig. Breweries	1974	90	838	1109.96	1233.3	1482.04	1546.7	29.0	35.7
Berger Paints	1974	35	400	393.74	1125.0	510.00	1357.1	27.6	34.4
UAC	1975	40	525	313.54	783.9	325.00	712.5	23.3	31.9
Nig. Bottling	1974	90	835	813.44	903.8	1056.55	1073.9	25.1	31.8
Guinness	1973	100	1200	794.40	794.4	1287.00	1187.0	23.7	28.8
PZ	1975	51	290	210.10	412.0	397.80	680.0	22.8	28.1
Boots	1975	50	500	183.30	366.6	330.00	560.0	20.8	26.2
UTC	1974	35	166	198.64	567.5	252.70	622.0	19.7	26.2
Costain	1974	50	350	309.47	618.9	283.50	467.0	17.1	25.2
Lennards	1974	32	650	138.00	431.3	180.00	462.5	17.0	23.2
Briscoe	1974	50	1150	245.00	490.0	250.00	400.0	15.8	23.2
John Holt Ltd.[a]	1974	50	188	173.53	347.1	293.76	487.5	17.5	22.5
Wiggins Teape	1973	65	400	422.06	649.3	250.00	284.6	11.9	21.5
Berec Nigeria	1973	100	525	293.37	293.4	450.00	350.0	13.4	18.2
Metal Box	1974	52	176	174.02	334.7	149.04	186.6	10.1	18.1
Blackwood Hodge	1974	52	238	160.67	309.0	91.26	75.5	5.3	15.4
Leventis Motors	1972	80	350	203.44	254.3	180.00	125.0	6.4	12.8
Bata	1974	65	100	132.40	203.7	100.00	53.9	4.0	12.3
CFAO	1972	65	88	168.39	259.1	97.76	50.4	3.2	11.5
Vono	1974	51	220	90.59	177.6	64.00	25.5	2.1	10.6
Unitex	1974	60	50	98.75	164.6	63.00	5.0	.4	9.4
Alumaco	1973	92	167	118.76	129.1	130.83	42.2	3.0	8.7
Tate & Lyle	1973	119	67	183.34	154.1	136.94	15.1	1.2	8.6
Daily Times	1974	85	60	107.18	126.1	70.40	-17.2	-1.7	6.9
Mean:			420		505.0%		498.8%	13.9%	21.2%
Median:			290		347.1%		350.0%	13.6%	21.5%

(1) Initial year in which dividends accrue to Nigerian investor under the NEPD 1972.
(2) Cost of acquiring 100 shares at issuing price.
(3) Total bonus shares issued to investor between year of acquisition and year-end 1984.
(4) Cumulative dividends received to year-end 1984, including those accruing to bonus shares.
(5) Cumulative dividends received as a proportion of initial cost of investment.
(6) Market value of original investment at year-end 1984, including bonus shares.
(7) Market appreciation as of year-end 1984 over and above initial cost of investment.
(8) Compounded annual rate of market appreciation between (1) and year-end 1984.
(9) Compounded annual rate of return, including both cumulative dividends and market appreciation, between (1) and year-end 1984. Estimate assumes no re-investment of dividends.

[a] Adjusted to reflect conversion in 1977 of company's equity from N1.00 to 50k par value.

Source: Company Reports (various years); Prospectus of Offerings; NSE "Daily Official List" (28 December 1984).

Table 5.1b:
Performance to Year-end 1984 of Listed Equities Acquired Under the NEPD 1977

Company	(1) Year	(2) Cost	(3) Bonus Shares	(4) Cum. Divds.	(5) Dividend Returns	(6) 1984 MktValue	(7) Market Appr.	(8) Appr. Rate	(9) Rate of TtlRtn
African Petrol.	1979	₦60	300	₦228.71	381.2%	₦476.00	693.3%	41.2%	50.8%
Total	1979	54	238	282.95	524.0	321.10	494.6	34.6	49.6
N. Breweries	1979	65	160	270.09	415.5	410.80	532.0	36.0	47.9
Beecham	1980	80	300	206.38	258.0	348.00	335.0	34.2	47.3
Agip	1979	54	291	263.38	487.7	277.61	414.1	31.4	46.8
Texaco	1979	70	233	303.81	434.0	349.65	399.5	30.7	45.1
Food Spec'ties	1979[a]	65	125	122.25	188.1	186.75	187.3	23.5	36.6
Guinness	1978	90	400	263.79	293.1	495.00	450.0	27.6	35.6
Cadbury	1979	58	78	145.54	250.9	199.36	243.7	22.9	34.6
N. Bottling	1979	110	233	234.05	212.8	376.29	242.1	22.8	33.1
N.N. Flour	1979	50	100	104.00	208.0	156.00	212.0	20.9	31.6
Julius Berger	1980[b]	40	0	37.93	94.8	52.00	30.0	9.1	31.0
Sterling	1979	65	0	168.90	259.9	136.00	109.2	13.1	29.4
Dumez	1981	50	100	42.00	84.0	94.00	88.0	17.1	28.4
Glaxo	1979	80	200	96.31	120.4	258.00	222.5	21.6	28.2
Livestock Feeds	1979	65	134	131.58	202.4	147.42	126.8	14.6	27.5
Hoechst	1979	40	0	66.33	165.8	93.00	132.5	15.1	25.9
Berec Nigeria	1979	65	150	74.09	114.0	180.00	176.9	18.5	25.5
PZ	1978	60	95	87.17	145.3	198.90	231.5	18.7	25.0
UTC	1978	55	67	98.66	179.4	158.65	188.5	16.3	24.7
Mobil	1979[a]	80	50	102.69	128.4	127.50	59.4	9.8	23.5
Lever Bros.	1979	65	42	78.46	120.7	133.48	105.4	12.7	21.8
Flour Mills	1979	65	67	83.26	128.1	125.25	92.7	11.6	21.4
Mandrides	1979	50	25	75.00	150.0	85.00	70.0	9.3	21.4
Union Bank[c]	1979	140	50	113.00	80.7	330.00	135.7	15.4	21.2
Costain	1978	65	125	100.22	154.2	141.75	118.1	11.8	20.7
Metal Box	1978	50	84	86.06	172.1	99.36	98.7	10.3	20.6
Berger Paints	1979	80	50	91.00	113.8	153.00	91.3	11.4	20.4
Tate & Lyle	1979	78	67	97.66	125.2	136.94	75.6	9.8	20.1
John Holt Ltd	1978	40	0	39.45	98.6	102.00	155.0	14.3	19.8
Cappa	1979	40	0	63.02	157.6	51.00	27.5	4.1	19.1
Pfizer	1979	62	88	73.55	118.6	99.38	60.3	8.2	18.6
Intra	1980	40	0	48.20	120.5	45.00	12.5	2.4	18.4
Chem. & Allied	1979[a]	55	33	39.39	71.6	87.78	59.6	9.8	18.3
WAPCO	1979[a]	55	42	38.48	70.0	86.62	57.5	9.5	17.9
Leventis[d]	1979	70	125	76.90	109.9	105.75	51.1	7.1	17.3
Van Leer	1979	50	23	63.95	127.9	63.96	27.9	4.2	17.0
Pharma-Deko	1979	40	50	33.45	83.6	67.50	68.8	9.1	16.7
CFAO	1977	61	56	116.13	190.4	81.12	33.0	3.6	15.8
NCR	1979	52	0	56.98	109.6	67.00	28.9	4.3	15.6
Chellaram	1978[a]	45	25	41.30	91.8	63.75	41.7	6.0	15.2
SCOA	1977	50	78	64.35	128.7	89.00	78.0	7.5	15.0
Christlieb	1979	75	100	57.30	76.4	114.00	52.0	7.2	14.8
UAC	1977	125	275	162.16	129.7	195.00	56.0	5.7	14.0
Berec Int'l	1981	30	0	5.10	17.0	45.00	50.0	10.7	13.7
Taylor Woodrow	1979	45	33	31.86	70.8	63.84	41.9	6.0	13.4
Arbico	1979	52	20	50.47	97.1	60.00	15.4	2.4	13.4
BFN	1978	70	50	73.25	104.6	90.00	28.6	3.7	12.9
N. Tobacco	1977	58	33	75.54	130.2	69.16	19.2	2.2	12.1
Hagemeyer	1979	85	33	64.55	75.9	103.74	22.1	3.4	12.1

Company	Year	Cost	Bonus Shares	Cum. Divds.	Dividend Returns	1984 MktValue	Market Appr.	Appr. Rate	Rate of TtlRtn
WESTEX	1980	N38	0	N13.01	34.2%	N52.00	36.8%	6.5%	11.3%
Alumaco[e]	1976	85	167	85.42	100.5	130.83	53.9	4.9	10.9
Foremost	1979	55	32	41.76	75.9	55.44	.8	.1	10.0
N. Ropes	1979	65	50	40.72	62.7	73.50	13.1	2.1	9.9
Ind. Gases	1979	52	0	40.97	78.8	50.00	-3.9	-.7	9.8
Cappa & D'A.	1979[a]	45	0	20.14	44.8	51.00	13.3	2.5	9.6
Afprint	1980	42	0	14.00	33.3	50.00	19.1	3.6	8.8
Roads Nigeria	1979	75	50	66.25	88.3	55.50	-26.0	-4.9	8.4
Vitafoam	1979	50	33	34.47	68.9	46.55	-6.9	-1.2	8.4
Enpee	1980	55	32	12.40	22.6	67.32	22.4	4.1	7.7
UNITEX	1977	50	0	45.00	90.0	42.00	-16.0	-2.2	7.2
Bata	1978	80	50	54.00	67.5	75.00	-6.3	-.9	7.1
Lennards	1980	30	25	10.75	35.8	30.00	.0	0.0	6.3
Univ. Press	1979	50	0	25.84	51.7	45.00	-10.0	-1.7	6.0
Int'l Paints	1979	50	0	20.58	41.2	45.00	-10.0	-1.7	4.6
Studio Press	1979	50	0	25.18	50.4	40.00	-20.0	-3.7	4.5
Boots	1979	55	0	16.50	30.0	55.00	.0	0.0	4.5
Golden Guinea	1979	55	5	4.83	8.8	66.15	20.3	3.1	4.3
N. Sewing	1979	65	0	32.50	50.0	50.00	-23.1	-4.3	4.1
Wiggins Teape	1979	75	0	42.90	57.2	50.00	-33.3	-6.5	3.6
Incar	1979	55	0	18.00	32.7	50.00	-9.1	-1.6	3.6
Ovaltine	1980	70	0	18.00	25.7	56.00	-20.0	-4.4	1.1
Leventis Stores[f]	1978	65	25	28.08	43.2	40.00	-38.5	-9.3	.9
Thomas Wyatt	1979	65	0	18.50	28.5	50.00	-23.1	-4.3	.9
Briscoe	1978	50	67	17.23	34.5	33.40	-33.2	-5.6	.2
Leventis Tech.	1978	75	33	37.66	50.2	37.24	-50.4	-9.5	-.02
Poly Products	1980	53	0	14.50	27.4	35.00	-34.0	-8.0	-1.4
Leventis Motors	1977	75	0	21.75	29.0	40.00	-46.7	-8.6	-2.7
Blackwood Hodge	1979	80	50	20.93	26.2	40.50	-49.4	-10.7	-4.3
N. Enamelware	1980	52	0	10.21	19.6	29.00	-44.2	-11.0	-5.5
Vono	1978	52	0	13.24	25.5	20.00	-61.5	-12.8	-6.2
N. Wire	1979[a]	50	0	.00	.0	28.00	-44.0	-11.0	-11.0
Morrison	1979	55	0	5.50	10.0	20.00	-63.6	-15.5	-12.0
Stokvis	1979[a]	85	0	8.50	10.0	25.00	-70.6	-21.7	-17.0
Bewac	1978	65	0	1.50	2.3	15.00	-76.9	-18.9	-17.8
Mean:			64		115.7%		78.9%	6.5%	15.3%
Median:			33		84.0%		28.9%	4.2%	14.0%

See Table 5.1a for explanations of headings (1)-(9).

[a] No data available for 1984. Values calculated to year-end 1983.
[b] No data available for 1983 and 1984. Values calculated to year-end 1982.
[c] Share issue not required by NEPD 1977 but coinciding with it.
[d] Results in 1984 include effects of merger with Leventis Stores.
[e] Company sold 1,660,000 shares in 1975, putting it in compliance with the NEPD 1977.
[f] Company merged with A.G. Leventis in 1983. Values calculated to year-end 1982.

Source: Company Reports (various years); Prospectus of Offerings; NSE "Daily Official List" (31 December 1982, 30 December 1983, and 28 December 1984).

By the end of 1984, every investor who acquired shares in listed companies under the NEPD 1972 had recovered his original investment through dividends, on average by more than five times over. Dividend returns for investors under the NEPD 1977 were more erratic. Table 5.1b indicates that 38 of 85 companies enabled shareholders to recoup their cash outlays, by more than four times over in four cases. However, investors in a few companies received little income from their investments, and one firm, Nigerian Wire Industries, paid no dividends at all during the five-year period through 1983.

Restrictions on dividend payments imposed from 1976 onwards influenced the manner in which firms distributed profits to their shareholders. As discussed in Chapter Four, the ceiling on dividends prompted companies to expand their equity base in order to raise the proportion of after-tax profits which they could legally pay out to investors. Although firms were forced to retain profits, they were not constrained from capitalizing these reserves and distributing them as bonus shares. On average, investors under the NEPD 1972 received bonus shares equivalent to more than four times their original holdings. Two companies, Guinness and R.T. Briscoe, had by the end of 1984 distributed more than ten shares for every one purchased under the NEPD 1972.

The SEC's pricing of primary issues, which took into account the amount of paid-up share capital outstanding but discounted the worth of accumulated reserves, also induced companies to expand their capital base through bonus shares. Comparing Tables 5.1a and 5.1b, it can be seen that the surge in bonus issues prior to compliance with the NEPD 1977 tailed off considerably afterwards. Only five of the 24 companies which sold shares to the public in conjunction with both Decrees issued more bonus shares after the NEPD 1977 than before it. By the end of 1984,

only 16 companies had distributed to NEPD 1977 investors more shares than their original holdings, and 30 had issued no bonus shares at all.

Taking bonus issues into account, the market value of acquisitions made under the NEPD 1972 had increased on average (at the mean) by almost 500% by the end of 1984. Only one company, the Daily Times, depreciated in value over the period. As in other respects, most investors under the NEPD 1977 did not fare so well. On average, the value of their investments increased by almost 80% and, in 22 cases, had at least doubled in value by the end of 1984. However, the holdings of investors in 25 companies depreciated in value, despite the issue of bonus shares by seven of these firms. Owners of the worst-performing shares, those of Bewac, found their holdings to be worth less than 25% of their original value seven years earlier.

Widely held notions that Nigerian investors have enjoyed spectacular returns from their acquisitions under the NEPDs 1972 and 1977 are mainly unfounded. Although the nominal returns to shareholders, especially those who invested under the first Decree, are striking in many cases, they seem less impressive if the effects of inflation are taken into account.

Table 5.2:
Consumer Price Inflation, 1972-84[a]

Year	Consumer Price Index[b]	Rate of Increase[c]	Compounded Annual Increase to 1984[d]
1972	69.1	2.8%	15.7%
1973	71.0	5.4%	16.8%
1974	74.8	12.8%	17.9%
1975	100.0	33.6%	16.5%
1976	123.4	23.4%	15.7%
1977	143.0	15.9%	15.7%
1978	166.7	16.6%	15.6%
1979	186.3	11.8%	16.2%
1980	204.6	9.8%	17.5%
1981	247.5	21.0%	16.7%
1982	266.5	7.7%	19.8%
1983	328.4	23.2%	18.2%
1984	458.4	39.6%	39.6%

[a] Based on price surveys by the Federal Office of Statistics in "selected rural and urban areas" of goods consumed by "lower-income" groups.
[b] Values for 1972-4 extrapolated from inflation rates derived from the Federal Office of Statistics' previous index, in which 1960=100.
[c] Values for 1972-5 derived from the previous index, in which 1960=100. All other values derived from the reformulated index, in which 1975=100.
[d] Calculated as follows: "Compounded Annual Increase to 1984" = 100[("CPI in 1984"/"CPI in given year")^(1/"number of years since given year")]-100. (These calculations are undertaken for the purpose of multi-year comparisons with shareholder returns -- see below-- and should not be confused with annual inflation rates, which are give above as "Rate of Increase".)

Source: For CPI: CBN, *Annual Report and Statement of Accounts* (various years). Inflation rates and imputed "Compounded Annual Increase to 1984" calculated from CPI.

Inflation sharply eroded the real value of shareholders' returns. This is evident from a comparison of the annually-compounded rates of inflation from any given year to the end of 1984 (see Table 5.2) with the annually compounded rates of market appreciation and total returns (columns 8 and 9 of Tables 5.1a and 5.1b) during the same periods. The rate of market appreciation of shareholdings acquired under the NEPD 1972 exceeded the compounded inflation rate during the comparable period in the cases of only nine out of 25 companies. If we include cumulative dividends ("Compounded Total Rate of Return"), we find that investors in just 16 out of 25 companies enjoyed a positive real rate of return. Those who acquired shares under the NEPD 1977 generally gained much less. The rate of market appreciation of acquisitions in only 16 out of 85

companies exceeded the compounded inflation rate, and investors in only 39 out of 85 firms enjoyed a positive real rate of total return.

These rates of return, and their comparison with compounded inflation rates, must be interpreted with caution. Dividends recorded in Tables 5.1a and 5.1b are cumulative totals received over the entire period of share ownership. The rates payable in any given year varied and in some years exceeded the annual rate of inflation. Moreover, these calculations do not take into account the returns which might have been generated by re-investing dividends in equities or in other investment vehicles. However, two additional considerations suggest that the real rates of return enjoyed by Nigerian shareholders were on balance actually lower than indicated above. First, Tables 5.1a and 5.1b include hypothetical capital gains; these could have been realized only if investors had sold their holdings at the end of 1984. However, the great majority of the investors who acquired equity under the NEPDs did not actually sell their shares, for reasons which will be discussed below. Thus, they benefited only from the dividends generated by their investments. Second, the officially-reported Consumer Price Index probably understates the actual rate of inflation because of inaccurate survey techniques ("official prices" are used rather than "market prices") and the government's political motives. Economists who conducted their own price surveys at Lagos markets estimate that inflation rates were at least double those reported by the Central Bank in recent years.[2]

Although inflation diminished the real rates of return from equities, often to negative values, other liquid forms of investment in Nigeria were even less rewarding.

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2. I am indebted to T. Curtin (EEC delegation in Nigeria) and I. Aluko-Olukon (Chief Economist, United Bank for Africa) for sharing with me their surveys.

Table 5.3:
Selected Rates of Interest Payable to Savers, 1972-84

	Government Institutional Rates			Commercial Bank Rates			365-Day Rate Compounded
Year	T-Bills[a]	FSB[b]	FMB[c]	Deposit	7-Day	365-Day	to 1984[d]
1972	4.0%	2.5%	N/A	3.0%	N/A	4.0%	5.6%
1973	4.0%	4.0%	N/A	3.0%	N/A	4.0%	5.7%
1974	4.0%	4.0%	N/A	3.0%	N/A	4.0%	5.8%
1975	2.5%	5.0%	N/A	4.0%	N/A	4.0%	6.0%
1976	2.5%	5.0%	N/A	4.0%	N/A	3.5%	6.3%
1977	3.0%	5.0%	N/A	4.0%	N/A	3.0%[e]	6.6%
1978	4.0%	5.0%	5.0%	5.0%	4.5%	5.5%	7.1%
1979	4.0%	5.0%	5.0%	5.0%	4.0%	5.5%	7.4%
1980	5.0%	6.0%	6.0-7.0%	6.0%	5.0%	6.5%	7.8%
1981	5.0%	6.0%	6.0-7.0%	6.0%	5.0%	6.5%	8.1%
1982	7.0%	7.5%	7.5-8.5%	7.5%	6.5%	8.0%	8.7%
1983	7.0%	7.5%	7.5-8.5%	7.5%	6.5%	8.0%	9.0%
1984	8.5%	9.5%	9.5%	9.5%	8.5%	10.0%	10.0%

[a] Interest rate payable on treasury bills at price of issue.
[b] Federal Savings Bank, formerly Post Office Savings Bank.
[c] Federal Mortgage Bank.
[d] Indicates the annually-compounded rate of interest received for funds deposited in given years through to 1984. Calculated as: "Annually-Compounded Value in 1984" = 100[("Annually-Compounded Value in 1984"/"Value in given year")^(1/"number of years since given year")]-100. ("Annually-Compounded values" not provided in table).
[e] Minimum rate established by the Central Bank. No value given for maximum.

Source: CBN, *Annual Report and Statement of Accounts* (various years). "365-Day Rate Compounded to 1984" calculated from "365-Day Commercial Bank Rate" published by the CBN.

As Tables 5.2 and 5.3 indicate, the highest rate of interest payable to savers at both public and private sector financial institutions from 1972-84 represented a negative real rate of return in every year but 1972 and 1982. Referring back to Table 5.1b (Column 9), it can be seen that many investors under the NEPD 1977 did not fare much better. Still assuming that shareholders did not re-invest their dividends but allowing for capital appreciation, NEPD 1977 investors in 25 out of 85 companies would have been better off by the end of 1984 if they had lodged their savings in a 365-Day deposit account instead.

It can be concluded that investors in relatively few companies could have profited greatly as a direct result of their acquisitions under the NEPDs. Nigerians who bought shares during the NEPD 1972 usually fared

better than those who did so under the NEPD 1977. (This was also true of investors in 16 out of 24 companies which sold shares during both phases of the equity transfer programme.) Moreover, equities generally provided a better hedge against inflation than the alternatives which were available to small-scale savers, such as long-term deposit accounts. Even so, NEPD 1977 investors in fewer than half of the 85 listed companies earned notional returns which exceeded the rate of inflation during the comparable period. By comparison with other less liquid forms of investment, such as in property and foreign assets (an illegal but widely known practice amongst wealthy Nigerians), the shares of listed companies probably performed very badly indeed. Although most Nigerian shareholders would not have been in a position to make these kinds of investments, it is likely that large-scale investors were. Contrary to popular belief, therefore, it appears that investment in equities was least advantageous for the largest shareholders.

Corporate Performance

The mediocre real returns of most Nigerian equities coincided with deterioration in the profitability of most listed companies following the NEPD 1977.

Table 5.4:
Profitability (after Tax) of Listed Firms before and after the NEPD 1977[a]

	(1) Return on Turnover			(2) Return on Share Capital			(3) Return on Equity[b]		
Company	Pre:	Post:	Change	Pre:	Post:	Change	Pre:	Post:	Change
N. Breweries	8.4%	14.4%	71.2%	59.4%	74.0%	24.6%	18.5%	28.1%	51.7%
Cappa	3.6	3.9	9.8	48.3	38.0	-21.4	16.7	20.3	21.7
Dumez	2.9	5.1	74.5	60.6	24.3	-59.9	16.0	19.4	21.3
Texaco	6.9	7.6	11.0	78.1	82.6	5.7	45.4	53.2	17.3
Total	5.0	5.4	9.1	84.3	77.8	-7.8	39.7	46.1	16.3
Guinness	8.7	11.5	31.8	67.9	44.9	-34.0	20.7	23.7	14.5
Cadbury	5.7	5.9	3.9	50.0	56.0	12.2	18.2	20.7	13.5
Tate & Lyle	2.5	2.9	15.7	57.1	67.4	18.0	17.2	18.0	4.7
Intra	3.6	2.9	-18.9	48.3	33.8	-29.9	20.8	21.0	1.0
WAPCO	17.2	11.2	-34.7	26.4	27.7	5.1	14.0	13.7	-1.7
Agip	3.3	4.5	38.3	54.1	56.9	5.2	40.3	38.7	-4.0
Gldn. Guinea	10.7	14.6	35.5	147.3	37.9	-74.3	20.6	19.6	-4.6
N. Bottling	12.7	10.5	-17.4	120.6	70.2	-41.8	31.4	29.7	-5.4
Metal Box	11.2	9.3	-17.1	32.2	34.9	8.2	26.2	24.4	-6.9
T'lor W'drow	3.0	.3	-90.4	41.4	2.0	-95.1	12.0	10.8	-9.8
Food Sp'ties	4.0	4.3	8.8	60.2	63.0	4.7	37.8	34.0	-10.0
Afr. Petrol.	5.9	5.8	-1.7	50.3	69.7	38.5	43.9	39.3	-10.6
Mandrides	12.2	7.2	-40.5	24.5	41.0	67.0	9.8	8.8	-10.8
UNITEX	4.1	2.7	-34.8	22.3	19.9	-10.8	21.4	18.8	-12.3
Union Bank	19.1	10.9	-42.9	57.9	57.4	-.9	27.9	23.8	-14.8
Beecham	11.5	10.8	-6.2	116.9	74.6	-36.2	47.5	39.9	-16.0
Flour Mills	5.4	4.3	-20.4	61.7	39.4	-36.1	23.4	18.5	-20.8
Hoechst	3.8	5.4	41.2	46.8	51.1	9.3	25.1	19.0	-24.3
L'stock Fds.	8.8	8.8	-.7	75.3	41.7	-44.6	41.4	29.8	-28.0
Van Leer	9.3	9.7	4.6	136.1	36.9	-72.9	17.7	12.6	-28.8
BFN	3.5	2.9	-15.9	46.4	27.8	-40.0	21.9	15.6	-28.9
Lever Bros.	10.3	6.2	-39.5	62.0	29.9	-51.8	21.6	14.5	-33.0
Glaxo	14.5	12.0	-17.6	57.6	47.0	-18.4	34.4	22.9	-33.5
N.N.Flour	16.8	5.1	-69.9	44.9	40.3	-10.1	39.7	25.7	-35.4
J.Berger	2.2	2.7	21.9	71.5	42.6	-40.4	40.1	25.3	-36.8
Pfizer	8.1	9.4	16.3	50.4	29.0	-42.4	34.3	21.5	-37.3
United Bank	21.1	13.3	-37.0	75.6	53.4	-29.3	39.7	23.3	-41.4
UTC	6.3	4.8	-23.0	68.2	43.5	-36.2	34.1	19.6	-42.6
Ind. Gases	12.6	7.6	-39.3	69.9	18.7	-73.2	9.6	5.4	-43.8
Leventis	31.5	8.3	-73.6	60.8	25.6	-57.8	17.2	9.6	-44.0
PZ	3.6	2.5	-31.1	75.4	38.7	-48.6	18.9	10.2	-45.8
First Bank	25.4	17.2	-32.3	79.1	47.4	-40.1	42.0	22.7	-46.0
B'ger Paints	15.0	8.0	-46.8	77.9	38.5	-50.6	34.5	18.3	-46.9
Sterling	15.9	17.1	7.5	109.7	100.3	-8.6	50.4	26.0	-48.5
Chem. & Ald.	10.0	6.0	-40.1	48.7	24.6	-49.5	26.9	13.7	-49.1
Roads	5.6	2.9	-47.8	123.2	35.6	-71.1	40.4	19.9	-50.6
Studio Press	10.6	4.2	-60.2	42.4	9.4	-77.8	24.8	12.1	-51.0
Arbico	4.2	2.5	-40.5	55.7	23.5	-57.9	24.3	11.3	-53.3
Christlieb	3.7	4.2	15.9	101.0	38.1	-62.2	24.6	11.3	-54.0
JHI	N/A	30.8	N/A	24.5	29.6	20.8	11.7	5.2	-55.6
N. Ropes	10.6	5.7	-46.1	112.5	15.0	-86.6	34.5	15.2	-56.0
Hagemeyer	5.0	4.3	-13.6	103.7	47.3	-54.4	34.4	14.5	-57.7
N. Tobacco	12.2	9.1	-25.3	19.5	27.0	38.3	24.3	9.5	-60.9
Cappa & D'A.	10.8	5.3	-51.0	63.9	18.0	-71.8	27.1	10.6	-60.9
NCR	17.6	12.5	-28.6	65.9	41.0	-37.8	36.9	14.1	-61.7
Mobil	8.4	6.0	-27.8	76.9	55.1	-28.4	50.9	19.2	-62.3

Company	Return on Turnover			Return on Share Capital			Return on Equity[b]		
	Pre:	Post:	Change	Pre:	Post:	Change	Pre:	Post:	Change
UAC	8.1%	4.4%	-45.2%	112.9%	26.8%	-76.3%	34.7%	13.1%	-62.3%
Costain	3.7	3.6	-2.7	99.2	35.7	-64.0	26.4	9.5	-63.8
SCOA	4.8	2.0	-57.9	164.2	28.9	-82.4	43.0	15.3	-64.3
Vitafoam	16.3	9.0	-44.5	80.2	16.6	-79.3	33.1	11.8	-64.5
Berec	9.9	5.3	-46.8	92.2	32.9	-64.3	30.9	10.9	-64.5
Pharma-Deko	7.6	6.8	-11.4	54.8	26.6	-51.5	41.0	13.9	-66.1
Foremost	11.5	5.7	-50.5	51.5	20.6	-59.9	34.5	11.6	-66.3
Bata	6.9	3.2	-54.0	50.1	20.8	-58.5	26.9	8.3	-69.0
J.Holt	3.0	2.4	-20.1	58.8	28.5	-51.7	39.3	12.0	-69.4
Lennards	2.4	2.6	8.2	30.0	17.0	-43.3	21.9	6.7	-69.6
ALUMACO	6.4	2.6	-59.3	49.2	22.1	-55.1	26.9	7.9	-70.7
Merc. Bank	N/A	.2	N/A	20.0	9.7	-51.3	28.2	7.9	-71.8
Incar	2.4	.9	-63.0	61.2	14.5	-76.3	26.2	7.0	-73.4
Boots	12.7	4.1	-67.8	53.0	11.6	-78.1	31.7	8.1	-74.3
Lev. Stores	5.7	2.0	-64.6	79.3	20.6	-74.0	39.3	10.1	-74.4
W. Teape	9.8	7.1	-27.2	64.3	27.1	-57.8	30.0	7.7	-74.4
CFAO	3.8	2.0	-46.4	49.4	37.6	-23.9	61.7	15.7	-74.5
Int'l Paints	9.2	3.7	-60.0	54.6	13.4	-75.6	30.9	7.1	-76.9
Thomas Wyatt	7.3	.4	-94.1	71.9	1.6	-97.8	26.4	6.0	-77.1
Dunlop	9.6	-1.4	-114.5	64.6	.8	-98.8	29.8	6.7	-77.5
Chellaram	2.3	1.4	-39.5	61.5	30.2	-50.9	29.7	6.3	-78.8
N. Sewing	12.2	-1.0	-107.8	122.4	-4.8	-103.9	38.5	7.4	-80.9
Lev. Tech.	9.7	2.1	-78.8	142.0	16.4	-88.5	47.6	8.6	-82.0
N. Enamel.	4.8	.8	-82.7	36.8	6.9	-81.3	10.0	1.5	-85.1
Vono	10.4	2.2	-79.2	68.2	6.4	-90.7	23.5	3.0	-87.4
Lev. Motors	5.4	9.7	81.0	86.3	9.6	-88.9	28.7	2.9	-89.9
Poly Prods.	6.9	2.3	-67.3	42.1	7.2	-83.0	30.0	2.4	-91.9
Briscoe	5.8	-.4	-107.7	105.9	-3.8	-103.6	105.3	5.9	-94.4
N. Wire	4.2	-13.7	-424.1	30.3	-41.1	-235.6	24.6	.3	-98.7
Ovaltine	8.8	1.4	-84.0	95.6	4.4	-95.4	42.7	.5	-98.9
Afprint	7.9	1.4	-82.8	24.3	6.6	-72.9	20.4	-.1	-100.7
WESTEX	5.7	1.6	-71.1	19.6	4.3	-78.1	9.0	-.3	-103.3
Berec Int'l	3.1	.4	-85.8	43.8	2.2	-95.0	31.1	-1.6	-105.1
Enpee	8.6	2.4	-72.7	41.3	8.5	-79.4	35.1	-2.0	-105.8
B'wood Hodge	10.6	-12.3	-217.0	110.9	-35.6	-132.1	38.0	-8.1	-121.4
Morrison	6.9	-6.4	-192.9	66.3	-22.6	-134.2	30.3	-10.0	-133.0
Stokvis	6.5	-4.7	-172.1	99.6	-29.3	-129.4	48.5	-20.1	-141.5
Bewac	7.0	-6.5	-193.0	72.2	-42.2	-158.5	15.7	-12.5	-179.7
N. Textile	.8	-7.3	-1027.9	3.4	-32.6	-1053.5	21.3	-53.8	-352.9
Daily Times	6.5	1.2	-81.4	59.9	9.2	-84.6	N/A	8.3	N/A
Univ. Press	13.0	6.3	-51.6	40.0	18.1	-54.9	N/A	15.0	N/A
Mean:	8.5%	4.8%	-54.2%	66.8%	27.2%	-63.8%	30.5%	13.0%	-54.7%
Median:	7.6%	4.3%	-39.5%	60.8%	27.1%	-54.9%	29.7%	12.0%	-55.6%

(1) "Profit after Tax (PAT))"/"Turnover" during given period ("Gross Earnings" for banks).
(2) "PAT"/"(Paid-up) Share Capital" during given period.
(3) "PAT"/"Common Shareholders' Funds (CSF)" during given period.

[a] Period "Pre" begins in year following compliance with the NEPD 1972 if company affected by that Decree, and in 1973 if not. Period "Post", extending through 1984, begins in year following compliance with the NEPD 1977 if company affected by that Decree, and in 1977 if not.
[b] Excluding returns prior to 1975 and in 1984. (No data are available on CSF for those years.)

Source: Company Reports (various years); *NSE Handbook*, Vols. I (1980) and II (1984); supplemented by unpublished data compiled by the Research Department, NSE.

Of the 90 listed companies for which data are available, the profit margins of 71 declined following the NEPD 1977, by almost 76% at the mean. The 19 firms which improved their returns on turnover increased their profit margins by only 27% on average. Table 5.4 also reveals a dramatic diminution in rates of return on share capital after the Decree. Seventy-nine out of 92 companies experienced a decline in this ratio, by 78% at the mean. The 13 firms which enhanced their returns on share capital did so on average by only 20%. Because all Nigerian equities were denominated in share units of 50 kobo, apart from bank shares (the par value of which was ₦1), column (2) also indicates a corresponding reduction in earnings per share following the NEPD 1977. Finally, as a proportion of shareholders' funds, profits declined in the cases of 81 companies, by 64% at the mean. Just nine out of 90 firms earned a higher rate of return on equity after the Decree than before it, and their improvement was on average only 18%.

Despite this consistent pattern of declining profitability, 69 out of 90 companies paid out a greater proportion of after-tax profits as dividends following the NEPD 1977.

Table 5.5:
Dividend Payments by Listed Firms before and after the NEPD 1977[a]

	Dividends/Share Capital			Dividends/Profits After Tax		
Company	Pre:	Post:	Change:	Pre:	Post:	Change:
Roads Nigeria	6.1%	13.8%	127.6%	4.4%	36.3%	725.7%
Arbico	4.1	14.8	259.3	7.4	43.7	491.1
Intra Motors	5.3	19.3	262.4	11.0	57.0	417.7
Ovaltine	9.6	6.0	-37.6	10.1	43.2	329.4
Taylor Woodrow	5.0	9.1	82.9	14.4	57.6	300.0
Cappa & D'Alberto	7.2	8.1	12.7	11.2	44.7	298.7
Morrison	16.3	1.8	-88.8	24.6	90.9	269.3
Beecham	19.8	38.3	93.2	17.0	51.2	202.1
Van Leer	27.9	20.7	-26.0	20.5	56.0	172.7
CFAO	11.0	22.1	100.9	22.3	59.0	164.2
Golden Guinea	25.4	16.8	-33.9	17.3	44.3	156.6
Dumez	11.7	12.0	2.6	19.3	49.4	155.7
Berger Paints	17.0	21.4	26.2	21.8	55.6	155.4
Nig. Sewing Machine	31.8	10.8	-65.9	25.9	64.9	150.4
Pfizer	12.4	16.3	31.5	24.7	58.3	136.2
Leventis Technical	30.6	9.4	-69.2	21.5	50.4	134.3
Blackwood Hodge	28.4	5.2	-81.6	25.6	59.7	133.3
Hoechst	8.5	21.0	148.2	18.1	41.1	127.3
Hagemeyer	17.1	17.6	3.3	16.4	37.3	126.6
Industrial Gases	18.3	13.7	-25.4	26.2	58.5	123.3
Int'l Paints	13.0	6.9	-47.2	23.8	51.4	116.2
Foremost Dairies	14.6	12.6	-13.9	28.4	61.1	115.0
Livestock Feeds	22.2	24.9	12.6	29.4	59.9	103.4
Julius Berger	21.6	25.3	16.9	30.3	59.3	95.9
Leventis Stores	19.5	9.8	-49.9	24.6	47.4	93.0
Vitafoam	26.5	10.4	-60.9	33.0	62.3	88.7
UTC	17.3	20.2	16.7	25.4	46.5	83.1
Cappa	14.8	21.0	42.2	30.6	55.4	81.0
NCR	17.2	19.0	10.2	26.2	46.3	77.0
Incar	14.3	6.0	-58.1	23.4	41.4	76.9
Studio Press	11.4	7.5	-34.4	25.3	43.8	73.0
Leventis	19.1	13.8	-27.8	31.4	53.8	71.2
SCOA	39.5	11.8	-70.0	24.0	41.0	70.4
Leventis Motors	27.2	6.2	-77.2	31.6	53.6	69.8
Afprint	12.2	5.6	-54.0	50.2	85.2	69.5
Chemical & Allied	15.6	13.2	-15.6	32.0	53.4	67.2
UAC	34.5	13.4	-61.3	30.6	49.9	63.2
Sterling	38.1	56.3	47.7	34.8	56.1	61.6
Nig. Enamelware	13.7	4.1	-70.1	37.1	59.5	60.3
Flour Mills	19.0	19.2	1.0	30.8	48.7	57.9
Stokvis	29.3	3.4	-88.4	29.4	46.4	57.9
Lever Brothers	24.8	18.8	-24.2	40.0	63.0	57.3
Lennards	23.4	9.0	-61.7	29.2	44.9	53.5
Pharma-Deko	12.0	8.9	-25.5	21.9	33.5	53.4
BFN	18.3	16.3	-11.0	39.5	58.5	48.2
Nig. Ropes	45.2	10.9	-76.0	40.2	59.0	46.8
Christlieb	24.8	13.2	-46.7	23.7	34.7	46.4
Enpee	9.7	4.0	-58.4	18.9	27.6	46.2
Thomas Wyatt	20.9	6.2	-70.5	29.1	41.8	43.6
Briscoe	25.7	3.7	-85.6	24.3	34.7	42.9
Nig. Bottling	39.8	33.1	-16.9	33.0	47.1	42.9
Vono Products	21.0	3.8	-82.0	30.8	43.7	42.0

Company	Dividends/Share Capital			Dividends/Profits After Tax		
	Pre:	Post:	Change:	Pre:	Post:	Change:
Food Specialities	19.6%	28.8%	46.8%	32.6%	45.7%	40.2%
N.Nig.Flour Mills	18.6	23.1	24.5	41.4	57.3	38.4
Wiggins Teape	24.4	14.3	-41.4	36.0	51.9	36.5
Poly Products	16.0	5.8	-63.8	38.1	50.8	33.3
Boots	14.3	5.5	-61.4	36.0	47.4	31.4
Guinness	29.4	25.1	-14.6	43.3	56.0	29.3
Bewac	21.9	.4	-98.0	30.1	38.1	25.6
Glaxo	17.1	17.5	2.2	29.8	37.3	25.2
First Bank	27.4	19.2	-29.9	34.6	40.5	17.0
Costain	43.6	18.2	-58.2	44.0	51.1	16.1
WAPCO	11.7	14.2	21.0	44.6	51.3	15.1
Total	45.0	47.6	6.0	53.3	61.3	14.9
John Holt Ltd	18.5	11.8	-36.1	31.4	36.1	14.9
Mobil Oil	39.7	31.6	-20.3	51.6	57.4	11.2
Nig. Breweries	33.5	43.7	30.4	56.5	59.1	4.6
Metal Box	18.9	21.3	12.7	58.7	60.2	2.4
Cadbury	28.4	32.1	12.7	56.9	57.2	.5
ALUMACO	21.4	9.5	-55.7	43.5	43.0	-1.3
Agip	35.1	33.6	-4.2	64.9	59.1	-8.9
Chellaram	28.5	12.7	-55.5	46.4	42.1	-9.4
Texaco	47.5	44.5	-6.3	60.8	53.9	-11.3
Berec Nigeria	28.9	14.1	-51.1	31.3	27.8	-11.4
Nig. Tobacco	13.3	15.6	17.7	67.9	57.8	-14.9
United Bank	21.7	12.4	-42.8	28.8	23.3	-19.1
Dunlop	30.2	4.9	-83.7	46.7	37.5	-19.8
African Petroleum	28.9	31.6	9.3	57.4	45.3	-21.1
Tate & Lyle	27.7	22.5	-18.7	46.5	33.4	-28.3
UNITEX	15.6	10.0	-36.1	70.2	50.3	-28.4
Bata	30.1	11.5	-61.6	60.0	42.6	-29.0
University Press	26.7	8.4	-68.4	66.8	46.8	-30.0
Union Bank	21.9	15.1	-31.3	37.9	26.3	-30.7
Daily Times	30.2	7.3	-75.9	50.4	30.6	-39.4
Mandrides	24.7	23.1	-6.5	98.5	56.3	-42.8
John Holt Invst.	19.0	12.4	-35.0	77.8	41.8	-46.2
Berec Int'l	22.9	2.5	-89.0	52.3	26.2	-49.9
Paterson Zochonis	22.1	18.0	-18.8	29.3	4.6	-84.2
Mercantile Bank	6.3	.0	-100.0	46.4	.0	-100.0
Nig. Wire	12.9	.0	-100.0	42.7	.0	-100.0
Nig. Textile Mills	.0	.0	-	.0	.0	-
WESTEX	.0	5.1	-	.0	62.6	-
Mean:	21.3%	15.3%	-17.8%	34.5%	47.2%	73.1%
Median:	19.8%	13.2%	-27.8%	30.8%	48.7%	48.2%

[a] Period "Pre" commences in year following compliance with the NEPD 1972 if company affected by that Decree, and in 1973 if not. Period "Post", extending through 1984, commences in year following compliance with the NEPD 1977 if company affected by that Decree, and in 1977 if not.

Source: Company Reports (various years).

At the mean, these 69 firms more than doubled their dividend pay-out ratios. The 21 which retained a higher proportion of after-tax profits following the NEPD 1977 did so on average by less than 35%. Table 5.5 indicates that these higher rates of dividend distribution contrast with a general pattern of declining dividends paid as a proportion of share capital and, by extension (see above), dividends per share. Sixty-one out of 90 listed firms reduced the dividends paid out as a proportion of share capital, by 50% at the mean. Twenty-nine increased their mean distributions by 51%. The apparent contradiction between higher dividend pay-out ratios and lower levels of dividend payments relative to share capital is attributable to the larger number of outstanding shares following the NEPD 1977. Measured in terms of total amounts rather than on a per share basis, most companies increased their dividend payments after the Decree.

It is possible that the diminishing profitability of listed firms following the NEPD. 1977 resulted from the slump in oil revenues in 1978 and the much sharper relative decline after 1982. However, this would not account for the surge in corporate turnover and profits during Nigeria's "second oil boom" (late 1979 to early 1981), which occurred after the second Decree. Nor would it explain why profit margins in almost all business sectors declined uniformly and so suddenly. Moreover, if the collapse in oil prices created a more difficult and unstable business environment in Nigeria, it seems peculiar that firms would disburse a higher proportion of their after-tax profits rather than retain them as revenue reserves in anticipation of hard times.

Although the evidence is insufficiently detailed to be conclusive, it does suggest that most listed firms altered the manner in which they profited from their Nigerian operations following the NEPD 1977. The tremendous expansion in share capital just prior to and during the course

of compliance with the NEPD 1977 diluted earnings and dividends per share. However, by increasing the number of outstanding shares, companies not only secured higher valuations from the SEC (for reasons described above and in Chapter Four) but also enabled their foreign shareholders to circumvent restrictions on dividend pay-out ratios, which were intended to curb profit remissions abroad. This is corroborated by Table 5.5, which indicates that most companies increased their dividend distributions to about 60% of after-tax profits after the NEPD 1977, the maximum permitted under the law.

Whilst company finances were adjusted to facilitate repatriation of profits generated in Nigeria, it appears that many foreign investors shifted the locus of their profit-making activities off-shore, where they would not have to be shared with Nigerian investors. They could have achieved this by charging their local affiliates higher prices for the goods and services upon which the latter were heavily dependent. This would explain why, despite buoyant sales during the late 1970s and early 1980s, listed companies reported reduced profit margins and returns on shareholders' funds in comparison with levels experienced prior to the NEPD 1977. Several once-profitable firms even became heavy loss-makers following the Decree. Whether or not their local subsidiaries earned profits and paid dividends, foreigners could continue to profit handsomely from their Nigerian operations because their main business was selling to their Nigerian affiliates rather than to the domestic market.

The case of Bewac Ltd, an importer, assembler and distributor of machinery, equipment and motor vehicles (including the popular Land Rover), provides a striking illustration of how corporate fortunes changed for the worse following the NEPD 1977. The company, incorporated in Nigeria as the British West Africa Corporation (Engineering) Ltd in 1950, was consistently profitable until it had sold a majority of its equity to

Nigerians in December 1977. During the five-year period between 1973 and 1977, Bewac earned after-tax profits totalling ₦15,987,000, which represented a return on share capital of 72.2%, and on shareholders' equity of 15.7%.[3] Preparing to comply with the Decree, in 1976 the company capitalized ₦5m from reserves and issued two bonus shares for every one held to its existing shareholders. The foreign shareholder, Bewac Motor Corporation Ltd, then sold 3m of its shares through the NSE (at 65 kobo each), which represented 20% of Bewac's share capital, and raised the proportion of indigenous equity ownership from the 40% achieved under the NEPD 1972 to the now-mandatory 60%.

The very next year Bewac sustained a ₦5,403,000 loss, the first in an extended series. Despite a small profit in 1980, Bewac lost a total of ₦22,166,000 between 1978 and 1984, consuming the majority of shareholders' equity. The company attributed its dismal performance to rising import costs coupled with Nigerian price controls and, latterly, to "the effects of the general recession" by which, it claimed, companies engaged in motor vehicle distribution were hit especially hard.[4] However, even in 1981, a year Bewac's sales achieved record levels, the company lost ₦1,890,000. Moreover, despite Bewac's explanation for its troubles, other listed companies engaged in motor vehicle distribution were relatively unscathed by the recession. Amongst them, only two, Leventis Motors and R.T. Briscoe, suffered any losses during the period, and only the latter firm did so on a similarly devastating scale. But even that company remained profitable until 1983.[5] It seems unlikely that the Bewac Motor Corporation would have retained its 40% shareholding in a company which consistently under-performed in an unpromising market for

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3. The latter figure excludes profits earned in 1973 and 1974, for which data on shareholders' equity are not available.

4. "Chairman's Letter", Bewac Ltd, *Annual Report and Accounts* (1978 and 1983).

5. R.T. Briscoe (Nigeria) Ltd, *Annual Report and Accounts* (various years).

so many years unless that equity stake was necessary to secure a profitable channel for its *exports* of motor vehicles to Nigeria.

Many other listed companies suffered dramatic reversals after complying with the Decree, particularly Afprint, Enpee and Nigerian Textile Mills, Blackwood Hodge (heavy equipment), R.T. Briscoe (motor vehicles), J.L. Morrison (drugs and cosmetics), Nigerian Wire Industries and Ovaltine (beverages). As indicated in Table 5.4, all but a few firms evidenced some deterioration in their performance following the NEPD 1977. Although the Decrees created a strong incentive for foreigners to take their profits abroad, other factors also inspired this shift.

Foreign exchange controls would have encouraged foreign companies to transfer profit-taking out of Nigeria had the Decrees not already done so. The controls were applied rigorously during 1977-8, relaxed somewhat between 1979-81 and were then enforced with increasing stringency from 1982 onwards. The Central Bank and FMF, using their regulatory discretion over corporate remittances, withheld their authorizations for up to a year and occasionally longer as a device for conserving foreign exchange. It was in foreign investors' interest to minimize the amount of profits earned in Nigeria since they knew these would be subject to protracted administrative delay prior to remission.

Furthermore, the broadly-based system of import licensing, one of the key components of the exchange control measures, both facilitated and enhanced the rewards of import over-invoicing, which had long been practised. This was because importers who secured licences to bring goods into the country were allocated foreign exchange at officially under-valued rates. These goods could then be resold in Nigeria at much-inflated prices, which reflected more closely the real value of foreign exchange to Nigerian consumers.[6] The huge differential between imports

6. See Rimmer (1985), esp. pp.441-4.

valued at official rates of exchange and the market price of these goods in Nigeria afforded firms with ties abroad (nearly all listed companies) considerable scope for transferring profits off-shore. Rather than realize the entire "economic rent" implicit in an import licence within Nigeria, firms paid higher prices for the finished goods and inputs they imported from their foreign associates. As such, import licences secured by their Nigerian affiliates enhanced the profitability of the foreign shareholders' exporting activities. Profits from the latter were beyond the reach of foreign exchange officials, Nigerian shareholders and local tax authorities.

The Federal government had long been wise to over-invoicing and, beginning in 1979, instituted a "Pre-shipment Inspection" scheme to curb its practice.[7] The FMF enlisted an international inspection firm, *Société Générale de Surveillance* (SGS), to verify at the point of exportation that goods imported into Nigeria satisfied the conditions of import licences in terms of quantity, quality and price. SGS's contract was terminated in 1984 and re-allocated amongst three other firms amidst allegations that some of its employees had colluded with exporters in the practice they were engaged to prevent.[8] Despite alleged corruption within SGS, both that firm and its successors documented cases of over-invoicing which would have deprived Nigeria of *billions* of dollars worth of foreign exchange. Included amongst the firms identified were many listed on the

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7. Pre-Shipment Inspection of Imports Decree, No.36 of 1978 (22 December).

8. These charges, and an alleged cover-up by SGS which involved highly-placed Nigerian politicians, are reviewed in "Report of the Special Committee of Inquiry into Allegations of Corrupt Dealings by the Finance Committee of the House of Representatives". The report was commissioned by the House of Representatives following pressure from members of Opposition parties. Though formally presented to the House on 8 July 1982, the report was not publicly released, nor was it distributed even to all Representatives.

Nigerian Stock Exchange.[9] Whether propelled by the Decrees, foreign exchange controls, or both, over-invoicing redistributed profits to parent companies abroad at the expense of shareholders in Nigeria.

Under-valued Share Prices

Despite deterioration in their performance after the NEPD 1977 and economic recession beginning late in 1981, most listed companies remained highly profitable and paid generous dividends. As indicated in Table 5.4, nine companies reported a better return on equity following compliance than before it. However, the continued good performance of most listed companies was not reflected by their share prices on the NSE which, by widely accepted standards of measurement, appear substantially undervalued.

Table 5.6 indicates the annual dividend yield (based on year-end prices) of each listed company following compliance with the NEPD 1977 up to and including 1984.

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9. "Quarterly Report" (from 1984 and 1985) of two of the three inspection firms employed by the FMF were made available to the author under the condition that the reports would not be quoted directly and that the firms involved (both the inspectors and those that allegedly engaged in import malpractices) would not be identified. It should be noted that the inspectors could refuse to issue a "Clean Report of Findings" (CRF) but had no powers to deny foreign exchange approval to importers. This authority was retained by the Central Bank, which, in theory but not always in practice, authorized remittances (through its "Form M") only to those importers given a CRF by the inspectors. The inspectors forwarded to the Finance Ministry its documentary evidence of import malpractices, but the Ministry did not "black-list" importers whose abuses had been identified.

Table 5.6:
Dividend Yields following Compliance with the NEPD 1977[a]

Company	1977	1978	1979	1980	1981	1982	1983	1984	Mean
Sterling	-	-	25.8%	40.3%	36.2%	51.5%	34.4%	28.5%	36.1%
Beecham	-	-	30.9	57.3	18.6	22.2	36.1	16.1	30.2
Intra	-	-	-	30.3	27.3	39.1	20.9	10.4	25.6
Texaco	-	-	35.4	32.3	7.9	23.7	20.8	18.8	23.2
Agip	-	37.1%	38.1	23.0	21.5	17.9	12.3	9.7	22.8
Cappa	-	-	17.6	20.3	14.6	37.2	25.9	19.9	22.6
J.Berger	-	-	-	19.9	24.3	22.7	N/A	N/A	22.3
Total	-	-	35.0	19.7	20.2	24.7	18.5	15.2	22.2
Mandrides	-	-	8.0	25.0	28.7	23.7	18.5	27.9	22.0
L'stock Fds.	-	-	29.0	21.8	15.4	29.9	13.6	21.9	21.9
CFAO	8.8%	12.5	27.7	28.9	20.4	16.4	16.7	38.5	21.2
Berec	-	-	28.6	63.3	25.9	.0	4.9	4.2	21.1
Van Leer	-	-	15.0	26.4	28.9	25.6	14.3	12.7	20.5
Metal Box	-	16.1	.0	18.2	38.5	29.3	26.3	9.3	19.7
Afr. Petrol.	-	41.5	19.6	25.9	12.7	17.4	10.6	8.4	19.5
N.N. Flour	-	-	22.2	6.1	29.0	.0	31.6	20.5	18.2
Roads	-	-	10.0	13.9	18.2	40.1	8.5	N/A	18.1
Costain	-	7.7	17.0	22.2	24.6	40.2	11.9	1.6	17.9
Arbico	-	-	26.6	26.6	20.0	23.7	10.0	.0	17.8
Mobil	-	-	19.6	11.1	20.3	21.9	14.1	N/A	17.4
Hoechst	-	-	25.0	16.7	13.7	25.1	9.9	10.8	16.9
NCR	-	-	8.9	17.4	16.3	13.5	15.2	28.0	16.6
Leventis	-	-	23.3	19.2	19.6	14.5	10.2	10.6	16.2
Dumez	-	-	-	-	35.6	20.5	3.9	4.3	16.0
Tate & Lyle	-	-	13.7	13.3	15.4	17.2	14.7	18.3	15.4
BFN	-	13.9	12.9	19.1	12.3	18.8	15.2	15.8	15.4
Cadbury	-	-	19.1	14.7	13.0	17.3	11.5	15.5	15.2
Food Spec.	-	-	15.7	16.8	11.4	16.5	15.1	N/A	15.1
N. Breweries	-	-	14.5	12.3	13.1	14.9	17.6	17.7	15.0
Gldn. Guinea	-	-	8.0	8.8	20.0	19.2	20.8	12.7	14.9
Hagemeyer	-	-	13.1	19.5	16.5	18.8	11.5	8.2	14.6
Chellaram	-	10.0	25.6	23.2	10.9	9.8	7.8	N/A	14.6
N. Tobacco[b]	10.2	17.2	25.4	13.3	13.9	.0	13.0	19.2	14.0
Pfizer	-	-	15.4	21.5	14.7	13.0	5.6	13.2	13.9
N. Bottling	-	-	10.3	14.4	9.9	17.7	12.9	17.7	13.8
Lev. Tech.	-	12.9	.0	16.1	23.8	29.6	.0	14.3	13.8
Lev. Stores[c]	-	13.4	14.5	14.3	12.5	14.1	-	-	13.8
Ind. Gases	-	-	8.3	.0	21.4	22.7	16.0	14.0	13.7
Glaxo	-	-	18.7	18.8	9.7	19.3	7.1	7.6	13.5
UTC	-	12.4	18.5	16.0	16.3	14.1	9.1	5.9	13.2
N. Ropes	-	-	7.0	21.4	18.9	21.3	8.0	.0	12.8
Foremost	-	-	19.7	14.0	12.5	.0	6.5	22.6	12.6
JHI[b]	14.2	13.5	9.6	9.0	10.5	12.5	12.7	15.6	12.2
W. Teape	-	-	6.2	7.3	11.5	8.1	.0	40.0	12.2
B'ger Paints	-	-	18.3	16.5	11.4	9.8	10.0	5.9	12.0
Flour Mills	-	-	11.0	18.3	8.8	9.9	11.8	10.7	11.7
Taylor W'row	-	-	7.2	8.0	27.7	24.2	2.9	.0	11.7
Guinness	-	14.0	10.7	6.7	11.3	14.8	9.8	10.9	11.2
N. Sewing	-	-	22.3	4.6	25.6	14.3	.0	.0	11.1
PZ	-	12.7	9.6	11.5	10.8	10.4	10.4	11.8	11.0
WAPCO	-	-	10.7	9.8	11.2	12.5	10.7	N/A	11.0
UNITEX	-	9.6	17.9	8.3	8.3	11.7	4.9	14.9	10.8
First Bank[b]	8.6	12.8	12.3	10.9	9.6	11.5	10.4	9.2	10.7

Company	1977	1978	1979	1980	1981	1982	1983	1984	Mean
SCOA	5.0%	5.5%	6.3%	22.0%	10.0%	11.5%	8.9%	15.9%	10.6%
Vitafoam	-	-	11.5	17.9	10.0	6.3	8.9	7.8	10.4
Bata	-	4.0	14.4	6.5	.0	.0	15.6	32.0	10.4
Christlieb	-	-	7.7	13.2	4.3	12.5	8.5	15.8	10.3
UAC	14.0	15.1	9.1	11.3	8.9	7.0	5.1	12.0	10.3
Daily Times[b]	10.7	12.5	17.0	18.6	.0	10.0	12.5	.0	10.2
Lev. Motors	-	.0	.0	6.7	17.1	28.9	9.4	7.5	9.9
Univ. Press	-	-	10.1	12.9	14.6	12.5	.0	8.9	9.9
Studio Press	-	-	11.9	15.8	5.6	.0	.0	25.0	9.7
Pharma-Deko	-	-	12.5	11.9	.0	4.9	7.6	17.8	9.1
Cappa & D'A.	-	-	12.0	.0	11.2	12.2	9.8	N/A	9.0
Chem. & Ald.	-	-	5.8	14.5	7.0	8.3	9.1	N/A	8.9
ALUMACO[b]	7.0	2.5	19.3	11.0	13.5	15.5	.0	.0	8.6
Ovaltine	-	-	-	.0	12.5	17.7	.0	12.5	8.5
J.Holt Ltd.	-	9.6	.0	5.3	9.9	13.0	11.0	8.8	8.2
Lever Bros.	-	-	10.6	4.0	6.6	8.4	7.0	12.6	8.2
Int'l Paints	-	-	3.0	9.0	15.9	7.9	.0	11.3	7.8
Union Bank[d]	-	-	8.6	8.9	8.0	8.5	6.9	5.9	7.8
Thomas Wyatt	-	-	5.8	10.0	18.1	12.1	.0	.0	7.7
United Bank[b]	8.0	7.8	9.0	10.5	9.7	6.3	4.6	4.3	7.5
WESTEX	-	-	-	17.3	8.3	.0	.0	11.5	7.4
Poly Prods.	-	-	-	12.0	.0	.0	8.8	14.3	7.0
Afprint	-	-	-	12.1	.0	.0	.0	20.0	6.4
Vono	-	6.2	1.2	3.0	12.4	9.7	.0	12.2	6.4
Lennards	-	-	-	14.4	.0	.0	.0	16.7	6.2
Incar	-	-	9.1	11.5	13.7	.0	.0	.0	5.7
Dunlop[b]	13.6	8.6	9.6	7.8	.0	.0	.0	N/A	5.7
N. Enamel.	-	-	-	3.3	4.9	4.9	5.1	8.0	5.2
B'wood Hodge	-	-	6.2	15.2	9.3	.0	.0	.0	5.1
Briscoe	-	7.6	.0	13.3	9.8	.0	.0	.0	4.4
Enpee	-	-	-	7.1	.0	.0	.0	14.7	4.4
Boots	-	-	8.6	6.4	.0	.0	8.8	.0	4.0
Berec Int'l	-	-	-	-	.0	.0	5.0	5.6	2.6
Stokvis	-	-	2.5	7.8	.0	.0	.0	N/A	2.1
Morrison	-	-	9.7	.0	.0	.0	.0	.0	1.6
Bewac	-	.0	.0	3.9	.0	.0	.0	.0	.6
Merc. Bank[d]	-	.0	.0	.0	.0	.0	.0	.0	.0
N. Textile	-	.0	.0	.0	.0	.0	.0	.0	.0
N. Wire	-	-	.0	.0	.0	.0	.0	.0	.0
Mean:	10.0%	11.2%	13.3%	14.7%	13.0%	13.3%	9.1%	11.6%	12.4%
Median:	10.2%	12.5%	11.9%	13.9%	12.4%	12.5%	9.1%	11.5%	12.0%

N/A = not available.

- = not applicable (company had not yet transferred shares to Nigerians, or had de-listed).

[a] Defined as: "Dividends per share in given year"/"Share price at the end of that year".

[b] Company was not required to sell shares under the NEPD 1977.

[c] Company merged with A.G. Leventis in 1983.

[d] Share offering not required by the NEPD 1972 but coinciding with it.

Source: Company Reports (various years); NSE "Daily Official List" (last trading day, 1977-84).

In every year but 1983, most listed companies paid dividends which yielded more than a 10% return on their market value. Averaged over the entire period between compliance with the Decree and 1984, the shares of 59 companies yielded 10% or more, 13 yielded at least 20%, and investors in two companies derived more than a 30% annual yield. Only three companies paid no dividends at all following compliance. The most remunerative shares were those of distributors of pharmaceutical and petroleum products and construction companies.

Table 5.7 indicates that the shares of most listed companies traded at relatively low price multiples on earnings following the NEPD 1977.

Table 5.7:
Price/Earnings Multiples following Compliance with the NEPD 1977[a]

Company	1977	1978	1979	1980	1981	1982	1983	1984	Mean
Sterling	-	-	1.94	1.48	1.65	1.16	1.75	1.75	1.62
Berec	-	-	1.75	.95	.70	(-)	1.56	4.91	1.97
Beecham	-	-	1.62	1.05	2.73	2.34	1.37	3.10	2.04
Tate & Lyle	-	-	1.78	2.60	2.95	1.60	2.28	2.01	2.20
Texaco	-	-	1.69	1.93	2.82	2.53	2.89	3.19	2.51
Arbico	-	-	1.17	1.59	2.68	2.40	4.80	(-)	2.53
Roads	-	-	2.98	2.26	1.05	1.28	5.36	(-)	2.59
Daily Times[b]	1.08	1.85	1.70	3.42	(-)	3.40	4.27	(-)	2.62
Cappa	-	-	2.72	2.25	4.08	1.61	2.31	3.01	2.66
J.Berger	-	-	-	2.91	2.47	2.64	N/A	N/A	2.67
Mandrides	-	-	4.01	2.44	2.11	2.62	3.22	1.99	2.73
Hoechst	-	-	1.16	1.62	2.15	2.14	5.43	4.41	2.82
Intra	-	-	-	2.20	2.15	1.21	2.90	5.71	2.83
L'stock Fds.	-	-	2.07	2.75	3.83	2.01	4.41	2.74	2.97
Total	-	-	1.74	2.97	2.93	2.41	3.22	4.77	3.01
NCR	-	-	3.59	2.87	3.07	3.69	3.28	1.60	3.02
Afr. Petrol.	-	1.20	2.48	2.31	2.33	2.47	4.72	5.61	3.02
Van Leer	-	-	3.35	1.99	2.00	2.33	3.88	4.70	3.04
N. Wire	-	-	(-)	(-)	(-)	(-)	3.23	N/A	3.23
United Bank[b]	1.56	1.44	3.14	2.84	2.73	4.18	5.19	5.22	3.29
Fd. Sp'ties	-	-	3.09	2.82	5.16	3.36	2.15	N/A	3.32
Hagemeyer	-	-	2.95	1.99	1.56	1.78	5.24	6.51	3.34
Mobil Oil	-	-	3.06	4.06	2.96	2.74	4.27	N/A	3.42
N. Bottling	-	-	2.19	3.91	5.30	2.76	3.77	2.68	3.44
Union Bank[c]	-	-	3.88	3.53	2.74	2.94	3.84	4.17	3.52
Metal Box	-	6.03	(-)	3.76	1.49	2.02	2.20	5.63	3.52
Agip	-	-	1.49	2.52	2.78	3.34	4.90	6.16	3.53
Chellaram	-	1.29	1.93	3.89	3.47	5.66	5.18	N/A	3.57
Glaxo	-	-	2.58	1.74	3.14	1.65	7.54	4.99	3.61
Leventis	-	-	1.42	3.27	3.03	4.07	4.73	5.87	3.73
First Bank[b]	1.91	2.25	3.20	5.48	4.03	4.55	4.28	4.26	3.75
Lev. Stores[d]	-	2.27	3.04	5.46	4.66	3.87	-	-	3.86
Cadbury	-	-	2.56	4.05	4.15	3.48	5.20	3.87	3.89
Gldn. Guinea	-	-	5.07	7.91	2.21	1.10	2.71	4.39	3.90
J.Holt Ltd	-	6.22	(-)	2.80	3.13	3.22	3.85	4.28	3.92
N. Breweries	-	-	4.08	4.79	4.58	3.97	3.40	3.26	4.01
BFN	-	4.11	3.88	5.17	4.83	2.74	3.95	3.76	4.06
Thomas Wyatt	-	-	6.36	3.46	2.92	3.52	(-)	(-)	4.07
JHI[b]	7.27	4.41	4.79	3.88	4.04	3.26	3.04	2.19	4.11
PZ	-	2.53	4.96	3.69	3.90	4.67	5.10	4.37	4.17
Christlieb	-	-	3.14	1.66	9.00	3.59	4.91	2.77	4.18
Ind. Gases	-	-	7.97	(-)	2.56	2.61	3.70	4.24	4.22
N. Ropes	-	-	4.25	4.39	3.16	2.82	6.84	(-)	4.29
Flour Mills	-	-	2.62	3.15	4.91	6.21	4.31	5.15	4.39
SCOA	-	3.24	5.57	4.44	5.17	4.09	5.44	2.80	4.39
UTC	-	1.89	2.49	4.44	2.68	3.18	5.96	10.26	4.41
Dunlop[b]	5.83	3.96	3.21	4.93	(-)	(-)	6.42	2.39	4.46
CFAO	2.13	3.77	2.50	1.60	3.02	9.21	13.35	1.38	4.62
N. Tobacco[b]	6.93	2.95	1.94	6.09	4.29	7.66	4.56	2.98	4.68
WAPCO	-	-	4.72	5.02	4.58	4.29	4.89	N/A	4.70
Pfizer	-	-	3.26	2.80	4.09	4.60	10.73	4.56	5.01
Enpee	-	-	-	3.70	(-)	(-)	9.25	2.11	5.02
Dumez	-	-	-	-	1.58	2.83	7.49	8.21	5.03

Company	1977	1978	1979	1980	1981	1982	1983	1984	Mean
Univ. Press	-	-	4.94	5.22	4.10	3.76	6.37	6.24	5.11
Guinness	-	1.45	4.53	9.01	5.33	4.06	6.10	5.50	5.14
N. Sewing	-	-	3.65	11.03	2.34	3.94	(-)	(-)	5.24
B'ger Paints	-	-	2.70	3.59	5.13	5.70	5.38	9.47	5.33
Bata	-	10.51	3.42	8.78	(-)	7.34	1.41	1.79	5.54
Morrison	-	-	9.41	(-)	1.98	(-)	(-)	(-)	5.70
Lev. Tech.	-	2.70	(-)	4.00	2.37	2.00	20.45	3.63	5.86
Studio Press	-	-	8.34	3.79	10.64	(-)	5.17	1.83	5.95
Foremost	-	-	4.59	4.26	4.57	10.79	9.12	2.55	5.98
Chem. & Ald.	-	-	8.69	4.72	6.61	5.55	5.82	N/A	6.28
UAC	.80	3.29	5.52	8.78	6.69	8.63	11.79	4.98	6.31
Merc. Bank[c]	-	6.36	3.63	(-)	1.46	14.49	(-)	(-)	6.49
Vitafoam	-	-	3.94	5.36	5.94	9.50	6.68	7.68	6.52
Lev. Motors	-	(-)	7.11	13.62	3.49	1.83	6.03	7.91	6.67
B'wood Hodge	-	-	9.75	3.94	6.37	(-)	(-)	(-)	6.69
Berec Int'l	-	-	-	-	(-)	8.10	5.98	6.17	6.75
W. Teape	-	-	8.06	13.08	5.01	7.24	(-)	1.09	6.90
T'lor W'drow	-	-	8.28	7.46	2.09	2.47	14.37	(-)	6.93
Costain	-	2.29	2.81	2.63	2.30	1.48	4.85	33.88	7.18
Ovaltine	-	-	-	(-)	3.82	2.02	20.00	4.75	7.65
Afprint	-	-	-	4.89	16.70	(-)	(-)	3.00	8.20
Lever Bros.	-	-	7.41	14.90	9.08	7.14	8.53	4.76	8.64
Pharma-Deko	-	-	1.69	1.99	26.17	11.95	7.89	3.13	8.80
WESTEX	-	-	-	5.66	10.04	(-)	15.60	4.55	8.96
Bewac	-	(-)	(-)	9.92	(-)	(-)	(-)	(-)	9.92
Briscoe	-	4.93	12.14	3.17	3.64	26.37	(-)	(-)	10.05
N. Enamel.	-	-	-	18.35	12.12	12.00	11.67	7.48	12.32
N.N.Flour	-	-	2.08	12.71	1.97	64.29	1.89	2.89	14.31
ALUMACO[b]	4.25	20.00	3.86	5.41	3.46	3.86	48.78	25.62	14.41
Cappa & D'A.	-	-	3.02	56.58	5.03	3.61	5.64	N/A	14.78
Int'l Paints	-	-	20.97	7.28	2.84	5.65	47.93	5.29	14.99
Vono	-	3.50	41.63	33.92	4.85	6.16	(-)	4.91	15.83
Poly Prods.	-	-	-	5.13	(-)	57.14	6.67	2.92	17.97
Stokvis	-	-	35.91	5.84	21.01	(-)	(-)	N/A	20.92
Incar	-	-	4.84	4.34	3.22	61.11	35.05	23.73	22.05
UNITEX	-	3.42	3.21	6.47	5.85	10.14	176.94	2.62	29.81
Lennards	-	-	-	4.04	127.50	(-)	5.89	3.56	35.25
Boots	-	-	6.52	7.60	685.71	33.21	5.46	126.92	144.24
N. Textile	-	(-)	3100.80	(-)	(-)	(-)	(-)	.97	1550.89
Mean[e]:	3.53	4.15	45.85	5.72	14.20	7.08	7.40	6.97	24.47
Median:	2.13	3.24	3.26	3.79	3.46	3.52	5.10	4.26	4.41

N/A = not available

- = not applicable (company had not yet transferred shares to Nigerians, or had de-listed).

(-) = a loss in given year, not included in company or yearly averages.

[a] Defined as: "share price at end of given year"/"earnings per share (after tax) in that year".

[b] Company was not required to sell shares under the NEPD 1977.

[c] Share offering not required by the NEPD 1972 but coinciding with it.

[d] Company merged with A.G Leventis in 1983.

[e] The mean P/E ratio of all firms in any given year is grossly distorted by a few (e.g. N. Textiles, Boots) which made a very small profit. Compare mean values with medians.

Source: Company Reports (various years); NSE "Daily Official List" (last trading day, 1977-84).

Until 1983, the shares of a majority of firms were priced at less than four times earnings. Averaged over the entire period after compliance, two of the 92 listed companies traded at less than twice earnings, 14 at less than thrice, and 35 at less than four times. By contrast, 14 firms carried mean average multiples of ten or more. Comparing these price multiples with those just after companies sold shares in order to comply with the NEPD 1977 (see Table 4.14), we find that the price/earnings ratios of most listed firms recovered somewhat from the sharp discounts imposed by the SEC's punitive valuations (see Chapter Four), but still remained very low.

That most share prices were far below their "book value",[10] as indicated in Table 5.8, is further evidence of undervaluation.

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10. Also referred to as "common shareholders' funds" (CSF) and "shareholders' equity".

Table 5.8:
Discount(-)/Premium on "Book Value" at Year-end Share Prices following Compliance with the NEPD 1977[a]

Company	1977	1978	1979	1980	1981	1982	1983	Mean
Bewac	-	-72.5%	-86.0%	-78.4%	N/A	N/A	-85.7%	-80.7%
N. Enamel.	-	-	-	-76.6	-78.1%	-81.8%	-84.5	-80.2
Chellaram	-	-68.0	-69.7	-82.9	-86.6	-84.1	-80.7	-78.7
JHI[b]	-65.4%	-67.6	-81.2	-81.0	-79.7	-82.2	-82.4	-77.1
Costain	-	-78.5	-81.2	-79.2	-71.5	-81.3	-62.0	-75.6
Mandrides	-	-	-73.7	-74.7	-77.3	-82.6	-69.7	-75.6
Arbico	-	-	-72.5	-75.0	-70.3	-81.8	-76.6	-75.3
WESTEX	-	-	-	-67.4	-73.3	-74.0	-69.2	-71.0
Ind. Gases	-	-	-72.5	-67.8	-67.1	-76.1	-66.7	-70.0
Leventis	-	-	-82.3	-69.0	-71.1	-61.4	-64.5	-69.7
Berec	-	-	-56.3	-80.3	-90.6	-69.9	-50.2	-69.4
Daily Times[b]	N/A	-69.3	-59.8	-76.6	-65.9	-75.1	-69.2	-69.3
Lev. Motors	-	-60.1	-75.1	-69.0	-59.6	N/A	-78.2	-68.4
Van Leer	-	-	-63.3	-66.0	-66.7	-74.0	-68.3	-67.7
Dunlop[b]	-55.6	-58.1	-74.0	-75.4	N/A	N/A	-72.8	-67.2
Hagemeyer	-	-	-58.9	-66.0	-66.1	-73.3	-67.2	-66.3
Vono	-	-52.3	-57.3	-49.0	-72.9	-79.0	-85.5	-66.0
Lev. Stores[d]	-	-54.7	-73.1	-62.6	-66.8	-68.0	-	-65.0
ALUMACO[b]	-54.0	-51.3	-72.3	-62.1	-63.7	-71.7	-63.0	-62.6
Lev. Tech.	-	-49.2	-51.6	-67.6	-61.6	-69.6	-70.7	-61.7
Tate & Lyle	-	-	-62.1	-56.0	-53.6	-67.2	-63.5	-60.5
Christlieb	-	-	-63.6	-64.6	-54.8	-65.8	-52.4	-60.2
PZ	-	-67.4	-66.5	-62.6	-53.6	-54.6	-46.4	-58.5
Sterling	-	-	-49.4	-54.5	-57.4	-73.1	-55.8	-58.0
Intra	-	-	-	-56.6	-48.1	-67.6	-58.9	-57.8
Incar	-	-	-43.5	-56.6	-60.3	-66.0	-57.0	-56.7
N. Tobacco[b]	-22.0	-36.8	-69.3	-47.9	-67.1	-81.4	-72.1	-56.7
N. Sewing	-	-	-47.4	-50.4	-61.4	-65.4	-55.6	-56.0
Afprint	-	-	-	-45.3	-69.1	N/A	-53.1	-55.8
B'wood Hodge	-	-	-68.8	-62.2	-48.5	-42.1	N/A	-55.4
T.Wyatt	-	-	-37.6	-46.1	-63.0	-67.9	-61.8	-55.2
Enpee	-	-	-	-54.2	-61.0	-55.0	-47.0	-54.3
NCR	-	-	-50.9	-53.9	-48.3	-59.3	-55.9	-53.7
Hoechst	-	-	-53.5	-62.5	-60.2	-62.4	-29.8	-53.7
Gldn. Guinea	-	-	-44.5	-48.1	-50.2	-62.2	-51.0	-51.2
Cappa	-	-	-33.9	-49.7	-56.2	-61.4	-53.0	-50.8
T'lor W'drow	-	-	-39.8	-47.0	-49.6	-67.3	-47.3	-50.2
Pharma-Deko	-	-	-41.8	-41.7	-52.2	-53.4	-54.5	-48.7
Int'l Paints	-	-	-37.3	-39.6	-54.8	-59.8	-43.9	-47.1
CFAO	-37.1	-45.3	-58.0	-53.4	-36.0	-43.3	-55.3	-46.9
J.Holt	-	-51.3	-66.0	-46.8	-27.7	-46.6	-42.6	-46.8
Roads	-	-	9.5	-53.4	-74.2	-67.9	-47.2	-46.7
Merc. Bank[d]	-	-7.0	-22.6	-39.3	-68.8	-70.0	-68.2	-46.0
Cappa & D'A.	-	-	-34.4	-43.5	-53.0	N/A	-42.0	-43.2
Berec Int'l	-	-	-	-	-48.7	-53.3	-22.8	-41.6
SCOA	-46.5	-52.9	-52.5	-38.5	-24.2	-39.3	-35.4	-41.3
BFN	-	-24.9	-46.0	-66.0	-25.5	-36.4	-41.3	-40.0
Dumez	-	-	-	-	-60.6	-30.9	-24.2	-38.6
UTC	-	-46.6	-53.5	-36.0	-34.1	-23.1	-33.4	-37.8
N. Textile	-	-34.6	-50.6	-46.5	-19.4	N/A	N/A	-37.8
N. Ropes	-	-	-22.8	-31.4	-45.2	-56.8	-28.0	-36.8
Foremost	-	-	-20.7	-25.0	-31.1	-55.2	-46.7	-35.7

Company	1977	1978	1979	1980	1981	1982	1983	Mean
Morrison	-	-	-24.7%	-31.7%	N/A	N/A	-49.0%	-35.1%
WAPCO	-	-	-28.6	-27.9	-40.6%	-48.1%	-30.1	-35.0
UAC	-77.9%	-40.1%	-45.7	-13.4	-3.3	-14.9	-41.4	-33.8
Mobil	-	-	-10.9	-12.6	-48.3	-47.4	-44.3	-32.7
Vitafoam	-	-	-20.3	-29.9	-22.9	-30.9	-58.0	-32.4
J.Berger	-	-	-	-22.7	-29.2	-43.9	N/A	-31.9
Glaxo	-	-	-25.2	-44.1	-16.0	-64.7	-5.8	-31.2
Bata	-	-30.2	-26.4	-8.9	-.4	-53.4	-62.9	-30.4
Lennards	-	-	-	-11.4	-7.1	-64.3	-33.8	-29.2
W. Teape	-	-	-28.0	-14.6	-21.3	-36.5	-43.9	-28.9
Metal Box	-	-29.0	-27.7	-6.1	-15.8	-34.7	-58.6	-28.7
United Bank[b]	-44.1	-51.6	-14.9	-26.5	-34.2	-22.4	-6.7	-28.6
Nig. Wire	-	-	9.4	N/A	N/A	N/A	-64.5	-27.5
Ovaltine	-	-	-	6.7	-34.2	-52.5	-29.9	-27.5
Beecham	-	-	-31.0	-64.0	8.4	-8.0	-42.1	-27.4
Univ. Press	-	-	-9.2	-16.3	-37.4	-38.8	-30.5	-26.4
UNITEX	-	-22.7	-23.1	-32.5	N/A	N/A	N/A	-26.1
Studio Press	-	-	-24.3	-35.4	-15.8	N/A	-17.0	-23.1
Flour Mills	-	-	-44.0	-49.9	14.2	-5.8	-24.2	-21.9
Union Bank[d]	-	-	-21.9	-10.2	-22.2	-26.0	-22.6	-20.6
B'ger Paints	-	-	-47.2	-19.9	5.6	-11.9	-19.6	-18.6
Briscoe	-	-30.0	-36.0	-6.0	28.0	N/A	-49.1	-18.6
Cadbury	-	-	-18.4	9.7	-19.6	-35.7	-19.9	-16.8
Poly Prods.	-	-	-	-26.8	11.7	-19.2	-31.3	-16.4
Chem. & Ald.	-	-	-23.0	1.8	13.2	-29.6	-38.7	-15.3
Boots	-	-	-9.9	11.8	-5.0	-28.0	-43.9	-15.0
L'stock Fds.	-	-	-18.5	-11.7	-14.3	-31.4	6.1	-14.0
N. N. Flour	-	-	-16.3	9.8	-14.9	-13.7	-33.4	-13.7
First Bank[b]	-10.2	-10.8	5.1	11.0	-19.4	-25.3	-25.0	-10.7
Pfizer	-	-	-4.1	-13.3	-7.4	-18.1	14.5	-5.7
Agip	-	-48.2	-26.2	16.7	34.6	20.5	12.0	1.6
N. Bottling	-	-	-45.6	-20.2	46.0	-10.9	40.4	2.0
Stokvis	-	-	-15.5	-13.3	-63.1	-56.8	158.7	2.0
Afr. Petrol.	-	-29.3	31.2	16.7	8.9	-6.4	18.9	6.7
Food Spec.	-	-	10.4	20.1	24.4	.1	-18.7	7.3
N. Breweries	-	-	2.6	14.6	13.9	4.2	23.8	11.8
Guinness	-	-72.0	-.5	73.0	20.6	5.4	70.9	16.3
Lever Bros.	-	-	22.7	27.8	55.2	17.0	-3.5	23.8
Total	-	-	-.4	46.9	54.6	7.9	15.4	24.9
Texaco	-	-	-.6	38.9	62.1	20.2	23.3	28.8
Mean:	-45.9%	-47.1%	-38.0%	-35.6%	-34.5%	-46.2%	-38.8%	-39.1%
Median:	-46.5%	-51.3%	-41.8%	-45.3%	-48.3%	-54.6%	-47.0%	-41.3%
No. Premium:	0	0	7	14	15	7	10	10
No. Discount:	9	30	74	75	72	74	77	82

- = not applicable (company had not yet transferred shares to Nigerians, or had de-listed).

[a] "Book value" here includes (ordinary) share capital, capital reserves, and provisions for bonus shares. Excludes "goodwill", deferred liabilities and provisions for future taxation.
[b] Company was not required to sell shares under the NEPD 1977.
[c] Company merged with A.G. Leventis in 1983.
[d] Share offering not required by the NEPD 1972 but coinciding with it.

Source: NSE "Daily Official List" (last trading day, 1977-1984); *NSE Handbook*, Vols.I (1980) and II (1984); unpublished data compiled by the Research Department, NSE.

Table 5.8 indicates that in every year since 1977 the shares of a great majority of companies traded at a discount to book value. Averaged over the entire period after compliance, only ten companies traded at a premium to book value, and a majority were valued at less than 60% of common shareholders' funds. It should be noted that these calculations are based on a conservative definition of book value. Intangible assets, which would normally be taken into account when valuing franchises and companies which sell branded products, have been excluded.

Whether valued on the basis of yields, earnings, or assets, the share prices of most firms listed on the NSE seem remarkably cheap. Moreover, the most consistently profitable companies, and those which afforded investors the highest yields, were most under-valued. For example, Sterling Products, a distributor and manufacturer of pharmaceuticals, was one of the most profitable listed companies in Nigeria and one of the few which improved on its earlier performance after complying with the NEPD 1977. Since selling 40% of its equity to Nigerians in January 1979, the company earned overall more than 25% on shareholders' equity. Only in 1982 did its annual return fall below 25%, to 23%. Sterling's consistently excellent profits supported very generous dividends, which more than doubled between 1979 and 1984. In every year since compliance, Sterling's dividends represented at least 50% of share capital and more than a 25% yield on its share price, well above officially-reported rates of inflation.

Despite these superlative results, in no year did Sterling's shares command a price premium of even twice after-tax earnings. A low earnings multiple might suggest a low book value per share, poor prospects for growth, or earnings instability. Yet, on average, Sterling's shares traded at a 58% *discount* on book value, and the mark-down on its

share price increased after its initial public offering, notwithstanding consistently higher profits. More striking still, Sterling's market valuation was less than its reserves in every year after compliance. At the end of 1982, the year in which the firm was probably most undervalued, each of Sterling's shares, selling for only 50 kobo, was backed by ₦1.36 in cash.

Although most listed companies appear undervalued, including those which sold at a premium to book value, those which reported the poorest results following compliance tended to command the highest premiums on earnings. The shares of relatively poor performers, such as Stokvis, R.T. Briscoe, Poly Products and Boots, not only attracted comparatively large earnings multiples but also traded at the smallest discounts on book value. The case of Boots (Nigeria) Ltd, a competitor of Sterling's, provides a clear illustration of the perversity of shares prices on the NSE.

Unlike Sterling, Boots' performance sharply deteriorated following its compliance with the NEPD 1977 in September 1978. Although the company earned profits every year afterwards, its earnings were insufficient to pay any dividends in 1981, 1982 and 1984. The years in which Boots did pay dividends, 1979, 1980 and 1983, its shares yielded 8.6%, 6.4% and 8.8% respectively, at year-end prices. Those same years, Sterling's shares yielded about three, six and four times more. By any standard of measurement -- profits after tax, return on equity, return on share capital, profit margins, growth -- Sterling was far more profitable than Boots, and much more consistently so. Yet, Boots' shares attracted a price-earnings multiple which at its trough in 1979 (5.16) was 2.66 times higher than Sterling's (1.94). Moreover, while Boots' shares also traded below their book value following compliance, they were discounted much less than Sterling's shares. At the end of 1980, when Boots' shares traded at a 11.8% premium over book value, Sterling's shares were quoted at a 54.5% discount, even though the latter's profits and dividends that

year were, respectively, more than three and four times greater than the former's. It is also curious to note that in 1983, by which time Boots' profits had rebounded from their 1981-2 slump, the company's shares traded at their deepest discount.

How can such undervalued and anomalous share prices on the NSE be explained? It might be suggested that the demand for shares was depressed, whether because of Nigeria's uncertain economic outlook, a scarcity of investible funds, a lack of investor awareness, or because superior returns were available elsewhere. But these explanations would not apply in Nigeria's case. First, despite general deterioration in the economy and in corporate profits, most firms remained highly profitable. Moreover, the median price/earnings ratio of listed firms seems to have increased as the economic situation got worse. Second, for much of the period after compliance up to 1984, there was excess liquidity in the banking system and certainly amongst the rich. Third, the publicity surrounding the NEPDs 1972 and 1977, as well as extensive press coverage of activities at the NSE, generated tremendous interest in equity investments even amongst relatively small-scale Nigerian savers. This is evident from the mass participation in the share transfer programme, as well as the thousands of prospective investors whose applications for shares could not be filled (see Chapter Four). Fourth, as seen above, most Nigerian equities still yielded better returns than the liquid alternatives open to small-scale investors. There was no shortage of demand for equities in Nigeria, nor is there now. In fact, stockbrokers found it very difficult to satisfy their clients' "buy orders" because so few investors were willing to sell. As will be seen below, the excess demand for shares in relation to their supply was both the rationale for and a consequence of the NSE's intervention in secondary trading.

PART TWO: PARADOXICAL BEHAVIOUR

Regulatory Interventions

Share trading at the NSE was conducted on a "call-over" system.[11] Each weekday at 2.30pm accredited dealing clerks would meet on the "floors" of the Exchange's three branches to buy and sell shares under the supervision of a "chairman", either the Director-General or some other senior member of the Exchange. As the names of listed securities were literally "called over", dealing clerks, representatives of the stockbrokers, would indicate to the chairman their possession of "sell orders". The chairman would then ask the assembled brokers whether they wished to buy these shares at a price he would determine, which more often than not would be the previous closing price. If more than one broker expressed interest, as was usually the case, they would not be permitted to bid competitively for the shares on offer. The vendor's broker would occasionally petition the chairman for a higher price, but he would have to justify his request on the basis of the improved performance prospects of the company involved. It would be of no significance that potential purchasers were queueing to pay more for the shares he had to sell. If persuaded by the vending broker's argument that the value of the shares on offer had indeed increased, the chairman would raise their price. Unconvincing petitions would sometimes be "punished" with a price reduction. The essential point is that share prices were dictated by the chairman presiding at call-over, not by the interaction of forces of supply and demand. This is one sense in which the Nigerian Stock Exchange was not a stock *market*.

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11. The following description is based on personal observations of trading at the NSE's Lagos branch from August to November 1985. Although written in the past tense, the system of trading described is still operative at the time of writing.

In the absence of competitive bidding for shares, the Exchange relied upon various other methods to set prices. These were diverse, usually crude, and arbitrarily employed, sometimes depending only on the preferences of the chairman presiding at call-over that day. The most sophisticated methods attempted to adjust share prices to correspond with corporate performance, which authorities at the Exchange believed would have occurred automatically if the stock market had not been "structurally defective".[12] To facilitate pricing, the NSE required listed companies to submit quarterly results and forecasts, an obligation with which not all firms complied. Staff at the Exchange would scrutinize these returns and other published sources of information in order that share prices could more accurately coincide with "intrinsic" share values. Hayford Alile, Director-General of the Exchange, remarked that it was in the interest of quoted firms to exercise diligence in fulfilling the NSE's requirements because

> by and large, companies providing the Exchange with performance information usually have more realistic market prices for their securities even with little or no trading in their shares.[13]

His observation betrays not only the paucity of information with which the Exchange determined prices but also some confusion about their significance. In a market for shares, prices reflect the marketable value of shares as determined by their supply and demand. Apart from corporate performance, factors such as the state of the economy, investment alternatives and transaction costs influence investors' perceptions and expectations and, in turn, their desire to buy or sell. If shares are not traded, there can be no "realistic" *market* price for them. Alile's statement was actually a tacit acknowledgement that if the

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12. Alile (1981).
13. Alile (1981).

Exchange had had more information, it would have been better able to manipulate prices to resemble the movements of a genuine market.

Authorities at the Exchange also attached importance to the "par value" of paid-up share capital when setting share prices. The shares of profitable firms were usually priced at par or above, and those of poor performers were priced below par.[14] Although NSE and SEC publications often reported share price movements in terms of their relation to par values,[15] such comparisons are not meaningful. "Par value" is an accounting concept and excludes other components of "common shareholders' funds" such as retained earnings and intangible assets. To base share prices on par values was pointless because par values were nominal figures which had been arbitrarily assigned.

Another pricing method employed at the NSE treated shareholdings as income-generating securities, without regard for underlying assets. Share prices were closely tied to dividend yields, and the Exchange manipulated the former so that the latter would accord with corporate performance. To illustrate, assume that two similar companies, Firms A and B, were each quoted at 100 kobo and paid dividends of 10 kobo, yielding shareholders 10%. The next year, Firm A doubled its profits, and Firm B repeated the previous year's performance. If the management of both firms were to keep dividends constant (at 10k), the authorities at the Exchange might have *reduced* the share price of Firm A (the more profitable company) to, say, 50k in order to induce a higher yield (20%) for its shareholders. Similarly, if Firm A's profits remained constant but Firm B's were to fall by 50%, the Exchange might have *increased* Firm B's share price to 200k, in order to reduce its dividend yield to 5%. The

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14. This is corroborated by Odife (1984b).

15. For example, see sections entitled "Stock Prices" in SEC, *Annual Report and Accounts* (since 1981), which provide statistical tables and analyses relating price movements to par values.

effect was to "reward" shareholders with lower share prices when profitability and dividends improved and to "penalize" investors when their companies performed poorly by increasing the value of their holdings.[16]

The manipulation of share prices for the sake of dividend yields partly accounts for the perversity of prices on the NSE. Focusing on yields rather than net assets, the Exchange discounted prices in relation to book value in order to boost the current returns derived by investors in profitable firms. This logic also explains why the most profitable firms, tending to distribute more dividends, were accorded lower price premiums on earnings than the least profitable firms (see Tables 5.4-5.7). Moreover, because the NSE's intervention operated independently of, and overrode, corporate dividend policies, firms which enhanced their profitability without commensurately increasing dividends frequently suffered a reduction in their share price. Yet, these firms, whether retaining profits to undertake further capital investments or simply to build up reserves, were the very ones most likely to grow in future and to safeguard shareholders' equity in times of adversity.

The NSE's pricing policy not only penalized the most profitable and forward-looking firms but also favoured new investors over existing ones. By reducing a company's share price in order to induce a higher dividend yield for its shareholders, the Exchange did nothing to increase dividend *payments*. It merely reduced the cost of earning such an income for those investors lucky enough to acquire shares at a discounted price. Meanwhile, existing investors suffered a reduction in the market value of their holdings for the sake of an illusory increase in current returns.

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16. A few examples of improved profitability and dividends coinciding with *lower* share prices are: Alumaco (1979); Bata (1982); Beecham (1983); Berger Paints (1979); Boots (1983); Cappa & D'Alberto (1981); Christlieb (1982); and Flour Mills (1983). Examples of deteriorating profits and dividends coinciding with *higher* share prices are: Alumaco (1980); Arbico (1983); Cappa (1983); Costain (1983); Dumez (1983); Dunlop (1980); and Food Specialities (1981). There are many others.

In short, authorities at the Exchange, and not market participants, determined share prices in a variety of arbitrary ways, none of which took into account the supply and demand for shares. Applying these methods intermittently, the NSE exercised overall share price restraint. When shares were priced to reflect corporate performance, the authorities reduced prices of unprofitable firms. When they focused on dividend yields, the authorities restrained or diminished the prices of the most profitable firms. Thus, the Exchange behaved more like a rather perverse valuation authority than like a stock market.

The authorities' use of the call-over system to prevent share prices from rising to "market-clearing" levels promoted a demand for shares which far exceeded supply. Administrative price controls therefore created a rationing problem in the secondary market, in addition to that created for primary issues by the SEC's under-valuations (see Chapters Three and Four). Eschewing the price mechanism, the NSE authorities assumed responsibility for allocating shares to prospective purchasers. The call-over system, apart from being used to suppress prices, also enabled the authorities to control the distribution of shares which their own pricing policies had caused to be undervalued.

Stockbrokers usually had a backlog of "buy orders" from clients to fill and would have gladly bought most shares on offer. However, NSE rules prohibited brokers from "making a market" in shares (i.e. acting as stock jobbers) and from dealing directly with one another. Instead, the chairman of call-over determined which broker(s) were given the opportunity to buy shares, at a price he also dictated. Usually, though not always, the chairman allocated an equal fraction of the shares for sale to each of the brokers wishing to purchase them. Even so, by displacing direct interaction between buyers and sellers of shares (or,

more precisely, between their agents), the centralized direction of share trading stripped the NSE of another of its functions as a stock *market*.

In addition to their administrative control over the allocation of shares at call-over, the Exchange authorities held statutory powers to regulate share trading. NSE rules required the Exchange "to note" (i.e. to register) all transactions. By refusing to do so, the authorities could effectively revoke any trade which had transpired. Justified to combat fraud, the Exchange's powers of authentication were used to influence share distribution. And whilst the Exchange intervened in trading to prevent "over-specialization", it did so without clearly defined guide-lines, enhancing possibilities for arbitrary rulings, favouritism and abuse.

The Exchange's intervention in equity trading, therefore, went beyond attempts to cope with a rationing problem of its own making. The NSE deliberately attempted to broaden share ownership, to achieve in the secondary market what the government had hoped to accomplish in the primary market with the NEPD 1977. Brokers were often told by the Exchange that a transaction had been nullified because the buyer was an "élite". They were criticized for having "doctors and professors" as clients and threatened with further revocations or by-passed at call-over if they were not purchasing shares on behalf of "Balogun market women".[17] Policies of the Federal government, even the Constitution, were invoked to justify NSE interventions. As Alile explained,

> Although stock exchanges are perceived as instruments of capitalism, the NSE has strived to assist in making the spirit of the Nigerian Constitution 1979 which calls for wider spread of ownership of the nation's wealth a reality.[18]

The SEC supported the Exchange's redistributive aims, lauded by the Commission's Executive Director as "a welcome development since it is

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17. Odife (1984b). This author witnessed similar admonishments.
18. Alile (1981).

one of the surest ways of achieving the egalitarian policy of the Government".[19] The Exchange's willingness to direct secondary share trading in pursuit of its own, or government's, distributive objectives is yet another way in which the NSE was not a stock *market.*

The Exchange chose its own membership and determined which of its members were entitled to deal at call-over, a subject which will be discussed in greater detail below. Upon joining the Exchange, members consented to abide by "Rules and Regulations" which governed their relationship with the NSE, with their clients and with other members. These included undertakings

> to be of good behaviour;
> not to advertise or canvass for business;
> to disclose outside financial interests;
> to deposit security ... with the Exchange; ...
> to declare private financial position when required to by Council;
> to notify Council if unable to fulfil engagements; ...
> [and] to cease membership if declared a defaulter or bankrupt.[20]

Members also agreed to submit to any disciplinary action taken by the Exchange's ruling Council.

In addition, the stockbroking *personnel* of dealing members were scrutinized by the NSE. Stockbrokers were allowed no professional association of their own to certify their competence and to supervise their conduct, contrary to the Okigbo Committee's recommendations.[21] Instead, the Exchange took on these functions. Brokers were required to serve a period of apprenticeship at the NSE, undergo a series of examinations and, if successful, were granted licences which the Exchange could withdraw at any time.

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19. Akamiokhor (1982).

20. "Obligations for Membership", given as Appendix I of the Regulations of The Nigerian Stock Exchange, revised and approved in 1985 by the NSE Council, (unpublished, n.d.).

21. "Okigbo Committee Report", paragraphs 5.54-5.

Despite its extensive oversight over brokers and the sanctions available to punish malefactors, the Exchange demonstrated little faith in their competence, reliability or honesty. The execution of a trade on the NSE was a tortuous process, requiring up to a year to transact. This was so mainly because the Exchange insisted at each stage that brokers secure verifying signatures from the parties involved and submit all documentation to the Exchange for authentication.[22] More indicative still was the NSE's refusal to permit stockbrokers to participate meaningfully in the stock "market" either as jobbers or as agents. Because dealing at the NSE was essentially a clerical enterprise, stockbroking firms usually sent low-level staff to call-over whose main tasks were to raise their hands when shares became available and to carry back any "buy slips" thereby collected.

Though denied the freedom to perform functions characteristic of their profession, stockbrokers were required by the NSE to engage in uneconomic activities. Most stockbroking firms were small-scale operations, capitalized at less than ₦100,000, and employing fewer than 20 staff members.[23] However, after the establishment of Exchange branches in Port Harcourt and Kaduna in 1977, they were obliged to maintain a presence on at least two of the NSE's three trading floors. As of 1984, secondary trading at the Port Harcourt and Kaduna branches had never surpassed 10% of the NSE total.[24] Even at the more active Lagos branch, stockbrokers could hardly cover their costs from the paltry commissions the Exchange allowed them to charge (increased to 1.5% or ₦5 minimum in 1979). In 1984, when the value of secondary equity trading at the NSE attained record levels (₦12,483,855), the total

22. See Odife (1982) for further details.
23. Odife (1982).
24. NSE Research Department. See also see Alile and Anao (1986), p.128, Table 9.14.

commissions shared by *all* 19 brokers operating that year was approximately ₦187,258, or just ₦740 on an average trading day.[25]

Moreover, the Exchange regularly increased charges for the privilege of dealing on the Exchange, as well as the fees brokers had to pay to receive the NSE's "Daily Official List".[26] In 1984, the Exchange replaced its annual membership dues with a general levy of 10% on all commissions,[27] and in 1986 plans were afoot to assess brokers ₦50 for each of their dealing clerks.[28] Considering the financial rewards of stockbroking in Nigeria, it is not surprising that most NSE dealers generated 90% of their income from non-stockbroking activities.[29]

The Exchange also exercised regulatory control over listed firms. To qualify for quotation, companies had to satisfy the NSE's rigorous listing requirements (in addition to the SEC's stipulations). Basing his observation on the implementation of the NEPD 1972, a leading merchant banker complained that the stringency of the Exchange's terms had

> ...created a situation in which a good company would seek quotation only as a last resort or if compelled by law. ... In fact its influence has been exerted to scare away well-meaning companies by ... arrogating to itself the role of the custodian of all written and unwritten laws and of the national conscience.[30]

The Exchange further tightened its listing requirements in 1975 and added new measures which provided for its surveillance of NSE firms following their public offerings, in order "to raise and streamline the standard of disclosure by listed companies and emphasize their accountability to the generality of their shareholders".[31] It was ironic that the NSE's demanding criteria counteracted the Federal government's efforts to goad

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25. Calculated as 1.5% of ₦12,483,855, and assuming that all trades were worth more than ₦350 (below which the ₦5 minimum would apply).

26. See NSE, *Annual Report and Accounts* (various years); and Odife (1984b); for details.

27. Odife (1984b).

28. Alile and Anao (1986), p.29.

29. Odife (1984a).

30. G. Onosode, quoted in *Daily Times*, 19 November 1974.

31. LSE, *Annual Report and Accounts*, 1975.

more companies into selling shares through the Exchange during the NEPD 1977. Of the 112 private firms directed by the SEC to seek quotation, the NSE rejected nearly half of them.[32]

The difficulty of meeting the NSE's conditions contributed to the high cost of selling equity through the Exchange. As Table 5.9 indicates, most firms which sold shares to the public under the NEPD 1977 spent more than 11% of the proceeds on issuing costs.

Table 5.9:
Costs of Selected NSE Share Offerings to Comply with the NEPD 1977

Company	Type of Offering	Shares Sold	Amount Raised	Cost of Issue	Costs/ Proceeds
Chellaram	sale	525,000	N236,250	N95,000	40.2%
BFN	subscription	500,000	500,000	140,000	28.0
Stokvis	subscription	917,552	779,919	195,000	25.0
Hoechst	subscription	2,000,000	800,000	185,000	23.1
Arbico	subscription	1,000,000	520,000	110,000	21.2
N. Sewing Machine	sale	1,176,000	764,400	160,000	20.9
Pharma-Deko	subscription	1,184,000	473,600	99,000	20.9
Dumez	sale	2,600,000	1,300,000	258,000	19.9
Christlieb	subscription	1,500,000	1,125,000	220,000	19.6
Livestock Feeds	sale	1,173,827	762,988	135,000	17.7
Cappa	sale	2,000,000	800,000	137,000	17.1
Nig. Ropes	subscription	1,066,672	693,337	117,000	16.9
Int'l Paints	sale	2,080,000	1,040,000	169,000	16.3
Berger Paints	sale	1,918,026	1,534,421	249,000	16.2
Costain	sale	920,000	598,000	97,000	16.2
WESTEX	subscription	3,000,000	1,140,000	181,500	15.9
Glaxo	sale	1,568,000	1,254,400	194,000	15.5
Mandrides	sale	2,177,216	1,088,608	160,000	14.7
N. Wire	subscription	2,500,000	1,250,000	180,000	14.4
N. Enamelware	sale	1,920,000	998,400	140,000	14.0
Morrison	subscription	2,404,800	1,322,640	185,000	14.0
Incar	subscription	2,500,000	1,375,000	192,000	14.0
Poly Products	subscription	3,000,000	1,590,000	207,000	13.0
Enpee	subscription	2,417,280	1,329,504	170,000	12.8
Afprint	subscription	3,673,824	1,836,912	230,000	12.5
Cappa & D'Alberto	sale	4,000,000	1,800,000	225,000	12.5
Wiggins Teape	subscription	1,900,000	1,425,000	178,000	12.5
Studio Press	subscription	2,694,000	1,347,000	168,000	12.5
Taylor Woodrow	subscription	3,600,000	1,620,000	200,000	12.4
Van Leer	subscription	2,900,000	1,450,000	178,000	12.3
Hagemeyer	subscription	1,200,000	1,020,000	125,000	12.3
Vono	sale	1,813,335	942,934	115,000	12.2
Foremost Dairies	subscription	2,111,000	1,161,050	136,000	11.7

32. SEC, *Report ... for the Period 1977-1979*, pp.9-10.

Company	Type of Offering	Shares Sold	Amount Raised	Cost of Issue	Costs/ Proceeds
University Press	subscription	4,800,000	N2,400,000	N280,000	11.7%
Pfizer	subscription	3,000,000	1,860,000	210,000	11.3
Agip	sale	2,680,000	1,447,200	160,000	11.1
Lennards	sale	3,015,040	904,512	100,000	11.1
Industrial Gases	subscription	4,333,334	2,253,334	241,333	10.7
Julius Berger	sale	4,800,000	1,920,000	200,000	10.4
Boots	sale	2,000,000	1,100,000	110,000	10.0
NCR	sale	3,600,000	1,872,000	180,000	9.6
Sterling	sale	2,080,000	1,352,000	130,000	9.6
Bewac	sale	3,000,000	1,950,000	180,000	9.2
Tate & Lyle	subscription	1,500,000	1,350,000	114,000	8.4
Bata	sale	1,600,000	1,280,000	107,000	8.4
Cadbury	sale	2,492,000	1,445,360	120,000	8.3
Food Specialities	sale	5,000,000	3,250,000	266,000	8.2
Chemical & Allied	subscription	5,833,310	3,208,321	256,000	8.0
Leventis Stores	sale	1,500,000	975,000	75,000	7.7
Intra	sale	6,000,000	2,400,000	180,000	7.5
Leventis	sale	4,800,000	3,360,000	250,000	7.4
Total	sale	8,000,000	4,320,000	320,000	7.4
Texaco	sale	5,442,615	3,809,831	277,800	7.3
African Petroleum	sale	6,000,000	3,600,000	244,000	6.8
Blackwood Hodge	subscription	3,600,000	2,880,000	187,000	6.5
Paterson Zochonis	subscription	7,891,860	4,735,116	303,000	6.4
Metal Box	subscription	4,320,000	2,160,000	131,000	6.1
Leventis Technical	subscription	2,500,000	1,875,000	110,000	5.9
John Holt	sale	8,217,600	3,287,040	179,000	5.5
Leventis Motors	sale	3,600,000	2,700,000	140,000	5.2
RT Briscoe	sale	6,000,000	3,000,000	155,000	5.2
UNITEX	subscription	10,000,000	5,000,000	250,000	5.0
Guinness	sale	4,200,000	3,780,000	185,000	4.9
CFAO	sale	4,930,000	3,007,300	147,000	4.9
Flour Mills	sale	14,400,000	9,360,000	410,000	4.4
N. Breweries	sale	8,675,117	5,638,826	230,000	4.1
N. Bottling	subscription	6,536,250	7,189,875	290,000	4.0
UTC	subscription	15,000,000	8,250,000	300,000	3.6
Lever Brothers	sale	10,200,000	6,630,000	228,000	3.4
UAC	sale	15,840,000	19,800,000	580,000	2.9
Mean:			N2,446,144	N190,809	11.8%
Median:			N1,447,200	N180,000	11.0%

Source: Prospectus of Offerings, selected listed companies (various years).

Whilst larger offerings appear to have been more economical, in seven of the 70 issues for which data are available, transaction costs consumed more than 20% of the funds realized. Moreover, these calculations do not take into account other expenses associated with public offerings, such as legal, accounting and advertising fees, nor the costs to existing investors implicit in the SEC's under-valuation of their shares. It is also

interesting to note that the 38 firms which issued shares for subscription typically incurred higher costs than the 32 which offered shares for sale outright (13.2% on average v. 10.6%). This disparity might have further dissuaded firms from raising new capital through the Exchange and, if so, worked against government policy (see Chapter Four).

Because nearly all of the firms which sold shares through the NSE under the NEPD 1977 were either pressured by the SEC to seek quotation or were listed previously, they were effectively captives of the Exchange. As a result, the NSE imposed progressively higher listing fees without fear that companies would take flight by becoming private once again in order to avoid these costs.[33] From its protected position, the Exchange subjected firms to on-going regulatory scrutiny as well as to some unusual demands. For example, in the summer of 1985, an NSE director solicited contributions from quoted firms to finance a parade in the Lagos financial district in honour of Nigeria's victorious Junior World Cup football team. The companies were eager to assist, the official admitted, because "they know we could screw down their share price".[34]

Regulated Stagnation

The controls operated by the NSE restricted the development of the equity market, diminishing the Exchange's contribution to the Nigerian economy as a result. Contrary to claims that the NEPDs provided foreign companies with a "handy means" of local finance (see Chapter One), it is hard to imagine that it would have been to the financial advantage of any firm to raise capital by selling equity through the NSE. As indicated in Tables 3.14 and 4.14, the offering prices dictated by the SEC induced dividend yields for equity issues which averaged about 31% and 13% under the NEPDs 1972 and 1977 respectively. This compared

33. NSE, *Annual Report and Accounts* indicate periodic increases in listing fees.

34. Interview: NSE Director.

very unfavourably with the 6-9% commercial lending rates and the 7-11% rates for long-term debt which prevailed at the time.[35] Moreover, by raising capital through debt rather than equity, firms could not only avoid the high cost of a public issue (see Table 5.9) but also the SEC and NSE's regulatory scrutiny. The clearest sign that the NSE was not an attractive place in which to raise capital was the fact that, as of 1985, not one private sector firm had voluntarily applied for a listing since prior to the NEPD 1972. The two firms which did choose to sell equity through the NSE were both dominated by government institutions.

With few shares flowing from the stagnant primary market, the pool available for secondary trading was correspondingly small. The NSE's price controls aggravated the problem by under-valuing the shares of companies which had been cajoled into listing. At the share prices maintained by the NSE, equities represented the most attractive liquid investment available to small-scale savers, but those who had acquired holdings under the NEPDs had little financial incentive to sell. Moreover, existing investors who could have realized significant capital gains were disinclined to divest their holdings because NSE controls on share trading might have thwarted their attempts to re-invest in other listed companies.

As a result of investors' unwillingness to sell, secondary trading in equities at the NSE was moribund, as is apparent from Table 5.10.

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35. See CBN, *Annual Report and Statement of Accounts* (various years), for details.

Table 5.10:
Secondary Trading in Equities at the NSE, 1983-4

1983	Trading Days	No. of Bargains	Bargains/ Day	Value of Bargains	Value/ Bargain	Value/ Day
January	22	863	39	N584,175	N677	N26,553
February	20	845	42	401,130	475	20,057
March	23	1,254	55	689,993	550	30,000
April	19	900	47	4,700,665	5,223	247,403
May	22	927	42	811,307	875	36,878
June	22	866	39	357,821	413	16,265
July	21	1,122	53	387,821	346	18,468
August	23	906	39	633,189	699	27,530
September	20	891	45	391,000	439	19,550
October	20	1,040	52	1,069,379	1,028	53,469
November	22	1,025	47	444,761	434	20,216
December	19	941	50	459,842	489	24,202
Total:	253	11,580	46	N10,931,083	N944	N43,206
1984						
January	22	1,404	64	617,045	439	28,048
February	21	1,065	51	627,426	589	29,877
March	22	1,836	83	1,011,221	551	45,965
April	19	1,280	67	785,508	614	41,343
May	22	1,198	54	1,468,828	1,226	66,765
June	20	1,160	58	815,839	703	40,792
July	22	1,689	77	895,664	530	40,712
August	23	1,767	77	1,202,337	680	52,276
September	19	1,538	81	1,610,854	1,047	84,782
October	22	1,450	66	948,216	654	43,101
November	22	1,459	66	1,696,497	1,163	77.114
December	19	1,204	63	804,420	668	42,338
Total:	253	17,050	67	N12,483,855	N732	N49,343

1983 Year-end Market Capitalization[b]: N2,111,176,000
1984 Year-end Market Capitalization[b]: N2,230,801,000

[a] A "bargain", as defined by the NSE, is a transaction between a buyer and a seller of shares.
[b] Equities only. Estimated on the basis of prices and shares outstanding at year-end.

Source: Calculated from NSE "Statement of Transactions" (monthly summaries); "Market Capitalization" calculated from Company Reports (1983 and 1984) of all listed firms and from NSE "Daily Official List" (30 December 1983; 28 December 1984).

In both 1983 and 1984, the Exchange's most active years, the value of all shares traded represented just one-half of one percent of the total market capitalization of listed equities.

Without a vital secondary market, the NSE could neither allocate resources efficiently amongst competing users of capital nor serve as a reliable barometer of economic conditions, important functions of a stock

market and recognized as such by authorities at the Exchange.[36] Thin equity trading created gross distortions in the market. For example, on 28 December 1984, 2,121 shares of UAC changed hands at 52 kobo, down from 55 kobo, the previous closing price on 21 December. These transactions, worth just under ₦1,103, knocked ₦8,970,000 off UAC's total market value, although no change in the company's performance or prospects was evident during the intervening week.

Even if UAC's fortunes had taken a turn for the worse, investors' awareness of this development would not have made a difference. Investors in Nigeria had little reason to track the performance of listed firms because NSE controls ensured that share prices did not respond to timely information, apart from that perceived by the authorities themselves. This further diminished the stockbroker's role in Nigeria, which elsewhere includes investment analysis. In any case, with so few shares available for trading, brokers could not readily fill orders which might have been generated by their recommendations. Restricted in their activities and proscribed from soliciting new business, stockbrokers were discouraged from developing their services or improving their efficiency. Their occupation was transformed by the Exchange into an essentially clerical one. As the managing director of one stockbroking firm conceded, "it is difficult to conclude that the best brains in the country deal on the Stock Exchange".[37] The low calibre of stockbroking personnel in turn provided further justification for the Exchange to regulate, if not suppress, their activities and to intervene in share pricing and trading.[38]

All stock exchanges engage in some form of self-regulation. The Nigerian Stock Exchange was unusual in the *extent* to which it intervened

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36. See, for examples, Alile and Anao (1986), pp.9-10; Rotimi (Assistant Director-General, NSE) (1984), p.22; N. Okereke-Onyiuke (Research Director, NSE) (1985).

37. Odife (1982).

38. Rotimi (1983).

in market activities. Both critics and market participants recognized the injurious effects of excessive regulation, but this did not result in any liberalization of NSE policies. Reviewing the LSE's practices as early as 1975, the Industrial Enterprises Panel reported to the Federal government that the controls operated by the Exchange had impeded its development:

> The price ... that has been paid for the extreme orderliness of the LSE has been a very slow growth in the number of shares available to the public for trading and a very low level of stock exchange activity compared to its potential.[39]

The Panel argued strongly against mandatory listings:

> The creation of an atmosphere in which companies perceive it to be in their own interest to seek quotation on the stock exchange offers the only viable long-term assurance of a continuing flow of securities to the market,[40]

and against the Exchange's control of share trading, which

> ...defeats one of the fundamental features of investing in quoted securities ... and infringes deeply into a shareholder's right to dispose of his securities as he wishes, both within the LSE regulations and the law.[41]

Although it acknowledged that the Exchange's "excessive controls" on prices brought about "unrealistic and artificial" share values, the IEP nevertheless favoured a modified form of price-fixing by a "Securities Pricing Committee".[42] The Panel argued, perversely, that since investors had become accustomed to sluggish share prices, price fluctuations which might accompany the dismantling of controls could catch them unawares.[43] Controls on share trading, it maintained, would have to be tolerated because, "in an emerging stock exchange market such as the LSE it is of paramount importance to preserve the integrity of the

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39. "IEP Report", paragraph 2.9.
40. "IEP Report", paragraph 2.35(xv).
41. "IEP Report", paragraph 8.28.
42. "IEP Report", paragraphs 2.20, 8.25.
43. "IEP Report", paragraph 2.25.

system and to gain the confidence of the investing public in it".[44] Despite the IEP's professed opposition to coercion, it proposed elsewhere in its report legislation which would force companies of a certain size to seek quotation.[45] Share transfers effected through the NSE were to be preferred, as described in Chapter Four, because the Exchange was thought capable of widening share distribution. The IEP was evidently ambivalent about the controls operated by the Exchange, opposing them in principle but supporting most of them in practice.

One might expect the IEP, a government-appointed review committee, to err on the side of caution in recommending an appropriate level of regulatory control. However, market "insiders" also resisted liberalizing reforms. In fact, those closest to the NSE, Exchange members, were the staunchest defenders of market interventions which not only retarded the market's development but also barred many of them from reaping significant capital gains. The remainder of this chapter will attempt to account for the paradoxical behaviour of the Exchange and of those who controlled it.

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44. "IEP Report", paragraph 2.9.
45. "IEP Report", paragraphs 2.35(xv), 4.18, 4.20.

PART THREE: REGULATION FOR PRIVATE GAIN

State Support

If the Nigerian Stock Exchange behaved as an agent of the Federal government rather than of the private sector,[46] it was partly because the state played a principal part in its development. The Exchange was founded as a direct response to the report of the Barback Committee, appointed by the Federal Ministry of Commerce and Industries in May 1958 "to advise the Federal Government on ways and means of fostering a share market in Nigeria".[47] In addition to its Chairman, Professor R.H. Barback (then Director of the Nigerian Institute for Social and Economic Research), the Committee was comprised of ten expatriate and Nigerian members of the business community, an academic, and two expatriate officers from the Federal Public Service.[48]

Despite the preponderance of private sector representatives, the Barback Committee was primarily responsive to finding ways in which a viable capital market could contribute to the Federal government's development objectives. First, the market was seen as a source of public sector finance.[49] Second, it was hoped that the creation of liquid securities in Nigeria would induce private citizens and government institutions to repatriate some of their sizable foreign holdings, thereby bolstering the country's balance of payments and mobilizing savings for national development.[50] Third, it was expected that a local capital market would channel funds from construction and real estate towards supposedly more productive applications in commerce and industry.[51]

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46. Ogunbanjo (1981), p.69.

47. *Report of the Committee Appointed to Advise on Ways and Means of fostering a Share Market in Nigeria* (hereafter, *Barback Report*), (Lagos: Federal Government Printer, 1959, paragraph 1.

48. *Barback Report*, Introduction.

49. *Barback Report*, paragraph 6.

50. *Barback Report*, paragraph 12.

51. *Barback Report*, paragraphs 12-3.

The Nigerian Industrial Development Bank (NIDB), then an affiliate of the World Bank's private sector investment banking arm, the IFC, also played a "pioneering role" in the stock market's development.[52] The NIDB viewed the establishment of a stock market in Nigeria as an opportunity "to create a healthy private sector" and in particular "to avoid the excessive concentration of economic power in the hands of government".[53] Although *Barback Report* anticipated with some enthusiasm that a Nigerian stock market might eventually provide equity capital for private ventures, it regarded the market's primary function, at least initially, as one of financing projects launched by the public sector. Private savings might usefully supplement the capital resources available to government from taxation and marketing board surpluses, but it was not supposed that these would supplant the public sector from its leadership role.[54] The *Barback Report* recommended, however, that once a "government-assisted enterprise" had become viable, the "Governments should stand ready to sell their shares to private Nigerian investors".[55] Because civil servants, comprising a large proportion of those Nigerians with savings to invest, were regarded as a major constituency of the proposed stock market, the Committee advised that restrictions barring government employees from share ownership be withdrawn.[56]

By implication, the stock market envisaged by the Barback Committee was more an outlet for the savings of Nigerian investors than a source of capital for Nigerian entrepreneurs. The market was meant to facilitate the transfer of economic assets to Nigerians but not, especially, to assist them in their creation. The only private companies which the

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52. Odife (1982). See also Alile and Anao (1986), p.21; Nwankwo (1980), p.141; Okigbo (1981), p.207.

53. Odife (1982).

54. *Barback Report*, paragraphs 4, 6, 24.

55. *Barback Report*, paragraph 7.

56. *Barback Report*, paragraph 19.

Barback Report specifically recommended should use the facilities of the stock market were foreign-owned. Even they were expected to issue shares not, primarily, to raise fresh capital but to share equity ownership with indigenous investors.[57] Both the *Barback Report* and the NIDB also expressed hope that a stock market would broaden share ownership amongst Nigerians.[58] Thus, the tendency to regard the Exchange as an instrument of indigenization and as a vehicle to redistribute wealth, was already apparent upon its foundation.

Although the *Barback Report* recognized that a good supply of marketable securities would not be forthcoming until there were adequate facilities for trading to ensue, the stock exchange it conceived was modest in scope. Because the volume of trading was not expected to sustain either a full-scale stock exchange or full-time professional dealers, the Committee recommended that bankers, lawyers, and accountants engage in stockbroking as a side-line.[59] If these "men of business" would not hold stock as jobbers, they could act as agents for principals on a commission basis, trading by telephone, with share prices reported in the press as "news". As trading activity increased, the *Barback Report* anticipated that brokers might find a place to meet briefly each morning rather than conduct market business over the 'phone.[60]

Finally, the *Barback Report* emphasized that public confidence in the market was essential to its development. "Such confidence will have to be based on business ability and morality, but there are some safeguards which the law can itself provide."[61] To this end, the Committee recommended that the *government* ensure that accounts be drawn up only by certified auditors, that share registers be maintained by persons

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57. *Barback Report*, paragraph 25.
58. *Barback Report*, paragraphs 10-2, 14; Odife (1982).
59. *Barback Report*, paragraph 14.
60. *Barback Report*, paragraph 6.
61. *Barback Report*, paragraph 29.

approved by the authorities, and that all brokers be authorized by the Federal Ministry of Commerce and Industries.[62] "The public interest demands that rules should be established to govern dealings in stocks and shares",[63] but the Committee did not consider itself qualified to make specific proposals. It suggested that the government consult an experienced investment banker and stockbroker to develop appropriate standards of trading practice.[64]

The Lagos Stock Exchange was established on 15 September 1960 by seven subscribing members, two of whom had sat on the Barback Committee. Though founded under the Nigerian Companies Act as a private, non-profit, limited company, the Exchange's explicit aims reflect the influence of the *Barback Report* and the government. These included:

> [the] ... creation of an appropriate mechanism for capital formation and efficient allocation amongst competing projects;
> provision of liquidity for the investment funds of any single investor;
> maintenance of discipline in the capital market;
> broadening the share ownership base for enterprises among numerous individual investors;
> [and] ... maintenance of fair prices for securities and of general discipline on the stock market.[65]

Despite its central role in initiating the LSE, the Federal government allowed the Exchange to be established as a private, self-regulating body, similar in structure to the London Stock Exchange.[66] The LSE's formal aims coincided with government policy, but its status as a private corporation implied that Exchange members, not the Federal authorities, would determine how these objectives would be pursued.

The Federal government not only granted the Exchange a high degree of autonomy but enacted legislation crucial to its development.

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62. *Barback Report*, paragraphs 30-1, 35.

63. *Barback Report*, paragraph 32.

64. *Barback Report*, paragraph 38.

65. Preamble, Memorandum of Association, Nigerian [Lagos] Stock Exchange.

66. Parallels in the organization of the Lagos and London Stock Exchanges were usefully drawn out in a discussion with J. Knight (Chief Executive, The [London] Stock Exchange).

The first and perhaps most important of these was the Lagos Stock Exchange Act of 1961.[67] The Act conferred on members of the LSE an exclusive right to engage in broking and jobbing activities in relation to stock, shares and other securities to which they granted a quotation.[68] The Act also conceded to the Exchange the right to determine who would enjoy the privileges of membership, though the LSE Chairman was obliged to inform the Minister for Finance (through the offices of the Central Bank) of the reasons for any rejection.[69] In return for this government concession, the Exchange was required only to submit quarterly reports to the Governor of the Central Bank who, after appending his own comments if desired, would forward them to the Finance Minister.[70]

Apart from granting the Exchange a legal monopoly in share dealings, the Federal government promoted its development through public sector patronage. As described in Chapter Two, legislation was enacted during the 1960s to empower the Central Bank to issue securities denominated in Nigerian currency chiefly for domestic subscription. Because most of these securities were sold through the LSE, the Federal government generated business for the Exchange. Once there were local securities in which to invest, it became feasible to direct public sector institutions to lodge their funds in Nigeria. The formal and informal directives issued to the managers of produce marketing boards, pension funds of state-owned corporations, and the National Provident Fund contributed decisively to the marketability of listed securities.[71]

Keen to prompt repatriation of public and private savings held abroad and to promote a healthy demand for government securities, the

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67. Lagos Stock Exchange Act (hereafter, LSE Act), No.14 of 1961, (6 June).

68. LSE Act, section 3.

69. LSE Act, section 6.

70. LSE Act, section 5.

71. "Okigbo Committee Report", Chapter 5. See also Nwankwo (1980), pp.137, 140; Alile and Anao (1986), pp.24-5.

Federal government brought to the Exchange a range of willing and not-so-willing buyers. The Income Tax Management Act of 1961 and the Trustee Investment Act of 1962 offered fiscal incentives to both private and public institutions which repatriated funds and invested them in the stock market.[72] The Insurance Act of 1964, superseded by the Act of 1976, imposed certain requirements that they do so.[73] The Exchange Control Act of 1962 overrode existing legislation relating to repatriation by making it illegal to hold funds abroad without the authorities' approval (see Chapter Two).[74] Once the controls were brought into effect at the beginning of the Civil War, the LSE became one of the few repositories for the capital of investors who wanted to earn relatively high returns whilst retaining liquidity and legality.

Nearly all of the securities listed and traded on the Exchange in the first decade of its existence were issued by the Federal government. Government stocks accounted for no less than 84.8% of the total value of secondary trading in every year between 1961 and 1971 (see Table 5.16 below). As noted in Chapter Two, a few multinational firms sold shares through the Exchange during the 1960s as a gesture of goodwill. All of these firms remained almost entirely foreign-owned and the amount of capital raised in each case was very small. For example, the Nigerian Tobacco Company's 1960 issue of ordinary and preference shares raised only N£172,000 from 1,194 individual Nigerian subscribers. Their holdings represented a relatively insignificant proportion of the company's total fixed and current assets of N£10m.[75] The 1963 Daily Times of Nigeria issue was worth only N£50,000, of which 495 Nigerian investors bought shares valued at N£31,070. The N£2.1m Nigeria Sugar Company issue in

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72. Income Tax Management Act, No.21 of 1961; Trustee Investment Act, No.13 of 1962.
73. Insurance Act, No.19 of 1964; Insurance Decree, No.59 of 1976.
74. Exchange Control Act, No.16 of 1962.
75. Callaway (1965?).

1962 attracted 920 Nigerian subscribers who collectively acquired only N£125,780 worth of shares. Of that issue, N£800,000 was sold through the *London* Stock Exchange.[76] After the Civil War ended in January 1970, five more foreign firms sold shares to Nigerians through the Exchange. Like the pre-Civil War issues, these listings were not warranted by financial considerations.[77] Rather, the main concern was to accommodate the growing interest in "indigenization" on the part of the government and local business élites.

Whilst the reasons for the promulgation of the NEPDs 1972 and 1977 were numerous (see Chapters Two and Four), one of their effects was a manifold expansion of primary issues on the Exchange. As a consequence of the NEPD 1972, 24 firms sold shares through the LSE worth about ₦23m to some 50,000 Nigerian investors, according to the IEP's conservative estimate.[78] The number of listed equities rose from 14 in 1971 to 35 at the end of 1974.[79] The boost to the Exchange from the NEPD 1977 was even greater. Eighty-eight firms sold shares valued at approximately ₦430m to perhaps 400,000 investors, bringing the number of listed equities in 1984 to 93.[80] Despite the huge increases in the number of quoted companies and shareholders, the NEPDs 1972 and 1977 did not precipitate comparable growth in the secondary market, as seen in Tables 5.10, 5.16 and 5.17 and discussed in greater detail below.

The Decrees' promotion of the LSE did not escape the authorities' attention. With the NEPD 1972 falling far short of public expectations, the Decree's impact on the Exchange was highlighted as one its achievements. The IEP seized upon this outcome as one justification for

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76. Proehl (1965), p.26.
77. Engberg (1975), Table 2 and p.5.
78. "IEP Report", paragraphs 2.16-7.
79. See NSE "Daily Official List" (31 December 1971 and 31 December 1974).
80. SEC, *Report ... for the Period 1977-1979*, p.10. See also my Chapter Four, esp. Table 4.16.

recommending an extension of the share transfer programme.[81] As discussed in Chapter Four, the authorities pressed foreign companies to sell shares through the Exchange during the NEPD 1977 in pursuit of their distributive objectives. Afterwards, they justified their intervention and congratulated themselves on its success by citing further expansion in the Exchange's activities. Hayford Alile, the NSE's Director-General, remarked how the Exchange had used the NEPD 1977 to good effect in revitalizing the stock market.[82] Speaking to the chairmen of the Nigerian Enterprise Promotion Committees, George Akamiokhor, Executive Director of the SEC, spoke approvingly of this development because

> ...one of the basic objectives of the government in the implementation of the Indigenisation Act was the development of the capital market and the promotion of investment habits among Nigerians.[83]

He then complimented the performance of his own Commission, the NEPB, and the "persuasive methods" each employed during the exercise:

> The success ... is manifested in the number of companies that complied by issuing their shares through the Stock Exchange. ... These figures show conclusively that the NSE which had a very slow pace of growth during its first 10 years of existence was given a boost during the indigenisation exercise as a result of the joint effort of both the SEC and NEPB.[84]

Though not apparent, the satisfaction of those associated with the NSE must have been tempered by the knowledge that few firms had come to the market voluntarily.

Despite its private status, the Exchange also enjoyed financial support from the Federal government. Initially, this took the form of an annual subsidy from the Central Bank. In addition, the Exchange received regular grants from the NIDB, which also provided free office space.[85]

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81. "IEP Report", paragraph 2.35(6).
82. Alile (1981).
83. Akamiokhor (1982).
84. Akamiokhor (1982).
85. See LSE, *Annual Report and Accounts* (various years).

That the Federal government regarded the LSE as its own financial responsibility is also evident from the arrangements which led to the construction of Stock Exchange House, the NSE's multi-storied headquarters building. The Federal government not only prevailed upon the Lagos State government to secure the prime site but also guaranteed 40% of the debentures issued to finance the building's construction, "in recognition of the forty per cent equity interest of the Lagos Stock Exchange in Naira Properties Ltd", the developers' consortium.[86]

By 1974 the Federal government had terminated its direct subventions to the Exchange because the latter had become "self-supporting".[87] However, its direct subsidy was merely replaced with an indirect one more palatable both to the Federal government and to the LSE, which had lobbied for the changes since 1971.[88] The new device for subsidizing the LSE involved an agreement by the Central Bank to pay listing fees for the treasury bills it sold through the Exchange. By the mid-1970s, listing fees generated the great bulk of the LSE's vastly expanded revenues, increased further by the additional companies quoted on the Exchange following the NEPDs.

The Federal government extended its financial support for the Exchange to dealing members. Apart from granting them a monopoly over securities trading, the government produced income for dealers by appointing them in rotation as the sole "Government Stockbroker". When the Federal government issued stock, the Government Stockbroker acted as an intermediary between the Central Bank and other stockbrokers and received fees based on the face value of the securities sold. More lucrative, however, were the fees derived from secondary trading in government securities, for which the Government Stockbroker was paid

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86. LSE, *Annual Report and Accounts*, 1975.
87. LSE, *Annual Report and Accounts*, 1974.
88. LSE, *Annual Report and Accounts*, 1971.

1/32 of one per cent of the stock's face value. Because most secondary trading was generated by the shifting of stock holdings amongst various government departments and the internal accounts of the Central Bank, the broker's task was merely to match the buy and sell orders passed to him without incurring any risk. Odife commented that "it is the opportunity to serve as Government Stockbroker that makes stockbroking even marginally profitable".[89] Such profits are evidently a disguised subsidy to the Exchange's dealing members because, under the LSE Act, the CBN retained the right to deal in Nigerian securities, including those issued by the government.[90]

Control of the Securities Market

The NSE remained firmly under private control throughout its existence, even though it was actively promoted by, closely associated with, and formally answerable to the Federal government. The Federal authorities took tentative steps to exercise some formal control over activities in the capital market as early as 1962. On 1 July of that year, the Central Bank established the Capital Issues Committee which

> ...will be mainly concerned with the orderly development of the capital market in Nigeria. It will have a duty to coordinate all issues of capital and to see that each issue fits into the broad capital requirements of the country. The Committee is to operate on an ad hoc basis initially, its functions being essentially consultative and advisory.[91]

The Committee had no statutory powers and was more promotional than regulatory in nature. Throughout the 1960s, it permitted the LSE to govern its own affairs and the Exchange in turn co-operated fully with the Committee.[92] In practice, (self-) regulation of the Lagos Exchange during the period was carried out mainly in England, according to English

89. Odife (1984a).
90. LSE Act, section 7.
91. Federal Government Press Release, quoted by Ogunbanjo (1981), p.65.
92. Ogunbanjo (1981), p.65.

company law, by the stockbrokers, lawyers and accountants who prepared most of the early Nigerian securities issues.[93]

With the NEPD 1972, the Federal government involved itself more actively in the securities market. To facilitate the large number of equity issues mandated by the Decree and to give its decisions legal standing, the Capital Issues Committee was reconstituted by Decree in April 1973 as the Capital Issues Commission (CIC), which became a permanent division of the Central Bank.[94] Most significantly, the CIC Decree transferred from private issuing houses to the Commission the authority to dictate the price, timing and mode of share sales. As reviewed in Chapter Three, the CIC used this authority to discount the shares of foreign companies. However, the Exchange itself remained effectively self-regulating.

In December 1976, eight months after the "IEP Report" proposed a bigger role for the CIC, the Okigbo Committee recommended that the Commission be scrapped altogether. The Okigbo Committee believed that the CIC had previously been too concerned with its pricing functions. It argued that Nigerian investors in primary share issues would be adequately protected if government regulators were to ensure that vending firms disclose all relevant financial information.[95] To this end, the "Okigbo Committee Report" advocated the creation of a "Securities and Exchange Commission" (SEC), which appears to have been modelled on the United States agency of the same name. The SEC envisaged by the Okigbo Committee was to be an independent organization, having powers to exercise regulatory control over all stock exchanges and the capital market in general.[96]

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93. Proehl (1965), p.26.
94. Capital Issues Decree, No.14 of 1973.
95. "Okigbo Committee Report", pp.82-3.
96. "Okigbo Committee Report", p.83.

In 1979, the Federal government authorized (retroactively) the establishment of the SEC.[97] However, the new Commission retained the pricing and timing functions carried out by the CIC. Thus, in addition to its control over primary issues, the SEC was responsible for:

> ...registering all securities [whether offered publicly *or* privately];
> maintaining surveillance over the securities markets to ensure orderly, fair and equitable dealings in securities;
> registering stock exchanges or branches, registrars, investment advisers, etc. and supervising their activities with a view to maintaining proper standards of conduct and professionalism in the securities business;
> protecting the integrity of the securities market against any abuses arising from the practice of inside trading;
> acting as the regulatory apex organization for the NSE and its branches *to which it would be at liberty to delegate powers* [italics mine];
> creating the necessary atmosphere for the orderly growth and development of the capital market....[98]

To fulfil these duties, the Commission was empowered to license market operators and establish a code of conduct to govern their behaviour. It was granted authority to direct the price, quantity, timing, and mode of issue for all public share offerings, as well as any subsequent issues. Furthermore, the SEC was to regulate dealings in the securities of any firm with foreign capital participation, public or private. The SEC Decree also ordered the creation of an "Allotment Committee" with which the Commission would control the distribution of shares in primary offerings. This authority was supplemented with powers to nullify any transaction in the secondary market. To aid in the enforcement of its regulations, the Commission could subpoena the records of any company which had issued securities, institutions engaged in share dealings, and any individuals who might be involved with companies covered by the SEC Decree. Offenders could be punished by the

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97. Securities and Exchange Commission Decree (hereafter, SEC Decree), No.71 of 1979 (24 September).

98. SEC Decree, section 6(b-g).

revocation of their listing or licence, by the imposition of fines, or by prison sentences.[99]

Despite the Commission's extensive powers to serve as the "apex regulatory institution" of the Nigerian capital market, its institutional weakness impeded its ability to function in that capacity. The SEC was supposedly established as an "independent and autonomous body, separate and distinct from the Central Bank", but in practice it was almost completely dependent on the CBN.[100] The SEC continued to operate as an integral arm of the Central Bank until 1 January 1980.[101] Thereafter, it still received all of its funding from the CBN and was staffed by Bank personnel. With nearly 90% of its staff on temporary secondment, serving under terms inferior to those of the Central Bank, the Commission (like the NEPB) was plagued by high employee turnover and low morale.[102] Moreover, due to both the *ex officio* and political nature of their appointments, commissioners themselves served for relatively short periods. In 1984, the Commission was without any commissioners because the Buhari Administration, having disbanded the SEC following the 1983 New Year's Eve Coup, appointed no new members until the end of the following year.

The most serious obstacle to the Commission's regulatory control stemmed from the Federal government's failure to approve a body of "Rules and Regulations" for the capital market. Although the SEC drew up detailed proposals in 1980, the government delayed their ratification. In 1982, with official approval still pending, the Commission reported that "not much has been done in the areas of regulation and enforcement".[103] The SEC complained that

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99. SEC Decree, various sections.
100. Akamiokhor (1982).
101. Akamiokhor (1982).
102. SEC, *Annual Report and Accounts*, 1981, pp.6-7, 24.
103. SEC, *Annual Report and Accounts*, 1981 (submitted late in 1982), p.22.

> unless and until the SEC Rules and Regulations are approved and unless stock-brokers and dealers, registrars, etc. file with the SEC necessary accounts and reports, effective surveillance will remain difficult, if not impossible.[104]

Lacking not only rules to enforce but the wherewithal to enforce them, the Commission depended on the willing co-operation of those whose conduct it was meant to supervise. Its pleas to the Federal government for institutional support apparently went unheeded; late in 1984, the SEC was still without independent funding, permanent staff, sitting commissioners, and regulations to enforce.[105] The SEC had little choice but to "delegate" some of its regulatory responsibilities to the Exchange.

By comparison with the Commission, the NSE was a strong institution. Although the Exchange derived some of its income from indirect government subsidies, it also independently raised funds from private sources. The NSE employed permanent staff who worked in its own office building. Its management structure was well-developed, and policy was clearly defined by Council members according to the rules set out in the Articles of Association. Moreover, appointments at the NSE, as a private company, were largely free from the vagaries caused by changes in the Federal government's political leadership.

In addition to the Articles of Association which served as its constitution, the Exchange maintained an extensive body of rules which it enforced with alacrity. These regulations, which the NSE applied to members, dealers, quoted companies and the investing public, resembled closely those which the SEC had proposed for itself but which the Federal government failed to ratify. However, the NSE's rules remained in draft form, affording the Exchange "flexibility" in enforcing them.[106]

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104. SEC, *Annual Report and Accounts*, 1981, p.22.
105. SEC, *Annual Report and Accounts*, 1983 (submitted late in 1984), pp.7, 32.
106. Interview: merchant banker and stockbroker.

The NSE was better positioned than the SEC to monitor and regulate activities in the Nigerian capital market. It maintained for this purpose a research department which kept abreast of market developments. Because its information-gathering capabilities far exceeded those of the SEC, virtually all information published about the stock market's activities by the Commission, and ultimately by the Central Bank and by the press, was originally collected and supplied by the NSE.

The Exchange's oversight was enhanced through its links with the government agencies formally responsible for regulating activities pertaining to the capital market. The NEPD 1977 provided for the NSE's representation on the NEPB to assist with co-ordination during implementation of the Decree.[107] The NSE was also officially represented on the SEC and on the latter's Allotment Committee.[108] Although the Exchange was represented on both the NEPB and SEC, neither the Board nor the Commission were represented on the Exchange.

The NSE's interests were also represented on the SEC through the appointment of several individuals having extensive ties with the Exchange. The SEC Decree provided for the appointment of up to five commissioners from outside the public service,

> being persons who by reason of their ability, experience or specialized knowledge of securities and exchange matters or of business or professional attainments would in his [Federal Commissioner for Finance] opinion be capable of making useful contributions to the work of the Commission.[109]

Two of the three individuals initially appointed under this provision were connected to the Exchange. Along with the NSE's Director-General and the SEC Chairman, who was a major investor in many listed companies, they comprised the largest block of votes on the Commission. The

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107. NEPD 1977, section 1(3)(d).
108. SEC Decree, sections 2(1)(b), 14(2)(b).
109. SEC Decree, section 2(1)(f).

Exchange's penetration of the Commission persisted until the latter body was reconstituted late in 1984.[110] Until then, the membership of the SEC was in large part composed of the very people whose activities it was supposed to regulate. The SEC provided the NSE with some of its most influential members over the years, but their move to the Exchange was always preceded by their retirement from the Commission.

The outcome of the SEC's few attempts to assert itself over the NSE also suggests that the Exchange, not the Commission, stood at the "apex" of the Nigerian securities market. The SEC Decree prohibited individual members from engaging "in any stock market business of a character subject to the regulations of the Commission without full disclosure to and approval of the Commission prior to the particular transaction".[111] However, the Commission was not able to enforce restrictions on share dealings by its own members. Several commissioners, as discussed above, were actively involved with the Stock Exchange. A few were also principals in stockbrokers,[112] placing in doubt that the Commission was able to grant its approval prior to each trade transacted by their firms. The SEC was also unsuccessful in its efforts to enforce the ban on the payment of directors' fees to Exchange members who served on the boards of listed firms, a prohibition which was incorporated into the NSE's own Articles. Rather than terminate profitable arrangements enjoyed by many of its members or confront the SEC head-on, the Exchange simply amended its Articles on the grounds that this restriction was no longer relevant.[113]

One of the most telling episodes to highlight the NSE's supremacy over the Nigerian securities market, and its independence from the

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110. SEC, *Annual Report and Accounts* (various years).

111. SEC Decree, section 3(4).

112. SEC, *Annual Report and Accounts* (various years); *NSE Handbook*, Vols.I (1980) and II (1984).

113. Interview: merchant banker.

political control of the Buhari Administration, was the Commission's attempt to revoke the Exchange membership of a prominent NPN backer who been imprisoned in the aftermath of the coup which toppled the Shagari Administration. Although the SEC Decree barred disreputable persons from participating in the securities industry, the Exchange thwarted the Commission's attempt to dislodge its member who, while resident in Kiri-Kiri prison, was also serving on the NSE Council. Making its own pre-emptive resolution in support of ethical probity, the NSE inserted into its Articles a statement that

> No person shall be eligible for admission to membership of the Exchange who is known to have been convicted for or dismissed from previous employment, or having in his or its employment a person, who has been so convicted or dismissed, as a result of any act of dishonesty or impropriety....[114]

The Exchange's amendment conveniently exempted its fallen member on two grounds: he had already been admitted to membership; and no specific charges had been brought against him. Ironically, the person involved had previously served as an SEC commissioner.

Control of the Exchange

If the NSE and not the SEC exercised effective control over the Nigerian securities market, who then governed the Exchange? The NSE's Articles vested ultimate authority at the Exchange in its ruling Council. Council determined NSE policy and the manner in which the Exchange's assets were deployed. To direct the Exchange's day-to-day business, Council appointed a "Director-General", whom it co-opted as a member in order to facilitate managerial supervision. The NSE Articles established Councils for each of the Exchange branches, but it vested in the National Council the authority to over-rule them.

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114. NSE, *Annual Report and Accounts*, 1983.

Council performed the Exchange's regulatory functions. It wielded powers to impose and alter the NSE's fees, to grant quotations, to investigate company accounts, and to withdraw from trading or revoke the listing of any firm suspected of fraud. Similarly, Council licensed all stockbrokers and enforced the NSE's Rules and Regulations which it devised to govern their activities. Council members or their delegates also presided at call-over.

Membership of the Exchange was determined by Council. Admission was granted to candidates who won the approval of a two-thirds Council majority, and all applications required the sponsorship of at least two NSE members, one of whom had to be a Council member. Moreover, it was Council, not the generality of Exchange members, which effectively determined its own composition, organization and leadership. Ordinary NSE members could *exclude* their own from Council by approving a change to the NSE Articles, as they did in 1975 to prevent foreigners from serving.[115] But all nominations had to be supported by at least two Council members, and no Council nominee ever failed to secure a two-thirds majority of Exchange members.

Council enforced discipline amongst Exchange members, considered complaints by and against them, and reserved the right to impose fines or revoke membership.[116] The NSE Articles also included a blanket provision which entitled Council "to make, alter or revoke regulations for effectively carrying out any duties entrusted to it by the Articles of Association". Thus, the NSE Articles granted the Council total and exclusive power to govern the Exchange as it saw fit. Exchange members had few avenues through which to oppose Council decisions. They could

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115. See LSE, *Annual Report and Accounts*, 1975, for details of the Council's Special Resolution to amend Article 6, section 1(a).

116. See LSE, *Annual Report and Accounts*, 1975, for details of the amendment to section 4 of the Exchange's Articles.

refuse to ratify Council's proposals to amend their Articles; they could resign their Exchange membership; or they could vote against a nominee for Council membership. However, in practice there was virtually no opposition to Council's rulings, not least because, through its power to extend and retract membership, Council ensured that most NSE members were sympathetic to its views.

The NSE membership, as determined by Council, was at variance with the intentions of the LSE Act. The Act envisaged that the Exchange would be comprised of "any individual person, firm or corporate body" who carried on the business of stockbroking.[117] However, only two of the LSE's seven original members were professional securities dealers. Whilst the Act implied that the Exchange was an association of stockbrokers, the LSE's Articles drew a distinction between "dealing members", who were entitled to transact business on the Exchange, and "ordinary members", who were not. Dealing members were first required to gain ordinary membership.[118]

Growth in the number of dealers at the Exchange lagged behind that of its ordinary membership. In 1971, the LSE amended its Articles in order to confine eligibility for ordinary membership to

> ...firms or institutions intending to seek dealing Membership or which are otherwise in a position to give financial and investment advice, provided that the Council may, *in exceptional cases*, consider applications from individuals, who by virtue of their position or experience, are likely to contribute generally to the achievement of the objectives of the Exchange [italics mine].[119]

Despite its apparent self-confirmation as an organization of would-be stockbrokers, and despite the activity generated by the NEPD 1972, the number of dealers on the Exchange actually declined during the first half

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117. LSE Act (1961), Preamble and section 2.
118. NSE, Articles of Association, section 4.
119. LSE, *Annual Report and Accounts*, 1971.

of the 1970s. The NEPD 1972 did, however, coincide with a large increase in the Exchange's ordinary membership:

Table 5.11:
Growth and Composition of the NSE Membership, 1960-1984

	1960	1969	1974	1979	1984
"Ordinary"					
Individuals	4	10	14	43	50
Private firms	1	2	5	12	15
Govt. institutions[a]	-	1	3	11	11
Total Ordinary Members:	5	13	22	66	76
"Dealing" (stockbrokers)					
Private firms	2	3	2	6	15
Govt. institutions[a]	-	1	1	2	3
Total Dealing Members:	2	4	3	8	18
Grand Total:	7	17	25	74	94

[a] Wholly-owned by Nigerian governments and their agencies. (Merchant banks and others in which Nigerian governments typically owned 60% stakes are considered here to be private firms.)

Source: Derived from NSE (LSE), *Annual Report and Accounts* (various years); data for 1984 from an unpublished membership list dated 14 November 1984.

As Table 5.11 indicates, membership surged again following promulgation of the NEPD 1977, when many more individuals and government institutions joined the Exchange. Several new dealing members also joined the NSE since the Decree, but ordinary members still predominated and represented the largest source of membership growth. Moreover, individual members, far from being "exceptional", always constituted an absolute majority of the Exchange's total membership. Indeed, the NSE appears to have been an association of individuals, with the participation of a few private firms, government institutions and stockbrokers.

As Table 5.12 indicates, the preponderance of individual members was mirrored by the composition of the NSE Councils:

Table 5.12:
Composition of NSE Councils in 1984

Type of Member	Kaduna	Port Harcourt	Lagos	National
Individuals[a]	4	3	7	9
Private Firms	1	0	1	0
State Govt. Institutions	4	4	0	6
Federal Govt. Institutions	0	0	2	1
Stockbrokers[b]	1	0	2	3
Total:	10	7	12	19

[a] Excludes the NSE Director-General, who served *ex officio* on the National Council.
[b] Includes stockbrokers controlled by public sector institutions.

Source: *NSE Handbook*, Vol.II (1984).

State government institutions weighed heavily on the Councils of the Kaduna and Port Harcourt branches, but individual members predominated at the far more active branch in Lagos and on the supreme National Council. Stockbrokers had little or no representation on any Council.

Stockbrokers were not only poorly represented on Council and amongst the NSE membership at large, but many were owned or controlled by other Exchange members.

Table 5.13:
Dealing Members of the NSE Controlled by other Members (1984)

	Type of Ordinary Member Serving as Owner or Director:		
Dealing Member	Individual	Private Firm	Govt. Institution
Abacus Securities	x	-	x
AMH Continuation	x	-	-
Capital Trust Brokers	x	-	x
Centre-Point Investments	x	-	-
CSL Stockbrokers	x	x	-
Financial Trust	x	-	
Icon Stockbrokers	x	-	x
IMB Securities	-	x	-
Kapital Investment & Trust	N/A	N/A	N/A
Merchant Securities	-	x	-
ML Securities	x	x	-
Newdevco Finance Services	x	-	x
Nigerian Int'l Securities	x	x	-
Nigerian Stockbrokers	x	x	-
Prudent Finance	x	-	-
Prudential Securities	x	-	-
Russel Brokers	x	-	-
Wintrust	x	-	-
Total:	15	6	4

x = representation.

Source: NSE, unpublished membership list dated 14 November 1984; *NSE Handbook*, Vols.I (1980) and II (1984). Corroborated by Odife (1982); Alile and Anao (1986), pp.96-8, and Appendix 2.

Table 5.13 indicates that all of the NSE's 17 dealing members in 1984 (for which data are available) were either owned or directed by another ordinary member of the Exchange. Furthermore, individual members of the Exchange held equity in or served on the boards of all but two of these stockbrokers.

However, these individuals and the other ordinary members of the Exchange were not primarily engaged in the business of stockbroking. Rather, as Table 5.14 indicates, they ranked amongst the largest-scale investors in listed companies and served as directors on their boards.

Table 5.14:
Large-scale Investments and Directorships in Listed Firms Held by Individuals Associated with the NSE as of 1984

Type of Firm Involvement[a]	No. of Individual Members	No. of Listed Firms	No. of Individuals Associated with Dealing Members[b]	No. of Listed Firms	Ttl. No. Indvdls. Involved[c]
As Investors[d]:	22	48	11	11	33
As Directors:	32	56	15	24	47

[a] Includes involvement by immediate family members of individuals associated with the NSE.
[b] "Associated" with dealing members through equity ownership, board membership, or both. Individual members of the NSE who were also associated with dealing members, or with member firms which owned dealing members, are excluded from this column to avoid double-counting.
[c] Excludes double-counting in *rows*. Columns, had they been added, would have double-counted.
[d] Large-scale "investors" are individuals who owned, either on their own account or through family members (but not through companies), at least one percent of the equity reserved for Nigerians under the NEPD 1977 in any listed company. (See Table 4.17, which records large-scale shareholdings in listed firms attributable to other categories of Nigerian investors.)

Source: For NSE membership and associations with dealers: NSE, unpublished membership list dated 14 November 1984; *NSE Handbook*, Vols.I (1980) and II (1984). Corroborated by Odife (1982); Alile and Anao (1986), pp.96-8, and Appendix 2. For associations with listed firms: Shareholder Registers (64 listed firms); Company Reports (all listed firms, various years).

Twenty-two of the 50 individual members of the NSE held at least 1% of the Nigerian-owned equity in 48 different listed firms. Thirty-two of the 50 were directors of 56 quoted companies. If we add to this group those individuals who were associated with dealers only, we find that a total of 33 individuals associated with the Exchange owned large shareholdings in listed firms and a total of 47 held directorships on the latter's boards.

Not only were most individual members of the Exchange associated with listed companies, but most listed firms were represented amongst the NSE membership:

Table 5.15:
Links between Individuals Associated with Listed Firms and Individuals Associated with the NSE, as of 1984

Listed	Exchange Association:			NSE-Firm Association:			People
Company	Member[a]	Dealer[b]	Both	Investor[c]	Director[d]	Both	Linked[e]
Chemical & Allied	5	3	4	11	0	1	12
BFN	2	1	3	5	0	1	6
International Paints	3	2	1	3	2	1	6
UTC	3	2	1	3	2	1	6
Dunlop	2	0	3	2	3	0	5
JHI	2	0	3	2	3	0	5
Guinness	3	1	0	2	2	0	4
Cappa[f]	4	0	0	0	2	2	4
Afprint	0	0	3	2	0	1	3
Industrial Gases	1	0	2	2	1	0	3
Christlieb	0	2	1	2	0	1	3
Mobil	2	0	1	2	0	1	3
NCR	2	0	1	2	0	1	3
Vitafoam	2	0	1	2	1	0	3
Beecham	2	1	0	2	0	1	3
Bewac	2	1	0	2	1	0	3
Foremost	2	0	1	1	1	1	3
Livestock Feeds	1	2	0	1	1	0	3
SCOA	2	1	0	1	1	1	3
Unitex	2	0	1	0	2	1	3
CFAO	1	2	0	0	2	1	3
Lever Brothers	2	1	0	0	3	0	3
N. Nig. Flour[f]	3	0	0	0	0	3	3
Food Specialities	0	1	1	2	0	0	2
Pfizer	0	1	1	2	0	0	2
Chellaram	0	0	2	1	0	1	2
Nig. Enamelware	0	1	1	1	1	0	2
Nig. Textile	0	1	1	1	1	0	2
Cappa & D'Alberto	1	0	1	1	0	1	2
Blackwood Hodge	1	0	1	1	1	0	2
Sterling	1	0	1	1	1	0	2
Van Leer	1	0	1	1	1	0	2
Bata	1	1	0	1	1	0	2
Berger Paints	1	1	0	1	1	0	2
Mandrides	1	1	0	1	1	0	2
Nig. Wire	2	0	0	1	0	1	2
Nig. Sewing Machine	0	0	2	0	1	1	2
Daily Times[f]	1	0	1	0	2	0	2
Flour Mills[f]	1	0	1	0	2	0	2
Nig. Tobacco[f]	1	0	1	0	2	0	2
UAC[f]	1	0	1	0	2	0	2
University Press	1	0	1	0	2	0	2
Briscoe	1	1	0	0	2	0	2
Nig. Breweries	1	1	0	0	2	0	2
Taylor Woodrow	1	1	0	0	2	0	2
Dumez	2	0	0	0	1	1	2
Wiggins Teape[f]	2	0	0	0	2	0	2
Berec	0	0	1	1	0	0	1
Berec International	0	0	1	1	0	0	1
Lennards	0	0	1	1	0	0	1
Leventis[f]	0	0	1	1	0	0	1

Listed Company	Exchange Association: Member[a]	Dealer[b]	Both	NSE-Firm Association: Investor[c]	Director[d]	Both	People Linked[e]
Hoechst	0	1	0	1	0	0	1
Enpee	1	0	0	1	0	0	1
Roads Nigeria	1	0	0	1	0	0	1
Westex	1	0	0	1	0	0	1
Agip	0	0	1	0	0	1	1
Cadbury	0	0	1	0	0	1	1
Costain	0	0	1	0	0	1	1
Thomas Wyatt[f]	0	0	1	0	0	1	1
Total[f]	0	0	1	0	0	1	1
John Holt[f]	0	0	1	0	1	0	1
Metal Box[f]	0	0	1	0	1	0	1
Golden Guinea	0	1	0	0	1	0	1
Ovaltine[f]	0	1	0	0	1	0	1
Paterson Zochonis[f]	0	1	0	0	1	0	1
Tate & Lyle	0	1	0	0	1	0	1
United Bank	0	1	0	0	1	0	1
Union Bank[f]	0	1	0	0	1	0	1
Alumaco	1	0	0	0	0	1	1
Pharma-Deko[f]	1	0	0	0	0	1	1
Studio Press[f]	1	0	0	0	0	1	1
Boots	1	0	0	0	1	0	1
First Bank	1	0	0	0	1	0	1
Glaxo[f]	1	0	0	0	1	0	1
Hagemeyer[f]	1	0	0	0	1	0	1
Incar	1	0	0	0	1	0	1
Nig. Bottling[f]	1	0	0	0	1	0	1
Poly Products	1	0	0	0	1	0	1
African Petroleum	0	0	0	0	0	0	0
Arbico[f]	0	0	0	0	0	0	0
Intra	0	0	0	0	0	0	0
Julius Berger	0	0	0	0	0	0	0
Leventis Motors[f]	0	0	0	0	0	0	0
Leventis Technical[f]	0	0	0	0	0	0	0
Morrison[f]	0	0	0	0	0	0	0
Nig. Ropes	0	0	0	0	0	0	0
Stokvis	0	0	0	0	0	0	0
Texaco[f]	0	0	0	0	0	0	0
Vono	0	0	0	0	0	0	0
Companies Linked[e]:	52	29	40	39	49	28	78

[a] Individual members only.

[b] Includes directors of and investors in dealing member firms, but excluding those who were also members of the Exchange in their own right (who are recorded under "Both").

[c] Individual investors holding at least 1% of equity reserved for Nigerians by the NEPD 1977.

[d] Excludes directors with large-scale shareholdings (who are recorded under "Both").

[e] Double-counting excluded. (Bottom row indicates the incidence of *company* linkages, *not* sums of columns, which indicate *people*.)

[f] Shareholder registers of these companies were not examined. Information on individual investors from company reports, which usually record the shareholdings of directors only.

Source: For NSE membership and associations with dealers: NSE, unpublished membership list dated 14 November 1984; *NSE Handbook*, Vols.I (1980) and II (1984). Corroborated by Odife (1982); Alile and Anao (1986), pp.96-8, and Appendix 2. For associations with listed firms: Shareholder Registers (64 listed firms); Company Reports (all listed firms).

As Table 5.15 indicates, 78 out of 89 companies quoted on the Exchange in 1984 had some link with the NSE membership, either through a directoral appointment or through the equity involvement of an investing Exchange member. Moreover, this estimate almost certainly understates the true extent of listed firms' representation at the Exchange because shareholdings attributable to member companies (both private and public) have been excluded from consideration, and because full information on the identities of investors in 25 of the 89 listed firms was not available (see note[f] of Table).

An Interest in Disinterest

In view of the regulatory structure of the Nigerian securities market, the Exchange's interventions appear surprising. NSE members, one might infer, had the most to gain from a thriving stock market. As directors and large-scale investors in listed companies, owners of the Exchange, and as principals in firms which exercised a statutory monopoly in dealings of Nigerian securities, NSE members were well-positioned to exploit any increase in the stock market's vitality. With considerable sway within the SEC and having effectively supplanted its authority, the NSE probably could have liberalized its practices without much obstruction from government regulators. Instead, the Exchange persisted with policies, especially share price restraints, which prevented both its own members and the foreign firms with which they were connected from realizing significant appreciation in the value of their shareholdings.

An explanation for this seemingly perverse behaviour relates to the financial ties between foreign companies listed on the Exchange and their Nigerian associates. As discussed in Chapter Three, the distribution of shares made available to indigenous investors under the NEPD 1972 was

very uneven. Despite the Federal government's populist intentions, inequalities in share ownership created by the first Decree were not rectified through implementation of the second. Hundreds of thousands of Nigerians acquired shares under the NEPD 1977 but existing holdings were left intact. Inequalities amongst investors were particularly acute in companies ordered to sell shares through the Exchange. Because the SEC Allotment Committee distributed shares amongst thousands of applicants, and because most public issues were undertaken by firms which had previously been private, investors under the NEPD 1977, with the exception of governments, were not allowed to amass in any one company holdings that would rival those acquired under the NEPD 1972.

As indicated by Tables 4.16 and 4.17, the ownership structure of nearly all listed firms remained highly unequal after the NEPD 1977. Inequalities amongst indigenous investors (at least Nigerian individuals) were generally less pronounced in companies which went public prior to or during the NEPD 1972 than in firms which made their first public issue afterwards. Nonetheless, whatever the timing of their initial public offering, most companies evidenced great concentration of ownership. The foreign partners, institutions and a few large-scale private investors co-existed at one end of the spectrum and thousands of small-holders inhabited the other.

The participation of shareholders in corporate activities did not always correspond to the size of their holdings. It is assumed that foreign shareholder, with the largest equity stake in nearly every case, usually 40% (Schedule II) or 60% (Schedule III), retained ultimate control over the firm. By contrast, the great majority of shareholders, each owning only a minute proportion of the shares outstanding, took little interest in and were ignorant of their company's affairs. This must be qualified by the existence of a few shareholding activists. As occurs in

other countries, individuals and organized groups bought a few shares in numerous companies in order to gain the right to ask questions, usually of a political nature, at annual general meetings (AGMs). However, most small-scale investors who attended AGMs were motivated not by interest in their company's social policies or its financial performance, but by the free refreshments and gifts available at the reception afterwards.[120] Listed firms frequently resorted to public advertisement in order to locate shareholders who had neglected even to collect their dividend cheques.

Institutional investors varied in their level of involvement. Several government investment companies gained seats on the boards of companies in which they owned particularly large holdings. However, most of them did not pay close attention to corporate performance because their acquisitions were prompted by considerations more political than financial (see Chapters Three and Four). Private employee pension funds often held shares in companies for whom their beneficiaries worked. These pension funds, as well as the 10% equity stake held in trust for employees, were controlled by management and ultimately, therefore, by the foreign shareholder (see Chapter Four). Most institutional investors, private or public, were content with the relatively high dividend yields listed companies paid and did not attempt to influence management. Their submission was encouraged by the lack of other suitable vehicles in which to invest their funds.

The largest individual investors often did take part in company activities. As was seen with the NEPD 1972, many foreign companies tried to make the best of an unwelcome obligation by recruiting as shareholders a few wealthy and influential Nigerians who might have been able to promote business or solicit favours from the government. Some of these investors in 1972 had been company distributors or contractors.

120. This author attended the AGMs of several NSE-listed companies in 1985.

Others were political, "traditional", or religious leaders. Nigerians with the largest shareholdings were frequently rewarded with board seats in recognition of their financial involvement.

As public spending and government regulation gathered force during the 1970s, large foreign companies found themselves increasingly in need of Nigerians who could mediate on their behalf in their extensive dealings with the state. To satisfy this requirement, they recruited more actively than before from amongst Nigeria's professional and administrative élites, especially those with good contacts in the government. These Nigerians were highly educated (often abroad), and many held qualifications in law, accountancy, management, or more specialized fields.[121] They populated the ranks of professional groups such as the Nigerian Institutes of Management and Public Relations, the Bar Association, the Federation of Chartered Accountants and the Nigerian Economic Society, as well as the business lobbies comprising the "organized private sector".

Following the second Decree, foreign companies demonstrated a particular interest in engaging former government officials. A great many civil servants and military officers had recently joined the ranks of the private sector after being "retired" by the Murtala Government in 1975. Some of these Nigerians had served their country with distinction for many years. Having top-level administrative experience and extensive knowledge of the government bureaucracy, these people were highly attractive to, and actively recruited by, foreign companies. SEC allocation rules during the NEPD 1977 prevented most of these new recruits from acquiring large shareholdings. However, foreign companies appointed them as directors. An examination of the company reports of

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121. This discussion is informed by the entries of Nigerians who held directorships in NSE-listed firms since 1977 in biographical publications: *Who's Who in Nigeria*, (Lagos: Biographical Centre of Nigeria Ltd, 1985 (3rd edition)); *Who's Who in Nigeria 1983*, (Lagos: Daily Times, n.d.); and *Africa Who's Who*, (London: Africa Journal Ltd, 1981); as well as by discussions with Nigerian post-graduate students at Oxford University.

NSE-listed firms indicates that a large proportion (perhaps the majority) of the directorships of these firms were held by former government officials. Indeed, some of these Nigerians held seats on several boards. For example, by 1979, ten retired Federal permanent secretaries (including those who had *not* been dismissed by Murtala) held seats on the boards of at least two quoted companies each.[122] In addition to serving on company boards, several of the most eminent and able members of this professional and administrative élite (whether former government officials or not) headed consultancies, which, amongst other functions, assisted foreign companies in their relations with government.[123]

For some members of these professional groups, the compensation received from directors' emoluments, consultancy fees and other associations with foreign firms was more lucrative than the real or potential returns from their shareholdings, if they had any. Apart from monetary remuneration, prominent Nigerians connected to foreign businesses also received payments in kind, which might include housing, servants' wages, club memberships and cars. Their compensation package was often enhanced by a foreign component, which became more valuable as the scarcity of foreign exchange intensified. Although it was illegal for Nigerian citizens to earn foreign exchange without repatriating it, informal (and legal) arrangements could be made. Parent companies commonly invited Nigerian business associates and senior management to their offices abroad, typically providing them with "entertainment

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122. S. Ade-John (A.G. Leventis; Leventis Motors; Leventis Stores; Leventis Technical, Nigerian Bottling); P. Asiodu (Beecham; Dumez); S. Awoniyi (Total; UTC); A. Ayida (Berger Paints; Lever Bros.); A. Ciroma (PZ; Tate & Lyle; UNITEX; UTC) I. Damcida (Afprint; Enpee; Texaco); A. Joda (Flour Mills; SCOA; UBA); S. Katagum (Afprint; Intra); C. Lawson (Boots; Pharma-Deko); and S. Wey (Paterson Zochonis; Arbico). It should be noted that these men held many directorships in private and (unlisted) public companies as well. Furthermore, several other people prominent as directors in listed firms (e.g. J. Udoji; I. Haruna; H. Adedeji; O. Akinkugbe; and S. Daniyan) had formerly held high government offices.

123. For examples: A. Ayida (Fininvest); P. Asiodu (Medife); P. Okigbo (Skoup); G. Onosode (Intercommerce); A. Mbanefo (AW); M. Omolayole; and C. Ogunbanjo.

allowances". Some firms offered foreign medical care to Nigerian colleagues and their families. Others arranged scholarships for their children to be educated abroad.[124]

A few Nigerians were involved in far more profitable arrangements. They became partners in international trading companies set up by foreign firms to export goods and production inputs to their Nigerian subsidiaries. These trading companies, sometimes based in tax havens, facilitated the transfer of profit-taking activities from Nigerian territory in the manner described in Part One. As such, they enabled both foreign firms and top Nigerian businessmen to earn "hard-currency" profits from the Nigerian companies with which they were affiliated.[125]

This "professional business élite" had an interest in protecting its broader, and more lucrative, relationships with foreign companies. Some of its most senior members, whether by design or by effect, did so through the Nigerian Stock Exchange. As members of the Exchange and its ruling Council, they maintained a market regime in which most shareholders had no inclination to sell. Foreign investors retained their stakes for strategic reasons, to keep overall control. Nigerian governments held their shares indefinitely, "in trust" for local investors. Other institutional investors retained their holdings (apart from the reasons mentioned above) because they found it difficult to re-invest in another listed company. Most small-holders kept their shares either because they did not know how to sell, or because the alternatives available to them were limited and less remunerative. The status of the

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124. Interviews with numerous Nigerian and expatriate company executives and directors held in Nigeria and in England.

125. The names of these companies appear in the "Quarterly Reports" submitted to the exchange control authorities by firms engaged to inspect Nigeria's imports and to document cases of over-invoicing. Several Nigerian associates of NSE-listed companies acknowledged the existence of the compensatory arrangements described.

prominent Nigerians associated with each listed company was therefore protected by a great block of static holdings.

Without the controls imposed by the Exchange, the demand for shares relative to supply would have touched off a big increase in share prices. Small-holders might then have been induced to sell their shares, to realize wind-fall gains which hitherto had eluded them. Institutional investors might have attempted to diversify their holdings, taking profits in one company, re-investing for more generous yields in another. If these holdings had been sold, a large tranche of equity would have become available for new investors, upsetting the existing balance.

Wealthy Nigerians, perhaps NPN financiers and others who had made a lot of money from contracting and import licence dealings under the Shagari Administration, might have attempted to accumulate sizable holdings. If so, they could have exercised their prerogatives as shareholders in a manner threatening to the ties between foreign firms and their existing Nigerian associates. They could have made justifiable claims to join or supplant the latter on company boards. They might have insisted on performing some of the other services carried out by influential Nigerian shareholders. They might have demanded to share in off-shore profits, especially if other major investors were receiving them.

Foreign firms would probably have had to concede some of these demands. Newcomers would have undoubtedly taken an avid interest in the affairs of a company in which they had accumulated a large stake. They might then have asked probing questions about corporate performance and declining profit margins. Unless they had been rewarded for their acquiescence, large-scale private investors would not have watched impassively as foreign firms engaged in transfer-pricing, a practice which deprived Nigerian shareholders of their rightful returns. Under the circumstances, foreign companies would probably have had to

include such people in private arrangements rather than risk the consequences of their exclusion. To forestall these damaging possibilities, the NSE's private members and listed foreign companies had a common interest in the stock market's stagnation.

This would explain why the NSE deliberately circumscribed the influence of stockbrokers, who might otherwise have been expected to push for reforms to invigorate the stock market. Not only were stockbrokers few in number, tightly regulated by the Exchange yet poorly represented on its ruling Council, but a 1979 amendment to the NSE Articles specifically limited their membership on the latter body to three.[126] By requiring these seats to be rotated annually amongst all dealing members, the amendment effectively prevented any one broker from attaining much influence. Moreover, Exchange rules barred brokers from making markets in securities as stock-jobbers, which could have broken Council's grip on share-trading gained through the call-over system, even though jobbing was one of the statutory functions of dealing members under the LSE Act.[127] In any case, it was unlikely that brokers would have attempted to assert independence from the Exchange because most were owned or controlled by other NSE members (see Table 5.13).

Regulated and directed by other NSE members, stockbrokers posed no great threat to the structure of control at the Exchange. But why would the Federal government, which had been so keen to promote the stock market's development, allow those to whom it had granted a monopoly in share dealings to preside over the market's stagnation? One explanation, suggested above, was that the SEC, the regulatory institution upon which government supervision of the securities market depended, was both weak as an institution and dominated by NSE interests. Another,

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126. Article 6(1)(a), as reported in NSE, *Annual Report and Accounts*, 1979.

127. LSE Act, section 2.

which will be discussed more fully below, was the success of the Exchange's public relations effort. A third, and perhaps the most important factor, was that a highly profitable stock market would have created political problems for the leadership.

It will be recalled from Chapter Four that the Murtala and Obasanjo Governments viewed the share transfer exercise with populist intentions. Press reports of fortunes made through share dealings would have embarrassed the military government which, in promulgating the NEPD 1977, had emphasized the Decree's (and its own) egalitarian aims. Furthermore, it was believed by many in government that the spread of shareholdings was skewed towards the South and that the Exchange was dominated by a cabal of Lagos-based businessmen. As such, a surge in share prices would have aggravated regional tensions. A lucrative stock market, from which the North was presumed to be excluded would have upset people from "disadvantaged states", including top military officers and politicians, who insisted on maintaining Nigeria's "federal character" (meaning a "fair" share for the northern States), not least with regard to distribution of the nation's wealth. Thus, if, for their own reasons, the NSE's private members sustained a market regime in which share prices and trading were stagnant, it probably suited powerful northern interests in both the military and civilian governments just as well. The Federal government would tolerate the situation, at least until the NSE itself reflected Nigeria's federal character.

Sensitive to these political concerns, the NSE's private members successfully defused them in a way which preserved their control over the Exchange, and the Exchange's monopoly over share dealings in Nigeria. The Okigbo Committee's proposal in 1976 to establish two new *exchanges* "independent of the older Exchange, with their own independent Boards

and Management",[128] presented a direct threat to the LSE's monopoly. The military government seized upon this recommendation as an opportunity to achieve "equitable distribution" of shares under the NEPD 1977, and to open up the Exchange to people from outside Lagos.[129] After intense lobbying by the LSE, the Federal government directed the Exchange to open two new *branches* in Kaduna and Port Harcourt, both firmly under the control of the existing LSE Council, which was reconstituted and renamed the "National Council" of the "Nigerian Stock Exchange".[130] Some observers have suggested that the government simply misunderstood the distinction between Exchange branches and rival exchanges.[131] It seems more likely that the government's decision reflected a compromise with the Lagos Exchange's well-connected membership, but it cannot be said for sure.

Whichever the case, the NSE Council ensured that the Port Harcourt and Kaduna branches did not compete with the main branch in Lagos. It required all branches to carry on trading in the same securities, and none was permitted to grant a quotation to any company not listed by the others. Thus, branches could not generate additional business by enticing firms to seek an exclusive quotation with an offer of superior services on more favourable terms. Moreover, share prices at Port Harcourt and Kaduna were harmonized with those set at call-over in Lagos, usually informed by stockbrokers who had travelled up from Lagos or by their prior publication in the financial press.[132] As was described in Part Two, the level of activity in Port Harcourt and Kaduna was extremely low, even by the inactive standards of the Lagos branch. This was due in part to the origin of most Exchange business. However, even if investors

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128. "Okigbo Committee Report", paragraph 5.29.
129. Oluleye (1977).
130. *White Paper on the Okigbo Committee Report*, paragraph 90.
131. Interviews: two merchant bankers, one NSE member.
132. SEC, *Annual Report and Accounts*, 1983, p.22.

outside Lagos had wished to use the facilities of the regional branches, they were discouraged from doing so by the additional delays and inconvenience created by the NSE's insistence that all transactions be authenticated in Lagos. The Port Harcourt and Kaduna branches appear to have been little more than a result of the NSE's requirement that brokers sustain a physical presence on these trading floors.

Meanwhile, the NEPD 1977, by introducing a new and much larger cohort of foreign firms to the Exchange, created another challenge for existing members. They needed to accommodate the investors and directors of these newly-listed firms in order to extend the Exchange's control over dealings in their shares. The establishment of branches and the arrival of many new firms provided NSE members with an opportunity to deflect criticism of the Exchange's regional bias whilst preserving, even enhancing, their own control.

The Exchange responded to this challenge by expanding the size of its membership. Individual investors, as well as other prominent Nigerians associated with newly-quoted companies, presented themselves as sympathetic candidates since they shared with existing individual members a desire to protect their relationships with foreign companies. Of the nine individual members who joined the Exchange in 1977, all but one was a director or major investor in a newly-listed firm. The one who was not, served as the senior partner in a firm of chartered accountants which was employed by many listed companies.[133] When expanding its membership, the Exchange included non-Lagosians, especially people identified with the North.[134] Moreover, a simultaneous expansion in

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133. See NSE, *Annual Report and Accounts*, 1977, for a list of new members that year.

134. The NSE's new members in 1978 included: Mohammed Atta; Baba Dan Bappa; Silas Daniyan (previously an *ex officio* member); Aminu Dantata; Mamman Daura; Salihi Iliasu; Aliko Mohammed; and Faruk Mohammed. See NSE, *Annual Report and Accounts*, 1978, for a complete list of new members that year. In 1981, Aliko Mohammed became Vice-President of the NSE Council and he assumed the Presidency of the Council in 1984.

dealing memberships served both to allay growing criticism of stockbrokers' under-representation and to pre-empt the admission of potentially threatening outsiders.

Numerous State government investment companies were also awarded membership during this period. By incorporating State institutions into the NSE, individual members reinforced the federal character of the Exchange and strengthened their own positions. They probably reasoned that government investors were more likely to accept the NSE's policies as "insiders" than they would if denied any participatory role. If the active complicity of governments could not be assured, their involvement would at least aid in monitoring their intentions and lend official legitimacy to the private individuals who actually controlled the Exchange.

Though prominently visible within the Exchange hierarchy, the authority of State government institutions was rendered ineffective. State governments comprised the largest contingent on the Councils of the inconsequential Port Harcourt and Kaduna branches but were unrepresented on the Council of the more important Lagos branch (see Table 5.12). Moreover, all branch councils were subordinate to the National Council, which was expanded by an amendment to the NSE articles in 1979 to ensure that State governments held only a minority of seats and that individual members constituted a requisite two-thirds voting majority.[135] In 1980, the Exchange amended another Article to give Council the authority to set up committees which were empowered to conduct business on Council's behalf.[136] The establishment of the committee system was indicative of the growing complexity of the Council's activities. It also enabled Council's inner clique of private members to circumvent the others when dealing with sensitive matters.

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135. Article 6(1)(a). See NSE, *Annual Report and Accounts*, 1979, for details.
136. Article 6(12). See NSE, *Annual Report and Accounts*, 1980, for details.

Underdevelopment in Disguise

Authorities at the NSE evolved a rich mythology to account for the stagnation of the stock market over which they presided. Its most faithful adherents, including officials at the SEC, blamed the market's deficiencies on "structural" factors, which served to bolster the case for continued market intervention. Stock market mythology was credible, sincerely believed by market participants and regulators alike, because its variations had some basis in fact.

According to one myth, the Exchange suffered from trading inactivity because of the structure of share ownership. George Akamiokhor, SEC Executive Director, cited an "acute shortage" of shares available for trading because institutional investors, "for obvious reasons", retained their holdings, and because foreign shareholders "jealously" guarded against any reduction in their permissible maximum equity stake.[137] Although Akamiokhor did not elaborate on the "obvious reasons" for their reluctance to sell (see above for several explanations), it is true that institutional shareholders, both from the public and private sectors, had immobilized at least 15%, and perhaps as much as 25%, of the shares listed on the NSE.[138] If combined with the 43% stake held overall by foreign investors (see Table 4.17), no less than 58%, and possibly up to 68%, of all equity shares listed on the Exchange had been effectively withdrawn from trading.

Nonetheless, some 32 to 42% of the shares remained in the hands of hundreds of thousands of individual Nigerian shareholders. In an equity market of Nigeria's size, capitalized at ₦2,231m at the end of 1984, the

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137. Akamiokhor (1984).

138. Table 4.17, which takes into account only large-scale holdings (1% or more of Nigerian-owned equity), indicates that institutional investors held about 15% of the total equity on the NSE, or about 26% of the Nigerian-owned total. Other estimates of institutional holdings range from 15% (SEC, Research Department) to 23% (NSE, Research Department; *Financial Times*, 24 February 1986) to 25% (Odife, private estimate).

equity owned by individual shareholders, worth between ₦714m and ₦937m was not inconsiderable. Yet, as was seen in Table 5.10, the value of secondary trading in equities was only ₦12.5m that year, the NSE's most active. Even if we exclude the shares owned by foreign and indigenous institutional investors, turnover in 1984 was just 1.33-1.75% of the market value of private individuals' holdings, anaemic trading by any standard.

Explanations of varying credibility were advanced to account for individual investors' reluctance to sell their shares. Most blamed factors such as the "buy-and-hold investment psychology" allegedly prevalent amongst Nigerian shareholders, which hindered efforts to boost trading activity. The SEC Chairman based his plea for more Federal resources on the necessity to overcome the "socio-culturally embedded" characteristics of Nigerian investors.[139] Alile spoke of Nigerians' aversion to speculation.[140] He did not explain how hundreds of thousands of Nigerians transcended their fears to buy shares in the first place. Others in Exchange circles remarked that Nigerians invest for reasons of prestige, and that a Nigerian would no sooner sell his shares than he would sell his house. The public esteem accorded to shareholders, they claimed, was evidenced by the practice of many Nigerian investors who hung share certificates on their living room walls.[141]

It is ironic that the Exchange criticized the investment behaviour of Nigerian small-holders when its own members, including public sector institutions, were "guilty" of the same practice but on a much grander scale. Nigerians evidently did "buy and hold" their shares. But this was less a result of investment psychology and the supposedly non-speculative culture of Nigerians than a rational response to the market conditions

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139. A. Ahmed (Chairman, SEC and Deputy Governor, CBN), letter to V. Mazi (Federal Minister for Finance), dated 30 October 1981, in SEC, *Annual Report and Accounts*, 1980.

140. Alile (1981).

141. Interviews: P. Okigbo (Member, NSE); N. Okereke-Onyiuke (Research Director, NSE); A. Fadina (General Manager, NSE).

created by the Exchange. If share prices had not been suppressed by the Exchange, share certificates would have soon become too valuable to grace the walls of Nigerian investors.

Rather than attack the regulatory practices which constrained trading activity, most observers and participants in the securities market concentrated attention on the need to overcome the resistance of companies to seek quotation. The Industrial Enterprises Panel, for example, recommended that the NEPD 1972 be extended in a manner that would increase the number of shares available for trading.[142] Both the NSE and SEC denied responsibility for the failure to attract additional listings and instead attributed culpability to foreign and indigenous entrepreneurs. Foreign companies, it was said, avoided the Exchange because Nigerian shareholders would threaten expatriate control. Indigenous entrepreneurs ignored the opportunity to raise capital on the NSE, according to Alile, "due to misunderstanding of the role and benefits to be so derived". Speaking to a group of indigenous businessmen, Alile forecasted optimistically that such "backward" practices would

> ...soon be a thing of the past. ... There are a good number of indigenous companies that will qualify for quotation if their management are re-organised along modern lines. The prognosis is that this will have to happen within a few years.[143]

However, four years later, the SEC referred to "the aura of secrecy built around many indigenous enterprises coupled with the aversion to ownership dilution" as factors which continued to impede the willingness of Nigerian-owned companies to seek quotation.[144] Further to this point, Akamiokhor noted that since the SEC based its valuations on tax accounts which were often understated, indigenous entrepreneurs were reluctant "to disclose full and accurate corporate information possibly for fear of Inland Revenue".

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142. "IEP Report", paragraphs 2.35(6), 4.59(iii).
143. Alile (1977), pp.13-4.
144. SEC, *Annual Report and Accounts*, 1980, p.22.

They not only fear the authorities' scrutiny, he added, but also that of prospective Nigerian shareholders whose "militant posture ... many entrepreneurs are not prepared to put up with".[145]

All of these explanations ignored the fact that the NSE was simply not an attractive venue in which to raise equity capital. Considering the dividend yields which equities attracted at the Exchange (see Table 5.6) and the relatively high expense of public issues (see Table 5.9), it was usually less costly for businesses to raise finance through debt. Companies needed only to look to the experiences of those firms coerced into listing on the Exchange to decide unreservedly against a public share issue. A consistent pattern of SEC under-valuation and NSE intervention discouraged the interest of both foreign and indigenous entrepreneurs, not just the prospect of losing control to hostile shareholders. As one merchant banker noted with regard to the implementation of the NEPDs, "Having watched how the foreign investor was treated in the capital market, who can blame the indigenous investor if he is reluctant to be led to the same 'slaughter house'?"[146]

Nothing attests more to the Exchange's lack of appeal for entrepreneurs than the aversion shown by its own members, many of whom were themselves owners of substantial businesses that would have met the NSE's listing requirements. Indeed, one long-time Exchange member, Inlaks, an Indian firm, was one of the largest foreign companies to escape mandatory listing during the share transfer programme. The ironic hypocrisy of the NSE's admonishments to *other* "Captains of Industry" was not lost on George Akamiokhor:

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145. Akamiokhor (1984).
146. Odife (1984b).

> A change of attitude among those highly respected and influential citizens whose proximity to the market will make their noble example worthy of emulation by other Nigerians, particularly those who are currently sitting on the fence, is most essential. In my opinion, this is not the time for pious statements but rather we should lead by examples and precepts.[147]

As of 1985, not one Exchange member had applied for an NSE quotation for his own company.

Stock market mythology not only diverted criticism from the Exchange and its members' practices but was used to justify further market regulation. For example, Akamiokhor argued that, by pricing primary issues, the SEC "saved [the private underwriter] the agony of this pricing dilemma". Furthermore, he considered it necessary for the SEC to retain its pricing authority even after implementation of the NEPD 1977 because local stockbrokers and issuing houses were biased towards foreign interests:

> Most of the issuing houses are merchant banks with alien interest. ... The major stockbroking firms could not be said to be truly indigenous and independent as they are offshoots of the merchant banks.... This relationship poses a justifiable fear as to possible conflict of interest in any additional role as pricing authority. From all indications, the issuing houses have vested interest and therefore the tendency might be for the prices (they would set) to be artificially high.... They may therefore tend to lose sight of the peculiarity of the Nigerian situation in preference to practices in more developed capital markets.[148]

As argued in Chapter Four, foreign firms would not deliberately set "artificially high" prices for securities issues and risk under-subscription. Nor is there any evidence that experience in foreign markets blinds perception of Nigerian conditions, if indeed these are peculiar.

Other demons were invoked to justify intervention in the secondary market. Price controls were necessary because investors' "buy-and-hold" attitudes supposedly rendered the ownership base too narrow for normal trading to ensue:

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147. Akamiokhor (1984).
148. Akamiokhor (1984).

> Can we therefore honestly say that under the prevailing circumstances that the market forces of demand and supply prevail? My answer is in the negative. ... The Stock Exchange owes it as a duty to intervene when prices are arbitrarily raised.[149]

Yet it was the *Exchange* which "arbitrarily" fixed prices, not the market.

Intervention in secondary trading was justified variously by the poor quality of stockbroking at the Exchange,[150] the foreign bias of many brokers,[151] even the inadequacies of the country's postal and telephone systems, which were said to obstruct the flow of market information.[152] The potential wrong-doing of privileged insiders was highlighted as an evil that merited special vigilance,[153] and was put forward as grounds for excluding stockbrokers from the Exchange's ruling Council.[154] The "IEP Report" observed that "although these dangers are usually more apparent than real, they are often thought to be so anti-social that an unfree market is considered politically more desirable".[155] The IEP must have had the NSE's political desires in mind. If anything, intervention in share trading and pricing enhanced the opportunities for *Exchange* insiders to profit through corrupt means. It was they who had first knowledge of share price movements, not to speak of their capacity to manipulate prices at call-over, and it was they, more easily than anyone else, who could have expedited a transaction made on their behalf.

The *Barback Report* recognized that a stock exchange in Nigeria could not develop more quickly than the demand for its services. But the Exchange seems to have believed that it could inspire growth of the stock

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149. Akamiokhor (1984).

150. Uka (1983).

151. Akamiokhor (1984).

152. SEC, *Annual Report and Accounts*, 1980, pp.4, 22.

153. *SEC Quarterly*, Introduction, various issues. See also Olawoyin (1982), in which the author, an academic lawyer, strongly favours the existing regulatory structure of the Nigerian securities market because of his concerns about insider-trading.

154. Alile and Anao (1986), p.100.

155. "IEP Report", paragraph 2.7.

market by enlarging its institutions. It constructed an enormous headquarters building in Lagos, of which it occupied only two floors. Its roster of members was expanded greatly and new stockbroking firms were awarded licences, despite a dearth of shares to trade. The Exchange established new branches, which brokers dutifully, though futilely, manned. The propagation of trading facilities was then cited as evidence of the stock market's expansion. However, by the SEC's admission, trading at both new branches has been moribund ever since their inception.[156]

Lacklustre activity and the high cost of maintaining these branches produced calls for their abolition. In response, a senior officer of a government financial institution argued that market considerations should be overlooked: "for the moment the Nigerian stock exchange should see itself as a social service institution". He defended the continued operation of the admittedly dormant Port Harcourt and Kaduna branches on the grounds that "it is necessary to spread resources evenly around the country".[157] The resources he was referring to, however, were not shares but the branches themselves, as if the Exchange's institutions had become ends in themselves. But the NSE branches were merely trappings of development without any genuine economic activity underneath. As Odife pointed out, "to continue to believe as we all do today that the branch-exchange system is alive in Nigeria is to engage in self-delusion".[158]

In 1984 the NSE enlarged itself again by initiating the Second-tier Securities Market (SSM).[159] The SSM was intended to answer criticism that the Exchange had failed to attract new companies, particularly small and medium-sized firms. From the outset, indigenous firms were regarded as its main constituency. In all public discourse and publications

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156. SEC, *Annual Report and Accounts*, 1983, p.22.

157. M. Anka, "In Defence of Stock Market Branches", *National Concord*, 3 September 1985.

158. Odife (1984a).

159. The SSM was approved by the SEC on 27 December 1984. *SEC Quarterly*, Vol.2, no.1 (March 1985), p.1.

coinciding with the SSM's launch, the Exchange emphasized its desire "to meet the aspirations of genuine indigenous entrepreneurs".[160] An implication of this ambition was that the Exchange considered the "first-tier", the NSE, to be the province of *expatriate* business. With the second-tier, budding indigenous entrepreneurs could be excluded from an institution where foreign firms and their Nigerian associates were paramount. The SEC was in favour of the SSM but wanted it to be set up outside the NSE's jurisdiction. However, it eventually acceded to the Exchange's initiative, which left the NSE to monopolize the "indigenous" stock market, just as it had the "expatriate" one.[161] Once the SSM had been established, the Exchange could claim to serve the needs of indigenous businessmen but still prevent any from gaining a strong foothold at the NSE, or even at the SSM.[162]

The NSE's presentation of trading statistics obscured the fact that market activity did not keep pace with institutional developments. In both the pronouncements of its officials and the tables in its publications, trading figures usually emphasized the number of transactions rather than their value. When Exchange officials discussed the value of share trading, they often neglected to distinguish between the primary and secondary markets. If they did reveal information about secondary trading, they usually grouped equities with industrial and government stocks, masking the relative insignificance of the former.

Alile, for example, hailed as "remarkable" the growth of secondary trading which, he noted, rose in value from ₦34m in 1971 to ₦420m in

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160. Okereke-Onyiuke (1985). See also Omenai (Vice President, NSE) (1985); Alile and Anao (1986), pp.73-5; *SEC Quarterly*, Vol.2, no.1 (March 1985), p.2.

161. Interviews: SEC official; two merchant bankers.

162. Two merchant bankers recounted five separate instances in which the NSE dictated terms so unfavourable that they counselled their clients to withdraw their applications for an SSM listing.

1981.[163] However, secondary trading in government stocks represented respectively 91% and 98% of the total in those years.

Table 5.16:
Composition of Secondary Trading on the NSE by Volume and Value, 1961-84

	Number of Transactions			Value of Transactions		
Year	Total (No.)	Government Securities	Industrial Securities[a]	Total (N '000s)	Government Securities	Industrial Securities[a]
1961/62	667	25.04%	74.96%	N4,370	94.35%	5.65%
1962/63	795	32.45	67.55	8,492	92.75	7.25
1963/64	876	45.21	54.79	12,506	91.69	8.31
1964/65	1,084	35.15	64.85	16,144	84.82	15.18
1965/66	1,032	46.90	53.10	16,847	93.34	6.66
1966/67	911	44.46	55.54	12,380	94.54	5.46
1967/68	661	41.75	58.25	12,887	97.83	2.17
1968/69	547	58.14	41.86	17,433	99.41	.59
1969/70	638	45.45	54.55	15,856	98.60	1.40
1970/71	884	27.60	72.40	33,624	90.84	9.16
1971/72	906	25.72	74.28	28,042	95.35	4.65
Mean:	818	38.90%	61.10%	N16,235	93.96%	6.04%
1972/73	859	33.64%	66.36%	N36,798	98.17%	1.83%
1973/74	2,243	12.17	87.83	100,611	98.75	1.25
1974/75	1,456	11.95	88.05	64,214	99.15	.85
1975/76	904	32.52	67.48	81,424	99.03	.97
1976/77	1,633	20.64	79.36	156,122	98.54	1.46
1977/78	2,171	11.93	88.07	229,737	98.67	1.33
1978/79	2,851	5.09	94.91	145,488	98.63	1.37
1980[b]	8,165	3.22	96.78	522,851	97.93	2.07
1981	10,226	1.14	98.86	332,298	98.16	1.84
1982	9,406	2.00	98.00	216,430	96.20	3.80
1983	11,925	2.45	97.55	397,960	96.71	3.29
1984	17,444	1.11	98.89	418,190	96.31	3.69
Mean:	5,774	11.49%	88.51%	N225,177	98.02%	1.98%

[a] Includes both equities and other industrial securities.
[b] Fifteen months.

Source: Compiled and calculated from NSE, *Annual Report and Accounts* (various years); "Statement of Transactions" (monthly summaries, 1983-4).

Table 5.16 indicates that secondary trading in industrials always constituted the majority of the total number of transactions. However, government stocks comprised the vast majority of activity in terms of value, and this trend became much more pronounced after the Decrees.

163. Alile (1981). Alile reported data for the 1981 calendar year rather than the financial year, which was only nine months.

Moreover, the relative vitality of equity trading seems to have diminished since the NEPDs, despite a massive increase in the number of listed equities and their capitalization on the market.

Table 5.17:
Value of Secondary Trading in Industrials as a Proportion of the Total Capitalization of the Equity Market, 1961-84

Year	No. of Equities[a]	Total Market Capitalization[b] (N'000s)	Value of Trading[c] (N'000s)	Value of Trading/ Total Mkt. Cap.[d]
1961/62	3	N35,454	N247	.70%
1962/63	3	35,454	616	1.74
1963/64	4	47,272	1,039	2.20
1964/65	6	70,908	2,451	3.46
1965/66	8	94,544	1,122	1.20
1966/67	8	94,544	676	.72
1967/68	8	94,544	280	.30
1968/69	8	94,544	102	.11
1969/70	8	94,544	222	.24
1970/71	13	153,628	3,080	2.01
1971/72	19	186,850	1,303	.70
Mean:		N91,117	N1,013	1.22%
1972/73	24	N226,419	N672	.30%
1973/74	33	250,225	1,262	.50
1974/75	33	321,145	549	.17
1975/76	34	471,734	789	.17
1976/77	35	507,994	2,272	.45
1977/78	42	658,548	3,045	.46
1978/79	81	1,161,489	1,987	.17
1980[e]	91	1,612,294	10,817	.67
1981	92	1,850,088	6,119	.33
1982	92	1,783,282	8,214	.46
1983	91	2,111,176	13,090	.62
1984	91	2,230,801	15,440	.69
Mean:		N1,098,766	N5,355	.42%

[a] Does not always agree with data published by the NSE because the Exchange seems to have counted companies which had been withdrawn from trading.
[b] Total market capitalization of equities only, based on prices and number of shares at year-end. Data for 1961-70 are estimated (roughly) by multiplying the number of equities by their mean average market value in 1970/1, the first year for which accurate data are available.
[c] Includes both equities and other industrial securities. (The latter represented about 25% of the total value of trading in industrials, extrapolating from the 1983-5 data, for which disaggregated data are available.)
[d] Calculated as: Value of secondary trading in industrials (equities and stocks)/total market capitalization of equities only.
[e] Fifteen months.

Source: Calculated from NSE, *Annual Report and Accounts* (various years); "Daily Official List" (last trading day, 1970-84); Company Reports (all listed firms, various years).

Table 5.17 reveals that the value of secondary trading in industrial securities did increase after the NEPDs. However, relative to the equity market's total capitalization, turnover in industrials fell by almost two-thirds from the already low levels experienced throughout the 1960s. In no year following the Decrees did the value of turnover exceed even one per cent of the equity market's capitalization. Furthermore, the estimates for the market's capitalization from 1961-70 are almost certainly over-stated because they are based on 1970/1 share prices (see note[b]). This would suggest that the decline in turnover as a proportion of the equity market's capitalization was even greater than indicated above.

Disguising the secondary market's increasing petrifaction, NSE and SEC publications reported on share price movements as if they responded to market forces:

> The Nigerian Stock Exchange was in a hesitant market in the latter part of the period under consideration. The market could not make up its mind on the policies of the in-coming civilian government. However, it would appear that the market discounted for the anticipated wage and salaries which could result in reduced profits.[164]

If anyone had been indecisive about the policies of the in-coming civilian administration or had discounted their anticipated effects on corporate profits it was the chairman of call-over who fixed share prices, not "the market". Referring to the market's performance in 1983, the SEC wrote:

> The secondary market was more active than the primary market compared with the previous year. This may not be unexpected in a period of recession when investors resort to panic buying and selling.[165]

The Commission went on to report that share prices had scored broad *gains* amidst this curious recessional market of "panic" buying and selling.

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164. NSE, *Annual Report and Accounts*, 1979.
165. SEC, *Annual Report and Accounts*, 1983, p.9.

Adding colour to its portrayal of the market's sophistication, the Exchange classified listed firms into various industrial sectors such as "computer & office equipment", "petroleum", "machinery", "automobile & tyre", "pharmaceuticals", and "conglomerates".[166] The NSE and thereafter the financial press discussed the "sectoral performance" of Nigerian equities, again as if share prices were an accurate "barometer" of the economic health of each sector.[167] In 1984, the NSE even began to publish a "Stock Market Index", based on the same principle as the indices of the New York and London Stock Exchanges. According to the NSE Research Director,

> The value of an index cannot be over-emphasized. The stock market index is often taken by economists, analysts and other professionals as a good economic indicator on their evaluation of aggregate economic conditions in the country.[168]

Share analysts in New York or London regard those markets' indices as measures of market performance. At most, they can be taken as a gauge of investors' expectations of economic performance. In Nigeria, however, such an index reveals only the Exchange authorities' perception of economic prospects and the stringency of their share price restraints.

Like NSE publications, periodic conferences sponsored by the Exchange and the SEC projected a larger-than-life image of the stock market's development. Amongst the recent conferences convened were those to discuss public quotation (1981), the capital market (1982), underwriting (1984) and financial journalism (1985), some of which had little or no relevance to Nigerian conditions. At a 1985 conference on mergers and acquisitions, the "nefarious practices" of "corporate raiders" in the United States were elaborated at great length. The *SEC Quarterly*

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166. See NSE "Daily Official List" for a complete list of classifications.

167. Okereke-Onyiuke (1985). See, for examples, SEC, *Annual Report and Accounts* (various years), and *SEC Quarterly*, "Stock Price Movements" (any issue); and the business pages of any Nigerian newspaper.

168. Okereke-Onyiuke (1985).

followed with an extensive article on the subject but acknowledged that any merger involving a firm with foreign-owned equity, nearly all those listed on the Exchange, would be illegal under the NEPD 1977 unless the acquired company were wound up.[169] An NSE official commented at a training session for financial analysts that underwriting of equities "is gradually gaining ground in the Nigerian capital market".[170] This was plainly untrue because the SEC had pre-empted the underwriter's role. Furthermore, the NEPD 1977, possibly by a drafting oversight, effectively outlawed underwriting in Nigeria: if an issuing house were to purchase a company's equity for subsequent resale it would exceed the 5%/₦50,000 upper limit on shareholdings; if this "underwriter" were partly foreign-owned it would also have contravened restrictions on alien ownership.

Most observers gave the NSE unwarranted respectability. Nigeria's national dailies doggedly followed NSE share prices, the market index and the progress of other Exchange "developments" in their financial pages. The foreign press was no less gullible in accepting and recounting stock market mythology. For example, the *Financial Times* (of London) wrote in a 1986 survey on the Nigerian economy that

> Despite the economic recession, Nigerian investors have enjoyed handsome share market gains over the past two years, partially reflecting equity market inflation in the sense of too many buyers chasing too few shares, but also in response to the sparkling profits achieved by many listed companies.[171]

However, these "share market gains" were purely hypothetical since there had been scarcely any profit-taking during the period. The reporter simply accepted at face value that share prices had responded to market forces and parroted the evasive explanations proffered by the Exchange to

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169. *SEC Quarterly*, "Mergers, Acquisitions and Takeovers: A New Trend in Nigeria", Vol.2, no.2 (June 1985), p.9

170. Okereke-Onyiuke (1985).

171. *Financial Times* (of London), "Nigeria Survey", 24 February 1986.

account for the secondary market's inactivity.[172] Like its Nigerian counterparts, the *Financial Times* gave undue attention to the Nigerian Stock Market Index and concluded that at its current level, Nigeria was "near the top of the league of developing country capital markets -- number six in line", after Malaysia, Brazil, India, Korea and Mexico.[173]

Recent Challenges and Prospects

Although the Exchange could take comfort from the widespread acceptance of stock market mythology, its domination of the securities market has come under increasing threat in recent years. The Shagari Administration attempted to elevate the stature of the SEC vis-à-vis the NSE in order to contain the influence of members of the so-called "Southern Bourgeoisie" at the Exchange. A bill was put before the National Assembly in 1980 to remove the NSE's representation on the SEC and to increase the number of commissioners from outside the Public Service, these to be appointed by the President himself.[174] The Securities and Exchange Commission (Amendment) Act was approved in 1981[175] but the prescribed reconstitution of the SEC was not implemented until the first quarter of 1983.[176] The coup of 31 December 1983 led to the disbandment of the Shagari-appointed Commission, and the SEC's invigoration and Northernization was delayed until the new Buhari Administration could make its own arrangements. One year later, the SEC Decree was amended again in order to reconstitute the Commission

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172. *Financial Times* (of London), "Nigeria Survey", 24 February 1986.

173. *Financial Times* (of London), "Nigeria Survey", 24 February 1986. See "Nigeria Survey" of 2 March 1987, for an up-date of Nigeria's standing in the "LDC stock market league".

174. Securities and Exchange Commission (Amendment) Bill, S-9-80E, entered 27 March 1980.

175. Securities and Exchange Commission (Amendment) Act 1981, No.9 of 1981 (1 October).

176. SEC, *Annual Report and Accounts*, 1983, p.ii.

with Buhari appointees, all but one of whom hailed from a northern State, and still excluding an NSE representative.[177]

Five years had elapsed between Shagari's initial attempt to create an SEC independent of NSE control and its eventual reconstitution, but in 1985 the Commission seemed poised to assert greater authority over the securities market. The SEC pushed the northern-based New Nigeria Development Company to establish a second stockbroking firm and prevailed upon the NSE to grant it a dealing membership.[178] When one State government agreed to sell some of its equity holdings, the Commission, not satisfied that Northerners would be allocated shares in sufficient numbers, pressured that State to rescind its decision.[179]

The drive for "privatization" of Federal government-owned assets increased the urgency felt by Nigeria's political leadership to exert greater control over the Exchange. The NSE and SEC had long favoured the sale of government shares and certain "non-strategic" parastatal corporations through the Exchange in order to promote trading and, no doubt, bring a larger slice of the economy under their control.[180] The World Bank and IMF also pressured for privatization, regarding it as means to reduce the drain of parastatals on the public sector's finances and to bolster the efficiency of enterprises which were believed to suffer from excessive and intrusive government involvement.[181] Privatization was considered by both the Shagari and Buhari Administrations. However, concrete proposals floundered because of concerns that "privileged

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177. Securities and Exchange Commission (Amendment) Decree 1985, No.1 of 1985. See Federal Ministry of Information Press Release, 15 February 1985, for names of new appointees to the SEC.

178. Interview: former NNDC official.

179. Mbanefo (1985), p.5.

180. See NSE and SEC, *Annual Report and Accounts*, (every year since 1979); and letter from A. Ahmed (Chairman, SEC and Deputy Governor, CBN) to V. Mazi (Federal Minister for Finance), 30 October 1981, in SEC, *Annual Report and Accounts*, 1980.

181. Interview: I. Husain, (Head of Delegation, World Bank, Lagos).

individuals" (i.e. Southerners) would benefit disproportionately under the existing institutional arrangements, as had been alleged of the NEPDs.[182]

Under General Ibrahim Babangida, who became Head of State after the August 1985 coup, Nigeria accepted the World Bank's "Structural Adjustment Programme". This programme entailed major reforms in the direction of economic liberalization, one of which was privatization.[183] The SEC had gained in authority, but there was still concern that privatization would be turned to the advantage of large-scale investors from the South.[184] Babangida answered some of these fears by appointing Hamza Zayyad, formerly General Manager of the NNDC, as chairman of a committee to recommend ways to implement privatization. At the time of writing, the committee's report has not been released. But it seems likely that a large-scale privatization programme could only be effected through the Exchange, and just as likely that the programme will not go forward until the government is satisfied that the NSE's involvement will not preclude state-owned assets from being sold in a manner that conforms to Nigeria's federal character and "egalitarianism".

If the response of the Nigerian Stock Exchange to the NEPDs 1972 and 1977 is a good indication of what might ensue following privatization, the government's concerns are misdirected. As has been seen in this chapter, the great majority of Nigerian shareholders did not realize wind-fall gains from their investments. Nor did the most privileged investors, and others who dominated the Exchange, who probably benefited more through other means than they did (or presumably could have) from their holdings of Nigerian equities. These people adroitly manoeuvred the NSE

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182. Interviews: I. Husain; D. Odife. See also Odife (1984b).

183. See *Financial Times* (of London), "Nigeria Survey": 24 February 1986; 2 March 1987; 7 March 1988; African Economic Digest, *Nigeria: An AED Special Report*, (May 1986), pp.28-30; Husain (1987); Phillips and Ndekwu (eds.) (1987); for details on the structural adjustment programme and privatization.

184. Interviews: two SEC officials, bank economist.

to the "regulatory apex" of the securities market and transformed the Exchange into a private regulatory institution with the public sector's backing. From this position, the NSE deployed its controls to maintain the alliances of its members with foreign companies on a long-term basis.

Because most of the firms slated for privatization have been plagued by losses and financial mismanagement, and because few involve foreign participants with whom profits could be shared abroad, it is possible that large-scale individual investors will not be much interested. However, as with the NEPDs, there will be no shortage of small-scale investors keen to join the ranks of the shareholding public. But even if public sector firms were to become profitable under private direction, NSE controls, which remain in force, would deprive investors in privatized issues of their due returns. Privatization might eventually lead the government to break the NSE's hold on the securities market. However, if it does, the government will still find it difficult to liberalize the NSE's practices, in view of the political necessity of maintaining Nigeria's federal character and preventing "the concentration of wealth in a few private hands". As long as the NSE's controls are retained, those Nigerians who acquire shares from privatization -- or foreigners who "swap" Nigerian debt for listed equities or who invest in a "Nigeria Fund" -- stand to suffer the same fate as the generality of investors under the NEPDs.

CHAPTER SIX

A POLITICAL ECONOMY OF BUSINESS REGULATION

In Chapter One it was seen that scholars applied an analysis of the NEPDs' origins, implementation and effects to advance various theoretical conceptions of the Nigerian political economy. Having considered their accounts in Chapter One, put the Decrees in their context in Chapter Two, and introduced new and more detailed evidence in Chapters Three, Four and Five, it is now possible to challenge some of these scholars' conclusions and the models which they derive from them. This is the aim of Part One. In Part Two, inferences will be drawn from Nigeria's experience with the NEPDs to speculate on how the proliferation of business regulations might affect the country's political economy in the long-term.

PART ONE: REVISING THE ACCOUNT

Origins of the NEPDs

"Indigenization" did not represent a radical revision of the Nigerian government's attitude towards foreign business or the private sector in general. From the examples given in Chapter Two, it is evident that the Nigerian state had always regulated the role of foreign capital in the country in ways which affected the balance of competition between expatriate and local enterprise and created opportunities for private accumulation. Coinciding with World War II, the state played a more activist role in the country's economic life, a part which grew much larger still under Nigerian direction, especially during and after the Civil War. However, even the early Colonial Administration intervened in the private sector whilst citing local economic interests as justification.

"Indigenization" was not a new *policy* towards foreign business. Like Lugard's "dual mandate" and post-war notions of "development", it provided an *ideology* about the appropriate role of the state in economic life. To be sure, the state's role had evolved profoundly from *laissez-faire* colonial ideas of government "trusteeship". In Lugard's day, the maintenance of fair competition amongst foreign firms implied, but did not always result in, *restraint* in the government's use of state controls. In 1972, fair competition, now between expatriates and Nigerians, was said to *warrant* state intervention to curtail imbalances which had developed. Nonetheless, the rationale that it was the state's responsibility to ensure an "equitable" balance of competition in the private sector for the benefit of business interests, both foreign and local, was invoked with remarkable consistency and regularity.

As seen in Chapter One, Balabkins and Anifowose interpret the Decrees as by-products of economic nationalism and indigenous political control and so overlook interventions imposed by colonial authorities in the name of Nigerian businessmen. Biersteker records several attempts at indigenization during the post-War colonial period. However, he does not begin his examination early enough and mistakenly identifies "Nigerianization" during the 1950s as the first manifestation of indigenization. Land regulations imposed during the earliest days of the Nigerian state, establishing agricultural production as a (nearly) exclusive preserve for indigenous participation, could be regarded as the first precursor of the NEPDs. Though superficial, colonial concessions to African traders also pre-dated the earliest official efforts to promote Nigerian personnel.

During both colonial and post-Independence periods, Nigerian governments frequently took actions which they claimed would cater for indigenous businessmen who had been impeded by foreign domination of

the economy. These encompassed preferment with licences, business permits and contracts, immigration controls, expatriate quotas, regulatory concessions, credit provisions, direct state investments and the creation of new government institutions to render assistance to Nigerian businessmen. Although the intent and consequences of these interventions were often unrelated to (and in conflict with) promoting indigenous businessmen, support for each of them was offered in part or whole by the arguments of what is now called "indigenization". Characterizing the NEPD 1972 as "the first serious attempt by Government to deal systematically and positively with the problem of the chronic foreign domination of the economy",[1] Akeredolu-Ale is right to imply that the previous official indigenization efforts were not co-ordinated and achieved little. However, he, like other analysts of the Decrees, does not take into account the existence of many other, long-standing government policies which were justified as means to open up opportunities for Nigerians, whether or not these succeeded in practice.

These policies affected different aspects of foreign economic control, even if the governments which implemented them did not always distinguish them as such. Preferential awards of licences, produce-buying agencies, government procurement contracts and immigration restrictions were used to enlarge the market share held by Nigerian traders and to delimit areas in which foreigners (usually of Levantine and Asian origin) could not compete. Fiscal incentives and public banking and investment institutions were activated to encourage Nigerian ownership of industries. Formal and informal banking regulations, credit and exchange controls, the creation of state-supported financial institutions and partial nationalization of existing private ones were undertaken to indigenize the country's financial system. Expatriate quotas, government training and advisory

1. Akeredolu-Ale (1976), p.112.

schemes and, in part, state ownership of "strategic" enterprises were intended to promote Nigerians to managerial posts. Although most of these interventions were modest in scope, often merely ratifying changes which were already under way, the government's indigenization "strategy" was evidently a broad one and employed a variety of policy instruments.

Contrary to the opinion of the Nigerian Economic Society, therefore, the NEPD 1972 cannot "rightly be regarded as the most comprehensive statement of the new policy orientation of the Nigerian government toward private foreign investment".[2] Although the Gowon and Obasanjo Governments which promulgated the NEPDs (as well as scholars who analyse them) overstated the Decrees' aims, the legislation dealt with only two facets of indigenization: foreign competition in selected economic activities and Nigerian financial participation in foreign-owned companies. Neither Decree addressed directly other concerns of external dependence for which their "failure" has been criticized, such as the slow progress of Nigerianization, excessive foreign remittances, the paucity of domestic capital accumulation, the lack of linkages amongst Nigerian industries and heavy reliance on foreign technologies. These problems were targeted by many other "indigenization" regulations, including some referred to above, but are neglected in the literature on the subject.

Even the two aspects of indigenization with which the NEPDs were concerned followed from well-established policy antecedents. Every Nigerian government since World War II had encouraged expatriates not to enter into businesses in which Nigerians were already competitive and to include local capital where foreign participation was considered necessary. The novelty of the Decrees lay mainly in that *existing* foreign firms were affected and that expatriates were *required* to disengage from prohibited activities and to divest themselves of a proportion of their equity.

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2. Nigerian Economic Society (1975), p.v.

By promulgating the NEPDs, the Federal government responded to pressures applied by Nigerian businessmen. But this is not to suggest, as have Hoogvelt, Osoba, Collins and Forrest, that the Decrees emerged merely, or even *mainly*, from the efforts of an indigenous bourgeoisie to secure from the state enhanced opportunities for private accumulation and from the government's desire to accommodate them. Though Beckman rightly questions the existence of clear divisions between foreign and local capital, he too misunderstands the motives of those people who pushed for the NEPDs but who were not determined to promote private enterprises of any description.

Biersteker expands our understanding of the Decrees' origins by identifying ways in which the policy suited the government's economic and political agenda. He is also correct to point out that the promulgation of the NEPDs does not indicate that the state was "captured" by private enterprise. However, he seems unduly impressed by the sincerity with which the government pursued its "national convictions" and under-estimates the diversity of the statist interests he claims to depict. As a result, Biersteker fails to see why the Decrees were favoured not just by "local capital", the political leadership and "economic nationalists" within the state, but also by government institutions and the individuals who operated them. These people had their own objectives in mind and pursued many of them during the Decrees' implementation.

Implementation of the NEPDs

Accepting literally the government's rhetoric about the Decrees' objectives, scholars assess the programme's implementation outside the terms of its statutory provisions. They, like public officials and the press, focus on issues of *control* and *management*, although the text of the Decrees mandated changes only in the balance of business *competition* in certain activities (Schedule I) and of corporate *ownership* in others (Schedules II and III). Biersteker and Hoogvelt examine at great length various means by which foreign companies retained control of their Nigerian operations. By so doing, they misleadingly imply that control would have passed to Nigerians if only the Decrees had been more effectively implemented. Biersteker, Hoogvelt and others are correct to observe that Nigerian investors did not gain control of most foreign companies in which they bought a partial stake. However, to attribute this to evasion of the Decrees is really to criticize the NEPDs as a policy of indigenization. For even if Nigerian investors had exercised influence on firm management, they would not have forced through changes in corporate policies to suit "national" objectives if these had conflicted with their own financial interests.

These scholars, as well as those government officials who genuinely expected the Decrees to bring about a transfer of corporate control to Nigerians, appear to have discounted the separation between management and ownership in large, joint-stock corporations. In the industrialized countries, where most of the important foreign companies in Nigeria are based, it is virtually unknown for single shareholders, excepting perhaps the largest, to influence key decisions in production, finance and marketing. Indeed, a main attraction of share ownership as a form of investment is that profits can be shared without assuming managerial responsibilities. The extent to which foreigners ceded control to

Nigerians is not an appropriate standard by which to evaluate the compliance of firms listed under Schedules II and III. This was not prescribed by the provisions of either Decree. The standard is rather, whether or not foreigners transferred equity *ownership* to Nigerian citizens and associations in the requisite amounts. Judging from the evidence, it can only be concluded that they did.

Although 212 of 950 foreign firms affected were not transferred to Nigerians during implementation of the NEPD 1972, they were of comparatively little value. Engaged mainly in labour-intensive activities, they collectively represented only about 5% of the equity which was supposed to be sold to Nigerians but was not. As seen in Chapter One, Biersteker regards the non-compliance of Schedule I, Levantine-owned firms, according to him the "weak link" of foreign capital, as indication of the ease with which more powerful firms from Western countries evaded the Decrees. This conclusion contrasts with what Sklar's "doctrine of domicile" would. predict: that large foreign companies, being most vulnerable to local antagonisms, take pains not to be seen in conflict with host-country policies.[3] It also contradicts the evidence of what happened in Nigeria. In Chapters Three and Four it was seen that almost all large multinational companies classified under Schedules II and III, *especially* those based in Europe, North America and Japan, not only satisfied the provisions of both Decrees but were the first to comply. A few large firms escaped full compliance for several years, but they did so mainly through legal means and because of delays imposed by the authorities themselves. What Hoogvelt terms "circumventions" and Biersteker calls "countervailing measures" (such as financing share purchases by company associates and recruiting prominent Nigerians as investors and directors)

3. Sklar (1975), pp.182-88. See also Becker and Sklar (1987), pp.9-10.

are commonly practised elsewhere in the world, where they are not considered "benignly legal" but instead, simply sensible.

Foreign compliance with the Decrees' other requirement, that which barred alien participation in designated areas of the economy, was less thorough. It was seen in Chapter Three that more than 40% of the firms classified under Schedule I evaded the regulations. Most of these were small-scale distributors (particularly of textiles) and operators of betting pools and cinemas. They were owned mostly by Lebanese and Indians who had settled in Nigeria more or less permanently. Whilst it is clear that these "resident-expatriates" failed to divest themselves of their businesses when directed to do so, it is not known whether they continued to operate in restricted fields. It appears as if most did not, considering that the "mopping-up" operation of 1976 found that most of the firms in default of the NEPD 1972 had been abandoned, which left fewer than 100 firms to be classified in Schedule I under the 1977 Decree's much more sweeping list of prohibited activities. Even if non-compliant firms did remain in business as before, their economic significance paled in comparison with the largest foreign commercial firms, which were granted official consent to engage in activities supposedly reserved exclusively for Nigerian businessmen.

Scholars not only obscure important distinctions in the responses of foreign companies to the Decrees but gloss over the failings of the government officials responsible for designing and enforcing the policy. Biersteker rightly points out that foreign firms received important concessions from the authorities during the NEPDs' formulation and implementation. However, the text of both Decrees indicates that key concessions were made to indigenous businessmen as well. Furthermore, laxity in the Decrees and their enforcement might reveal more about

official caution and dissension within the state than about the government's susceptibility to business lobbies, foreign or local.

The Nigerian Enterprises Promotion Board's inept performance during implementation of the NEPD 1972 was documented in the "Report of the Industrial Enterprises Panel". The Board's glaring deficiencies led to a significant expansion of its regulatory powers and institutional resources. Even so, the NEPB was no better able to ensure full and prompt compliance with the NEPD 1977 than it had with the NEPD 1972. It still lacked sufficient staff with the requisite professional skills. In the absence of funds to hire local inspectors or to activate State government agencies who were supposed to assist in this capacity, the Board had to rely extensively on the veracity of the documentation submitted by foreign companies. Efforts to enforce the Decree were hampered further by a lack of co-operation from other government departments which sometimes withheld their assistance because of bureaucratic conflicts.

As seen in Chapter Four, the implementation of the NEPD 1977 illustrated how effective enforcement succumbed to the pursuit of the institutional aims of government agencies and those who worked for them. The Board's re-definition of compliance shielded its shortcomings from public (and scholarly) criticism. Moreover, by prolonging the compliance exercise, the NEPB not only strengthened its case for more resources but extended its institutional tenure, affording its officials time to expand their regulatory jurisdiction still further. Although overwhelmed by its statutory functions, the Board was ever in search of new ones, interpreting its mandate liberally, with or without the backing of its ministerial superiors.

Although the NEPB's self-promotion provoked retaliatory moves by other government agencies, it was by no means unique in using the exigencies of the Decrees to abet its institutional powers. The Nigerian

Industrial Development Bank advanced its claims for public funding as necessary to assist indigenous investors with their share acquisitions under the programme. Funds were allocated but applied to other purposes. The Nigerian Bank for Commerce and Industry was also established with the requirements of the NEPD 1972 in mind, but the Bank's resources were devoted mainly to the salaries and benefits of its employees. The Capital Issues Committee was upgraded to a permanent commission and accorded underwriting functions for the NEPD 1972. The rationale for its direct participation in share sales was that private issuing houses were biased towards foreigners and that Nigerians would otherwise enter into transactions on unfavourable terms. Hardly an "impartial intermediary", the CIC's pricing authority enhanced its leverage over those foreign firms which came within its purview. Moreover, through its discretion over share distribution, Commission officials were situated to allocate under-valued resources to prospective Nigerian investors of their choosing.

Inadequacies in the first Decree's implementation were cited selectively in support of bureaucratic aims during the second phase of the programme. Although supposed shortages of funds in the private sector no longer offered a credible argument for government share acquisitions, the share maldistribution which was said to have occurred under the NEPD 1972 did. In order to avert inequalities both amongst persons and geographical areas, public sector institutions, having been awarded preferential access to shares, invested even more actively during the NEPD 1977. The fact that government investors were already amongst the largest-scale shareholders in Nigeria, largely as a result of their participation in the first Decree, was conveniently ignored.

Allegations of share concentration also strengthened the CIC's position. Public officials and scholars alike perpetuated the belief that companies which had sold shares under the Commission's supervision had

achieved "egalitarian ownership". The CIC was consequently elevated in status, granted more extensive powers, and a larger number of foreign companies were forced to submit to its authority. However, the justification for its expanded role in the NEPD 1977, now as the supposedly autonomous Securities and Exchange Commission, was never tested by empirical investigation. As argued in Chapters Three and Four, neither the CIC nor the SEC prevented concentration of share ownership. Indeed, some of their interventions might actually have exacerbated it.

The authorities charged that the "excessive" prices paid for shares acquired privately during the NEPD 1972 also warranted more extensive state regulation of transactions under the NEPD 1977. This allegation not only passed unchallenged but conflicted logically with accusations of widespread fronting during the first Decree, which implied that Nigerians had obtained shares on favourable terms. The SEC again deployed its authority over public issues, now constituting the majority of equity transferred, in a manner highly detrimental to foreign firms. It systematically discounted the value of corporate assets and reduced the offering prices of other firms still further in consideration of their supposed malpractices. The Commission disguised its arbitrary and punitive rulings by broadly publicizing its "impartial" methods. Yet, the valuation techniques it employed were themselves crude and arbitrary.

Like the NEPB, the Commission regarded the share transfer exercise as an opportunity to extend its authority and enhance its powers. Ignoring the financial requirements of individual firms of which it claimed to be mindful, the SEC attempted instead to curb foreign remittances and to force capital re-investment, stipulations which were well outside its own legislative mandate and the Decree's provisions. It was joined in this effort by the Finance Ministry, which had no explicit role to play under the NEPD 1977 but which in practice influenced the mode by which

foreign companies complied through its power to obstruct remittances of profits and proceeds from share sales. By erecting regulatory hurdles of this kind, government bureaucracies gained considerable control over the fortunes of foreign firms. But the effects of these impromptu and zealous interventions often conflicted with their professed intentions and bore economic costs far greater than was appreciated at the time.

Impact on "Foreign Capital"

The NEPDs were financially injurious to almost all foreign firms they affected. The data presented in Chapters Three and Four make clear that both the CIC and SEC forced firms to transfer assets to Nigerians at a fraction of their true worth. Although the evidence pertaining to private transactions is less precise, it is reasonable to deduce that these firms also sold equity to Nigerians at discounted prices, if only to secure active or passive cooperation from their local shareholders. Even accepting for a moment the arguments advanced by Hoogvelt and Williams that foreign firms, having shed financial risk to pliable local allies, emerged from the Decrees in a stronger position than ever, one cannot but conclude that foreigners would have been financially better off if they had been permitted to establish such arrangements of their own accord, as they had done years before the NEPDs.

Apart from being forced to sell shares on the cheap, foreign companies had to pay transaction costs which consumed up to 40% of the proceeds. The administrative expenses of compliance were compounded by the need to provide the documents subpoenaed by various government agencies throughout the protracted process. However, the costs for foreign companies went beyond those incurred by strict satisfaction of the Decrees' provisions. Government departments invoked many additional conditions which imposed extra costs: the NEPB's requirement that

Nigerian directors be recruited; the SEC's stipulations that shares be transferred through the Stock Exchange and that equity be offered for subscription rather than sold outright; and the Finance Ministry's attenuation of capital remittances, depriving firms of access to funds which were legally theirs. Foreigners eventually received some compensation for their assets. However, considering the burdens of discharging the regulators' manifold demands, no firm would have "welcomed" the Decrees, as Hoogvelt and Akinsanya contend.

In view of these costs, it is naïve to assert, as the Editors of the *Review of African Political Economy* have, that the Decrees created "a handy means for multinational companies to raise extra finance locally".[4] Surely they would have found it more "handy" (and cheaper) to borrow. Similarly, the argument, put forward in various forms by Hoogvelt, Biersteker, Beckman, Olukoshi and Williams, that the Decrees promoted the "penetration" or "reproduction" of foreign capital in the Nigerian economy, stems from their misinterpretation of the evidence. It is true that many foreign companies increased the size of their capital base as a result of the Decrees, but this is hardly proof of foreign capital's expansion in the economy. As was demonstrated in Chapters Three and Four, much of the increase was attributable to the conversion of capital reserves into equity *prior to* compliance in order to maximize the proceeds of share sales. This capital was ultimately remitted abroad. Although many firms, especially during the NEPD 1977, raised new finance from Nigerian subscribers, this was done mainly to satisfy the demands of the SEC and FMF rather than to undertake new investment projects, as Olukoshi claims. Moreover, because of the combined effect of the dividend and foreign exchange restrictions in force at the time,

4. *Review of African Political Economy* 14 (January-April 1979), editorial, p.2.

many foreign firms enlarged their nominal share capital base in Nigeria in order to facilitate expatriation of funds from the country.

Though few important companies left Nigeria completely, the withdrawal of foreign capital as a result of the Decrees was greater than the apparent foreign exchange cost of the share transfer exercise. To calculate the full cost, it would be necessary to take into account not just the proceeds of share sales but also indirect and disguised outflows of capital such as enhanced dividend payments, salary remittances, royalty payments, management and technical service fees, postponed (or cancelled) new investments and, perhaps most of all, higher import costs. The evidence has not been available to make such an estimate in this thesis, not least because much of the capital was remitted through unreported and illegal channels. Furthermore, it has not been possible to determine the extent to which this withdrawal was prompted by the Decrees, rather than other government regulations such as exchange controls. Nonetheless, from the evidence presented in Chapters Three, Four and Five, it can be deduced that foreign companies expatriated much more capital from Nigeria than has been previously accepted and that since the promulgation of the NEPDs, they have been much less willing to bring new capital into the country.

Impact on "Local Capital"

Scholars devote a great deal of attention to assessing whether or not the NEPDs signify the existence of, or helped to form, an indigenous "capitalist class". However, most of their evidence -- for or against -- pertains to economic developments outside the ambit of the Decrees. Even Biersteker, who, of all scholars, presents the most empirical support (however flawed) for his claim that indigenous capitalism is advancing in Nigeria, does not establish that the NEPDs were the cause. Analysts of

the Decrees, including Biersteker, assume that shareholdings in foreign companies were profitable, but they do not investigate how much money Nigerians actually realized from their acquisitions under the programme.

Preoccupied by broader issues, scholars not only tend to overstate the Decrees' impact on "local capital" but also neglect developments for which the NEPDs can be directly credited. The Decrees enabled a few Nigerians to take over foreign firms as going concerns which could be integrated with their existing businesses. Perhaps one or two hundred other Nigerians were able to buy stripped-down Schedule I business assets for cheap. A larger number of local businessmen were given some degree of protection from foreign competition in activities in which they were already making headway.

However, the most striking of the Decrees' achievements, under-played by nearly all scholars in their analyses, was a massive increase in portfolio investment by Nigerians in the local subsidiaries of foreign companies. As a direct result of the Decrees, nearly two thousand foreign firms sold equity worth hundreds of millions of Naira to hundreds of thousands of Nigerian investors. The expansion of share ownership amongst Nigerians occurred on a scale unparalleled elsewhere in Black Africa. In view of the country's short tradition of equity investment, the under-development of its financial system and the maldistribution of its national wealth, the rapid rise of share ownership as a form of private investment in Nigeria might well be regarded with envy by those in the industrialized countries who have attempted to bring about similar phenomena through the public sale of state-owned assets.

Hundreds of thousands of Nigerians came to share in the profits of foreign companies which operated in their country, but by no means did the NEPDs establish a "shareholder democracy" in Nigeria. As George Akamiokhor, the SEC chief, noted,

> We all know that what indigenisation has achieved is nothing more than the increase in Nigerian share ownership in companies while the control remains with minority foreign shareholders who by their single block vote can overrule the wishes of the fragmented shareholdings of the Nigerians who ostensibly are the majority shareholders.[5]

Every scholar who has written on the NEPDs accepts that foreign enterprises in Nigeria remained under expatriate control. Because the Decrees contained no provisions to alter this situation, no attempt was made in this thesis to argue otherwise.

However, to assume, rightly or wrongly, that Nigerian investors did not gain control over the Schedule II and III firms in which they acquired a stake is not to concede that they achieved "nothing more" than ownership as a result of the Decrees. As was seen in Chapters Three and Four, the pattern of participation under the NEPDs was, without doubt, highly unequal. But the most consequential source of inequality was amongst Nigerian shareholders, not between Nigerian investors and everyone else. Indeed, the breadth of share distribution did not indicate but disguised these disparities.

Despite the concentration of share ownership which resulted from the NEPDs, it seems unlikely that the most important private gains were achieved directly through shareholdings in foreign companies. As was demonstrated in Chapter Five, even the largest-scale shareholders in listed companies did not earn enormous returns on their investments by banking their dividends cheques or by selling their shares for capital gains. In view of the relatively modest returns realized by large-scale individual shareholders and the fact that some of these people were party to a regulatory arrangement at the Stock Exchange which kept share prices

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5. Akamiokhor (1984), pp.19-20.

depressed, it is more probable that the Decrees' biggest rewards were derived from other sources.

Apart from shareholdings, the Decrees created opportunities for comparatively few Nigerian businessmen to enjoy broader associations with foreign firms. Some of these relationships were formed by the Nigerian lawyers, accountants and merchant bankers who assisted foreign companies in complying with the Decrees. Others evolved because of the formal and informal requirements of compliance, such as the need to recruit Nigerian distributors of company products and local directors to serve in corporate board rooms. Owing to national sensitivities, foreigners had to rely on Nigerians to articulate their interests. The concerns of the largest foreign firms were expressed in public by the now-Nigerianized business lobbies comprising the "organized private sector". In addition, foreign firms engaged well-placed Nigerians, often those who had retired from public service, to mediate with government officials on their behalf in their ever-more complex dealings with the state. These services were compensated for not only by dividends received by all shareholders but through fees and emoluments, often sweetened by a foreign component.

The iniquitous effects of the share transfer programme did not end with the patterns of participation established and fostered by the Decrees. In Chapter Five it was described how a small cadre of professionally-skilled and well-connected businessmen deployed the authority of the state to situate themselves at the apex of the Nigerian securities market. From that position, these people manipulated the regulations in ways which entrenched their control and, more importantly, protected their broader and more lucrative relationships with foreign firms from outside challenges. The government tolerated this arrangement, in part because of its own political considerations, in part because of the institutional weakness of the regulatory body it relied upon to supervise the Exchange

and, perhaps, because it was convinced by arguments that the Nigerian securities market was somehow "structurally defective".

As a result, the vast majority of investors under the NEPDs did not profit as much as they might have hoped and scholars have imagined. Moreover, the Exchange's potential contribution to the development of capitalism in Nigeria was, and continues to be, severely curtailed. Scholars who mistakenly assume that shareholdings acquired under the Decrees contributed directly to the capital accumulation of an indigenous "bourgeoisie" fail to grasp one of the great ironies of Nigeria's experience with the NEPDs: Nigerians who gained most from the Decrees ensured that *shareholders* gained very little. Indeed, some of the Decrees' prime beneficiaries did not even own shares in the foreign companies with which they came to be associated. Had the Decrees been the financial bonanza its critics suppose, inequalities of wealth amongst the Nigerians who participated would have *narrowed.*

What, then, can be said of the various theoretical notions of "local capital" in Nigeria which have been advanced in the literature on the NEPDs? Hoogvelt's conception of Nigerian businessmen as "compradors" does not adequately describe their responses to the Decrees or the ways in which they benefited from them. Although many Nigerian investors might have been traders, only a few were "loyal vendors" of the products of foreign companies in which they bought a stake. The vast majority of Nigerians who participated in the share transfer programme viewed their acquisitions as portfolio investments, perhaps a useful supplement to their income but hardly its main source.

Osoba's characterization of the Decrees' main beneficiaries as "commissioned agents" under-estimates the considerable talents of those Nigerian businessmen who so adroitly lobbied for, and took advantage of, state regulations to benefit themselves. If these businessmen were indeed

"good for nothing" or disposed to "intellectual and physical laziness" and "indiscipline", it is curious that their services should have been so much in demand by foreign firms. As was seen in Chapter Five, some Nigerians agreed to collaborate with several large multinationals and, as Olukoshi points out, several already owned substantial enterprises, sometimes in conjunction with a foreign partner but often not. The NEPDs did not institutionalize the "crippling dependence" of Nigerian businessmen on foreign capital. Rather, they rendered *foreign companies* more dependent on Nigerians who had connections with the state.

Collins departs from his earlier position that Nigerian businessmen were "dependent clients rather than entrepreneurs," but he, like Biersteker, later goes too far, maintaining that the returns to Nigerian investors under the Decrees enabled the emergence of an indigenous "industrial bourgeoisie" which was often antagonistic towards foreign capital. If Nigeria is indeed spawning a "class" of "independent" industrialists (Collins) or a breed of "new manufacturers" (Biersteker), it is not owing to the returns which accrued to shareholders as a result of the NEPDs. Olukoshi recognizes that Nigerians were moving into industry without the Decrees' assistance, but he, like other scholars, misrepresents the majority of the local investors who acquired shares through the Decrees by referring to them as the "bourgeoisie", be it "mercantile", "industrial" or "national". Most were in fact waged employees of NSE-listed foreign firms, salaried government workers, urban professionals and self-employed traders.

The NEPDs might well support the development of indigenous capitalism in the long term, but we do not have enough information about the accumulative activities of individual businessmen to know that it already has. The evidence presented in this thesis suggests that even those who benefited most from the Decrees were not transformed into

capitalists on the basis of their participation in the programme alone. Some of these people owned industries, but in few cases could this have been a result of their share acquisitions under the NEPDs. Even the largest-scale shareholders received dividends insufficient to finance industrial investments. The capital implicit in the market value of their holdings might have sufficed had these shares been sold, but they were not. Moreover, capital which some of these big shareholders accumulated was probably collected and retained off-shore. Top businessmen also profited from the Decrees by selling their professional skills and official contacts to foreign firms in return for fees and payments in kind. In this respect, they were essentially self-employed consultants rather than capitalist entrepreneurs. The wealth accumulated by Nigerians from the NEPDs, whether through direct or indirect means, might eventually find its way into privately-owned indigenous industries. If it does, the process is likely to occur over the course of a generation, not within a few years of the Decrees, as some scholars suggest.

In short, our evidence about the NEPDs' effects does not substantiate the various theoretical notions which have been put forward about indigenous business in Nigeria. It does suggest, however, that the constituent elements of "local capital" are more diverse than scholars have appreciated. In view of the different ways in which Nigerian businessmen exploited the opportunities created by the legislation, it would be misleading to regard them as preponderantly "compradors" or "productive capitalists", even in nascent form. The attributes of a "professional business élite" have received the fullest description in this thesis. However, the range and complexity of indigenous business interests and activities in Nigeria defy simple characterization. Attempts to group Nigerian businessmen under one class label seem both futile and

reductive, inhibiting rather than assisting our comprehension of their behaviour.

Impact on "the State"

Business interests in Nigeria benefited from the NEPDs and other government regulations, but the state was not beholden to them, as Williams and Beckman contend. Indigenous businessmen figured large in the design of the NEPD 1972, when their objectives, though not their motives, coincided with those of government officials. However, during formulation of the 1977 Decree, many local businessmen wanted to scale down the scope of the programme's extension. The authorities consequently isolated the business community from the policy process. The activities of government credit and investment institutions, which Williams regards as evidence of the state's ambition to promote private capital accumulation, were more devoted to bureaucratic aims than to financing the share purchases of local investors. A small group of Nigerian businessmen did profit from the Decrees and related state interventions, but their prosperity was fostered more by effect than official design.

Beckman's view that the state was intent on promoting capitalism in Nigeria within a context of foreign dependence is not corroborated by the behaviour of the government officials responsible for implementing the Decrees. It was seen in Chapters Three and Four that the authorities treated foreign companies with suspicion and used their regulatory powers to penalize firms for alleged misconduct and "bad faith". Although they effectively expropriated foreign assets for the benefit of indigenous investors, state officials displayed misgivings about Nigerian businessmen as well. With the NEPD 1977, the government tried to prevent the concentration of wealth in a few private hands. Foreign companies

gained an important and broad local constituency of supporters amongst Nigerian shareholders, but the NEPDs probably served to push the locus of capitalist activities off-shore. As a result of the Decrees, some Nigerians found new opportunities to accumulate funds abroad, and foreigners were given yet another incentive to sell to Nigeria rather than to produce within the country.

Arguing that the NEPDs were "careless in design and sloppy in implementation", Hoogvelt, like Aboyade, blames the government for aggravating inequalities of wealth in Nigeria and allowing foreigners to retain economic control. Biersteker is right to point out that inconsistencies and failings in the NEPDs' design and implementation did not stem from official ignorance and neglect. Rather, as he notes, they reflect the influence of diverse interests which pushed for the Decrees, and the on-going disagreement, both within the state and the private sector, about the programme's specific objectives. Biersteker's account of the political considerations which led to the Decrees' promulgation is more persuasive than any other in the literature on the subject. Little has been added to it in this thesis. However, when describing the implementation of the Decrees, he creates too sharp a dichotomy between the state officials who sincerely pursued their "national convictions" and the private interests which "defeated" them.

No doubt many in government accepted the arguments which supported their interventions, but many also had other objectives in mind which were in no sense "national". Biersteker himself notes how, amongst other things, the NEPDs served the immediate political purposes of the military leadership. In Chapter Four it was seen that the NEPD 1977 was altered in design in accordance with the personal concerns of a few SMC members whose shareholdings would otherwise have been exposed. State government agencies bought up shares and undertook other

investments to champion regional interests, to expand the economic resources under their institutional control and, occasionally, to channel public funds to private businessmen with whom public officials were corruptly associated. Federal agencies involved directly and indirectly with the programme's implementation used the Decrees to lift their bureaucratic standing and extend their regulative powers. Some officials might have believed that an expansion of the state apparatus was necessary to achieve "national" goals. Many must also have been aware that their own, even if not corrupt, ambitions could be realized if they were situated to apportion opportunities in the private sector. "Indigenization" was attractive to diverse elements within the state because it offered them the functional justifications they needed to occupy the economy's "commanding heights".

Whether government officials used the Decrees to pursue national, political, sectional, institutional or personal aims, the NEPDs did not, as Aboyade had feared, result in a "major and radical departure" from the notion of state leadership of the "mixed economy" advocated in the *Second National Development Plan 1970-74.* In principle the Decrees emphasized private investment in foreign firms. In practice, the public sector expanded its direct financial participation in the economy, whether by taking up an equity stake in affected foreign firms or by investing in many other businesses, of "strategic" importance or not. As such, the NEPDs accelerated the trend set in motion during the 1950s, when Nigerian governments invested marketing board surpluses in (perpetual) "trust" for Nigerian businessmen.

In addition to increasing the level of state ownership in the economy, the Decrees contributed to the expansion of state institutions. At both the Federal and State government levels, new institutions were created as a direct result of the programme. These included the Nigerian

Enterprises Promotion Board, the Nigerian Enterprises Promotion Committees, the Nigerian Bank for Commerce and Industry, the Centre for Management Development, the Capital Issues Commission and, subsequently, the Securities and Exchange Commission. Furthermore, existing institutions, such as the Expatriate Quota Allocation Board, the Exchange Control Divisions of the Central Bank of Nigeria and Federal Ministry of Finance, State government investment companies and the private, though publicly-supported, Lagos (Nigerian) Stock Exchange, expanded their influence over the private sector during the programme's implementation.

Apart from creating livelihoods for civil servants, these government agencies acquired possession of economic levers, some not prescribed by the legislation itself, which affected the fortunes of private businessmen and continue to do so. For example, as a result of the Decrees, the SEC, which undervalued foreign firms and allocated the opportunity to buy their shares for cheap, is still responsible for regulating all primary issues and subsequent share transfers of any firm in which foreigners hold equity, whether between expatriates and Nigerians or even amongst Nigerians. As such, the Commission's regulatory domains now embrace transactions involving the great majority of the capital invested in incorporated businesses in Nigeria.

This is not to argue that the Decrees enhanced the state's capacity to regulate the private sector coherently. In his earlier work, Collins, like Balabkins,[6] maintained that the Decrees did not assist indigenous businessmen in wresting business opportunities from foreign firms because of the inability of the government to implement its regulations. It is true that the state was not able to deliver the kinds of benefits for Nigerian businessmen which it had promised. However, the evidence

6. Balabkins (1982), pp.172-3.

presented in this thesis indicates that some Nigerians profited nevertheless. Indeed, sometimes they profited precisely because of the government's inadequate and inconsistent implementation of policy. For example, the individual members of the NSE were able to dominate the Nigerian securities market to their own advantage because, in part, the SEC did not carry out its regulative responsibilities effectively.

The operation of state controls did create profitable opportunities for local businessmen, whether or not these were the ones envisaged by the authorities. As with other government regulations, Nigeria's experience with the NEPDs demonstrates that success in business often hinged on access to government officials, whether to secure a share allocation, a favourable valuation, authorization for capital remission or permission to restrict equity trading. The more the state became involved in regulating business activities, the more dependent were businessmen, foreign and local, on indulgent treatment by government officials. Whoever else may have benefited, the NEPDs served the regulators themselves.

PART TWO: TOWARDS AN UNDERSTANDING OF STATE REGULATION

Nigeria's experience with the NEPDs does not give us sufficient material with which to model the country's political economy. The theoretical notions scholars advance and presumably test on the basis of the Decrees suffer from a paucity of corroborative evidence and stem from a misinterpretation of the facts. These problems arise when *a priori* assumptions about the Nigerian political economy determine the issues for analysis. In the literature on the NEPDs, the task of building (or destroying) abstract models overshadowed empirical investigation of the Decrees as phenomena in their own right. The result, perhaps inevitable, was that sweeping, often unsubstantiated, generalizations about the "underdevelopment" at the "periphery" of the international capitalist economy replaced more acute observation of a particular regulatory policy in Nigeria. The NEPDs may indeed have wider implications for Nigeria and other countries. Some of these will be suggested below. However, if the discipline of "political economy" is to enhance our insight into real economic and political events, its theories might be applied to this effort but ought not become its end.

Taking Regulation Seriously

The primary purpose of this thesis has been to provide an accurate account of the NEPDs and their immediate aftermath. If it has a relevance beyond this, it is its description of a specific instance of the regulatory process at work in Nigeria.. The role of the state in abetting private accumulation figures importantly in most studies of the Nigerian political economy. However, when scholars discuss how the spoils from governments are apportioned, they tend to focus on state patronage using the public sector's financial largess. The way in which state *regulations*

affect private interests, without expenditure of public funds, has received rather less attention.

Several explanations of this emphasis are possible. One is that the comparatively large proportion of national resources at the disposal of state authorities in Nigeria and the scale of blatant corruption in the country have drawn attention away from everyday business restrictions. Another is that the private gains from state investments, loans, contracts and kick-backs (when these are discovered) are easier to quantify than those which have resulted from state regulatory policies, which are usually derived through indirect and subtle means, as was the case with the NEPDs.[7] A third is the difficulty of documenting the private rewards of business regulations. If the evidence exists at all, it is typically unpublished and secreted under a cloak of "confidentiality" by civil servants whose prerogatives are preserved largely through their control over information.

Because there is usually a plausible economic case for business regulations, scholars who do analyse them usually evaluate the controls against the government's stated objectives rather than investigate their subsidiary effects. This has been true of their analysis of the NEPDs. Scholars have tried to discern whether, as a result of the Decrees, control did or did not shift to Nigerians and whether indigenous enterprises were or were not promoted. Yet, whilst concluding that the state's aims were not realized, largely because of failings in policy design and implementation, they have neglected to measure either the value of the foreign capital which was transferred or the level and type of returns which Nigerians did in fact receive.

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7. In this study, like others on the NEPDs, it has not been possible to document or quantify the "indirect" financial benefits derived from the Decrees, such as consultancy fees or off-shore profit-sharing arrangements.

The NEPDs might not be an illustrative example of the regulatory process in Nigeria or anywhere else. Indeed, this thesis has emphasized that the regulations must be understood within their context and with due consideration for the concerns of the particular people who designed, implemented and benefited from them. Moreover, the Decrees represent just one or two strands in the country's broad web of business regulations. Even so, if we bear in mind the limitations of using the Decrees as a case study, a few speculative propositions about the long-term significance of business regulations in Nigeria can be inferred.

Regulatory Rationale

"Indigenization" was, and will continue to be, a powerful justification for business regulation in Nigeria. This is because it is harmonious with the beliefs and sentiments of a broad constituency. At one level, indigenization appeals to those in Nigeria (and abroad) who accept various notions of "dependency" and "underdevelopment" theory. Much of the Nigerian intelligentsia, including many people in government, regard multinational corporations as agents of "foreign capital", which they hold responsible for "blocking" economic development and preventing the country from rising above its "neo-colonial" stature. Government policies to restrict the influence of foreign business in the local economy are highly congenial to this group, as was suggested by the enthusiastic reception the Decrees initially received from Nigerian academics.[8]

At a more populist level, indigenization conforms with nationalist sensibilities. The foreign business presence in Nigeria was, and still is, highly visible, and it is accepted as only appropriate that the nation's economic complexion should reflect its independent political status. With

8. Good examples of these sentiments are found in Onibonoje et al., eds. (1976), a collection of essays which, with a few qualifications, expresses great enthusiasm for "indigenization" on the part of several Nigerian "radicals".

the Decrees, economic nationalism was buttressed by racial pride and traces of xenophobia, which lent further support to a government intervention which was supposed to prevent foreigners, especially those from other developing countries, from "stealing" business opportunities from Nigerians.

By the early 1970s, indigenization had become the government's explicit "policy" towards foreign business, though it was really more an ideology than a policy. Previous governments had justified their own business interventions on similar grounds but using different terms. Like pre-War concepts of "trusteeship", post-War notions of "development", and sporadic debates in Nigeria about "socialism" versus "liberalism", "indigenization" articulated a conviction about the appropriate role of the state in the economy.

Although "indigenization" is likely to perpetuate the state's expansion, the regulations which governments advance in its name might well depart far from its aims. As was seen in Chapter Two, colonial land regulations were as much concerned with protecting existing foreign trading interests as with preventing Nigerian farmers from being alienated from their land. State intervention in the marketing of agricultural exports was supposed to stabilize prices for Nigerian farmers and to regulate competition amongst produce buyers. But it was designed as well to ensure continuity of supplies for imperial needs, protect a British cartel against new foreign competitors, enable the authorities to allocate business concessions to favoured Nigerians and create means by which to tax the peasantry. Military administrations put the NEPDs forward as measures to bring foreign business under indigenous control and to promote Nigerian enterprises. Yet, the statutes of the regulations provided only for the transfer of partial equity ownership to Nigerian

portfolio investors and a limited degree of protection from foreign competition for certain local businessmen.

Not only will policies diverge from their justifications, but implementation will deviate from policies. The NEPDs emphasized private sector ownership, but the public sector acquired a large proportion of the shares made available by the programme. The NEPB was charged with supervising the transfer of foreign equity to Nigerians, yet it involved itself in management issues and appointments to corporate boards. The government had pledged not to expropriate foreign-owned assets. However, from the point of view of foreigners, the effect of the Decrees was analogous. In principle, the right of foreigners to remit the proceeds from share sales was not affected by the NEPDs. In practice, the CIC and SEC's interventions forced firms to retain capital in Nigeria. This sharp distinction between policy and practice was not unique to the Decrees. Marketing boards were authorized to accumulate surpluses in order to stabilize prices and finance agricultural research. As it happened, producer prices remained below international levels even when world markets were depressed, and board surpluses funded industrial, rather than agricultural, developments.

This thesis has alluded to the perils of taking the public rationale for state regulations at face value. Whether regulations were advanced to fulfil a "dual mandate", to foster "development" or to promote "indigenization", beneath each rationale lay a policy sub-text. With the Decrees, the place of foreign business in the economy was much less at stake than the standing of Nigerian businessmen with respect to one another, the distribution of resources amongst geographical areas, and the economic influence to be wielded by the state over the private sector. Thus, if we evaluate business regulations against the stated aims of

"indigenization" -- or a similarly ambiguous rationale -- we will miss much of the story.

The Regulatory State

Business regulations will perpetuate the transfer of economic power to the state and its officials. This power is derived from the state's authority to allocate profitable opportunities in the private sector which have been withdrawn from someone, or everyone, else. The NEPDs were not the most important regulations to affect business activities in Nigeria.[9] However, they did signify and promote official acceptance of a regulatory ethic: as the *National Concord* described it, "an overwhelming preference of the stick over the carrot in policy making".[10] This preference is likely to remain intact because the profitability of doing business in Nigeria, especially for foreign firms, is more contingent on access to markets, which regulators can withhold, than on the availability of fiscal concessions, which can be offered only as far as public finances allow. Nearly all Nigerian governments have restricted private initiative more than they have promoted private enterprise. They will probably continue to make Nigeria "one of the most over regulated business communities in the non-communist world".[11]

Regulations can be expected to propagate others, under the active encouragement of the state officials charged with enforcing them. This reproductive process was evident with the NEPDs. The NEPB liberally interpreted its mandate in order to expand its regulatory purview. The Board changed the rules of compliance as it went along and made

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9. In this author's opinion, import licensing, pre-shipment inspection of imports and foreign exchange controls (and constraints) more generally affected the operations of large businesses in Nigeria more significantly than the Decrees. Furthermore, the way in which these regulations were administered probably presented Nigerians with bigger opportunities for private accumulation.

10. *National Concord*, editorial, 15 June 1984.

11. *Daily Times*, 22 August 1980.

demands on foreign firms which both exceeded their statutory obligations under the legislation and duplicated the requirements of other government departments. Whilst the NEPB encroached upon the regulatory turf of other state agencies, the latter used the NEPDs to expand their own regulatory domains. *Ad hoc* and *ad hominem* interventions were guided not only by the "spirit" of the Decrees, as bureaucrats defined it, but also by the sectional, institutional, and personal interests of the people who operated the controls.

We can anticipate that regulations will be enforced with alacrity in general but with considerable laxity in particular cases. Lapses in enforcement will be caused in part by the weakness of the regulatory apparatus and, in part, by bureaucrats who will grant some firms favourable treatment in return for personal gain. The behaviour of those who enforced the Decrees suggests that the two factors are related.

Enforcement of the NEPDs depended upon the successful operation of what can be likened to a "cartel" of government regulators. As with any cartel, its members had an inbuilt propensity to cheat. The NEPB, like other state agencies in Nigeria, lacked sufficient staff to enforce its regulations without the assistance of other government departments. For example, it depended on the co-operation of the Ministries of Internal Affairs and Finance to withdraw their own services from foreign companies which failed to satisfy Board requirements. However, because some firms could still obtain expatriate quotas and foreign remittance approvals without holding an NEPB "Certificate of Compliance", the Board's leverage over these companies, and the corrupt opportunities open to its officials, were sharply curtailed. Officials at other state agencies had the same incentives as those at the Board. All wanted the rules to be enforced stringently, to enhance their control over foreign firms. But if concessions were to be made, bureaucrats at each wanted to be the

ones to make them. The NEPB's public attacks on other state agencies and the subsequent retaliatory moves against the Board reflect cleavages within this "cartel" of regulative bureaucracies.[12]

The difficulties under which regulators operate in Nigeria will create opportunities to pursue private interests. The NEPB was able to prolong the implementation of the Decrees, and its own existence, by claiming that without post-compliance inspections it could not ensure that foreign firms would not later lapse into default. The SEC was overwhelmed by the task of valuing hundreds of foreign companies within a period of a few months. Although its performance was praised by some, it had no time to consider, or accept, the pleas of firms which were forced to sell shares at discount prices to lucky Nigerian investors. Because the SEC could not fulfil its role as the regulatory "apex" of the Nigerian securities market, the NSE assumed this responsibility and regulated the market to the advantage of its individual members.

Should private interests be promoted by such "errors" of administration, they will be masked by "structural problems" and other factors supposedly beyond the authorities' control. The SEC timed public share issues in a way which induced under-subscription. It then allowed some investors to buy up large blocks of unsubscribed shares because, it claimed, the market was "saturated" and depressed by adverse economic conditions. The NEPB attributed its slow progress towards achieving full

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12. Another example of a "cartel" of government regulators is that which enforces tax collection in Nigeria. Lacking an independent capacity to catch tax-evaders, Nigerian Inland Revenue issues "Tax Clearance Certificates" to those deemed to have paid taxes due. Firms and individuals must present these certificates when applying for: government loans; motor vehicle registration; gun licences; exchange control approvals; certificates of land occupancy; government contracts; trading licences; building permission; property transfer documents; export and import licences; State land; registration as contractors; distributorships; Approved User Certificates; expatriate quotas; and many other permits and authorizations. State governments can extend the conditions further. Thus, a multitude of government agencies are expected to help Inland Revenue ensure that taxes are paid. In practice, it does not always work out this way. According to some Nigerian businessman, officials at government agencies will not require the certificates to be presented in return for a "fee".

compliance with the NEPDs to the same problems. Disguises of this kind are convincing because they have some relation to the truth. That is why the stock market mythology promoted by the NSE was, and still is, widely accepted. It is obvious, as the Exchange maintains, that trading is thin because few investors are willing to sell, because few companies want to issue more shares, and because the market is structurally defective. It is less obvious that NSE regulations, which protect the interests of its private members, are primarily to blame for the market's "structural" deficiencies. It is conceivable that other business regulations will also provide not only a screen for those who benefit but a credible pretext for regulating further on their behalf.

Regulation for Private Gain

The type of controls the state imposes will influence who in the private sector gains and the nature of their benefits. Regulatory interventions in export marketing offered new trading concessions to a group of Nigerians who had connections with the government agencies that appointed buying agents. Marketing board pricing policies transferred resources from peasant producers to foreign and local businessmen who could convince politicians and government "technocrats" of the worthiness of their industrial schemes. In more recent years, import licensing allowed party stalwarts, including those with no previous trading experience, to accumulate funds abroad. The NEPDs created investment opportunities for those Nigerian portfolio investors who could secure shares either from foreign companies or the government "Allotment Committee". With all of these regulatory polices, the private gains made available often hinged on access to the state.

Because state regulations concentrate on businesses involved in the economy's "formal" sector,[13] people embraced by that sector -- the educated, the well-off, the urban-based, company managers, professionals, and state officials themselves -- will tend to participate, and benefit, most. As was seen in Chapter Two, the interests of those engaged in the "traditional" economy, namely farmers and poor people, were either ignored or harmed by state regulations which were sometimes justified on their behalf. However, by emphasizing portfolio shareholdings, the Decrees would have excluded even wealthy people who lacked knowledge of such concepts as "public offering", "equity ownership", "dividends", or "stockbroker". By contrast, the Decrees offered Nigerians who did understand the workings of formalized capital markets a chance to put their professional skills to use, either as government regulators or as advisers to the companies affected by the regulations.

Regulatory policies have distributive implications that could aggravate regional tensions. Because the Federal bureaucracy, foreign firms, and much of Nigeria's private and public wealth were (and still are) concentrated geographically, it was almost inevitable that people based in Lagos, and others in close proximity to "modern" institutions, would predominate amongst the NEPDs' beneficiaries. Nigerian governments supposedly invested in company shares and other enterprises to allay these regional disparities. However, now that State government acquisitions have heightened awareness of the geographical distribution of shares, the Federal government is finding it difficult to press forward with privatization without provoking concerns about its commitment to Nigeria's "federal character".

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13. Weeks regards as synonymous the "formal sector" and state-regulated areas of the economy. See (1975), p.89.

Nigeria's experience with the Decrees suggests the existence of a powerful constituency for business regulations, not just within the state but amongst businessmen as well. Some favoured the NEPDs, anticipating the investment opportunities they would bring. Business professionals also supported the Decrees because they knew that foreign companies would need their services, both during the compliance process and afterwards. Well positioned to mediate between the state, for which they once worked, and private business interests, which they now serve, members of a "business bureaucracy" have been amongst the foremost beneficiaries of state regulations. Indeed, a few speak out publicly for controls which are ostensibly directed against them and their foreign associates. Chief Lawson, then President of NACCIMA, one of the nation's most important business lobbies, voiced his sympathy for state regulation as follows:

> The inflow of capital into the country must, at all time, be encouraged. It is, of course, necessary that this should be controlled, and regulated. ... Without detracting in any manner from the virtues of free enterprise which we also strongly support, it must always be appreciated that, with the closing of the age in which a section of the world stood condemned to be hewers of wood and drawers of water, ... it is only the malevolent that will fail to acknowledge the wisdom and the right of the developing nations to effect such control of their economies as would assure steady and rapid growth and the best interests of their people.[14]

His position, favouring both new foreign investment and regulations to control it, is neither contradictory nor incomprehensible. State regulation of the private sector, and of foreign enterprise in particular, does not restrict the activities of those Nigerian "businessmen" who help others to cope with the regulations. It opens new opportunities.

As state regulations have proliferated, a convergence of interests has developed in Nigeria between bureaucrats in the state and those in the "organized" business community. Indeed, regulations have helped to blur the boundary between the public and private sectors at a number of

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14. A. Lawson, "Address to the Annual Conference of the Association in Lagos", 10 May 1979, (Lagos: NACCIMA Press Release, n.d.).

levels. Ambiguities of this kind were highlighted in Chapter Five through an examination of the regulations governing the capital market. At an institutional level, the Exchange, a private body, "borrowed" and was delegated the regulatory powers of the SEC, its state overseer. At an organizational level, the NSE behaved more like a government regulator than a private association of stockbrokers. At an individual level, the NSE and SEC were linked through the formal and informal contacts of their respective members. The two institutions were also bound together over time; after SEC commissioners resigned, they often joined the Exchange as an Individual Member or as a principal of a Dealing Member.

Growing ties between business and the state, as well as the ease with which bureaucrats move from public to private service, seem to be having a profound effect on the way both business and government is conducted in Nigeria. In positions of official responsibility, civil servants add to an elaborate structure of business regulations to expand their control over the economy. Following retirement, they find lucrative opportunities guiding firms through the regulatory maze they have helped to erect. Shortly after his resignation from public service, Mr Ayida, an architect of the NEPDs and other business regulations, observed that

> the biggest surprise in the Nigerian economy is that when you really try to go through all the regulations and the way they are implemented, it's a jungle. As you turn left and turn right you are caught in a web. ... We all know the rules, but when it comes to those who implement these rules, different authorities interpret them in different ways.[15]

The perspectives of state officials towards regulations may change after retirement, but often their interests do not. For state regulation in Nigeria has promoted not only the commercialization of politics and the politicization of business but also the privatization of public administration.

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15. Ayida, interview with the *Financial Punch*, 27 December 1981.

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PART TWO: INTERVIEWS AND DISCUSSIONS

The list below includes the names of people formally interviewed, as well as those with whom aspects of my research were informally and usefully discussed. It excludes the names of people who insisted on anonymity. Several people interviewed requested that some of their comments not be attributed to them. Whenever possible, published sources were used in the text rather than interviews. When this was not possible, identities were disguised by using occupational descriptions, such as "merchant banker" and "SEC official". In a few instances, it was felt necessary to protect the identities of people interviewed, even though anonymity and non-attribution were not specifically requested. I wish to thank again those people who were interviewed (including those not listed below) for their co-operation. Their comments were often very helpful and instructive to my argument, but the opinions expressed in this thesis are my own.

Unless otherwise indicated, all interviews and discussions were conducted in Nigeria between June and November 1985. When the first initial is not known, a title is given. The Federal Ministries of Commerce and Industry were headed by one minister during the period when most of these interviews were conducted. These ministries have since been divided. Officials are identified below according to that division of the combined Federal Ministry of Commerce and Industry for which they then worked.

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E. Adeyinka. Federal Ministry of Internal Affairs.
Mr Aisida. National Bank of Nigeria.
Mr Ajoni. Federal Ministry of Internal Affairs.
G. Akamiokhor. Securities and Exchange Commission.
S. Akingbohungbe. Securities and Exchange Commission.
R. Akinmoladun. Union Bank.
I. Akpe. United Bank for Africa.
M. Akpobasah. Federal Ministry of National Planning.
E. Ambah. Federal Office of Statistics.
O. Ambah. IMB Securities.
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A. Ekpe. International Merchant Bank.
Mr Enyioha. Cabinet Office.
C. Ezeife. Nigerian Enterprises Promotion Board.
A. Fadina. Nigerian Stock Exchange.
E. Fapohunda. Federal Ministry of Industries.
O. Fafowora. Manufacturers' Association of Nigeria.
M. Falade. Securities and Exchange Commission.
F. Familusi. Intertek.
J. Familusi. Intertek.
J. Fox. United Africa Company.
I. Gadu. Agrotechnic.
I. Gadu. Federal Ministry of Information.
I. Gana. Federal Department of Immigration.
I. Giwa. Nigerian Stock Exchange.
F. Harispe. Agence France Presse.
D. Hogan. Bureau Veritas.
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S. Ohiomoba. Federal Ministry of Finance.
Mrs Ojo. Federal Ministry of Internal Affairs.
G. Okafor. Federal Ministry of Industries.
S. Okeke. Associated Technologies.
U. Okeke. Manufacturers' Association of Nigeria.
N. Okereke-Onyiuke. Nigerian Stock Exchange.
P. Okigbo. Company director.
R. Oladejo. Lagos Chamber of Commerce and Industry.
O. Olashore. International Bank for West Africa.
K. Olawoye. Productivity, Prices and Incomes Board.
A. Olumide. Federal Ministry of Commerce.
G. Olusanya. Nigerian Institute of International Affairs.
M. Omolayole. Company director.
Mr Omoshebi. Federal Ministry of Internal Affairs.
S. Oniomoba. Federal Ministry of Finance.
G. Onosode. Company director.
D. Otobo. University of Lagos.
J. Ovia. International Merchant Bank.
M. Owonuwa. Nigerian Enterprises Promotion Board.
L. Oyebadejo. Union Bank.
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M. Sanni. International Merchant Bank.
O. Senbore. Coopers & Lybrand.
E. Shelton. U.S. Embassy.
D. Sobowale. Union Bank.
E. Sorindu. Federal Department of Immigration.
M. Tukur. Federal Ministry of Commerce and Industries.
J. Wilson. Business International.
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PART THREE: NIGERIAN STOCK EXCHANGE AND LISTED COMPANIES

A. Lagos Stock Exchange, Nigerian Stock Exchange

The Lagos Stock Exchange. *Annual Report and Accounts*, For Year Ended 30th September, 1971.

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B. Listed Companies

Much of the data presented in this thesis was drawn from the published annual reports, prospectuses of share offerings, and shareholder registers of NSE-listed companies.

Most of the annual reports and prospectuses were inspected at the library of the Nigerian Stock Exchange. The majority of the annual reports which could not be located at the NSE were found at the Securities and Exchange Commission, though a few of the most recent reports had not yet been received by the SEC. The Commission did possess all the prospectuses, and the SEC Research Department kindly provided me with access to these, as well as to statistical information relating to share offerings.

The shareholder registers were inspected at the offices of the shareholder registrars. Constraints of time did not allow me to visit the offices of all registrars. However, because three banks -- United Bank for Africa, Union Bank of Nigeria, and First Bank of Nigeria -- serve as the registrars for 67 listed firms, it was possible to gather information on shareholdings with respect to most quoted companies.

These sources were used to compile three main data-bases. The first contains the names of all directors and large-scale (one per cent or more of Nigerian-owned equity) shareholders in each of the 67 listed firm for which this information was available. To this data-base was added the names of both NSE members and directors of NSE dealing firms. These names were found in published and unpublished sources provided by the NSE (see section in "Sources" entitled "Nigerian Stock Exchange"). This data-base enabled me to discover linkages amongst NSE members, NSE dealers, and quoted NSE companies.

The second data-base is very large but quite simple. It was compiled from the financial data published in annual reports of listed firms. The following information was collected: 1. Turnover; 2. Profits After Tax; 3. Dividends; 4. Paid-up Share Capital; 5. Common Shareholder's Funds (Book Value); 6. Subscription or Rights Issues; 7. Date of (6); 8. Issuing Cost of (6); 9. Bonus Share Issues; 10. Date of (9); 11. Proportion of Equity Owned by Foreign Investor; 12. Par Value of Share Capital; 13. Value-added. (Information on (13) was insufficiently comprehensive to use in a systematic analysis. It was therefore not presented in the thesis, other than in an impressionistic way.) Almost all annual reports of NSE-listed firms contain five-year summaries of financial performance (and 10-year summaries in a few cases). It was therefore possible to collect this information for a period pre-dating the annual reports which were inspected (see below) by at least five years, and, in all cases, well before the company concerned sold shares to Nigerians for the purpose of complying with either NEPD. This data-base was used to calculate the performance of NSE-listed companies.

The third data-base contains values computed from the second (e.g. dividends per share; earnings per share), as well as share price information gleaned from NSE (and LSE) "Daily Official Lists". This data-base was used to calculate the performance of Nigerian equities, as well as the extent to which they were under-valued.

Owing to the limitations of my training, the statistical analyses presented in this thesis are very simple. Percentages, means and medians are given but not expressions of more sophisticated statistical concepts. This basic analysis suited my purpose of demonstrating general trends. However, others may wish to take the analysis further. To the best of my knowledge, the second and third data-bases contain the most comprehensive and accurate financial information relating to the Nigerian Stock Exchange. They are formatted on a commercially available software package (Ashton-Tate's "Framework II") and can be readily transcribed to others. Because these two data-bases are derived from published sources, any reader of this thesis who wishes to make further use of them are invited to apply to the author.

Below is a complete list of the publicly-quoted companies about which data were gathered. The years of the annual reports inspected are listed in the second column. The third column indicates the name of the registrar at which the shareholder registers were examined. In smaller type is the registered country of origin of the largest foreign shareholder (if any), the name of the foreign shareholder if different from the Nigerian company, and the primary business(es) of the Nigerian company as described in the most recent annual report of each. If two foreign shareholders own equity stakes of the same size, the names and locations of each are provided. It will be seen that the several foreign shareholders are registered in tax havens. When further information about their identities is known, this is given in brackets.

Company	Reports	Registrar
Afprint	1978-85	United Bank
Bahamas (Kewalram Nominees [Indian]). Manufacture and distribution of textiles.		
African Petroleum	1978-84	Union Bank
Now 100% indigenous. Petroleum marketing.		
A.G. Christlieb	1979-84	First Bank
Jersey/UK (Stral Holdings/Trebor). Manufacture of consumer products.		
Agip	1978-84	United Bank
Italy. Marketing of petroleum products.		
A.G. Leventis & Co.	1979-85	
UK?. Property company providing management and services to Leventis Group.		
Aluminium Manufacturing Co. of Nigeria	1973-84	United Bank
Switzerland. (Swiss Aluminium) Manufacture of aluminium products.		
Arbico	1979-84	
N/A (Economides [Greek]). Construction.		
Bata	1973-84	First Bank
Canada. Manufacture and marketing of footwear.		
Beecham	1980-85	Union Bank
UK. Manufacture and marketing of drinks and medicines.		

Berec International Sales	1980-84	First Bank
UK (Whitfield & Whitfield). Importation and distribution of batteries and lamps.		
Berec Nigeria	1973-84	First Bank
UK (Whitfield & Whitfield). Manufacture of dry cell batteries.		
Berger Paints	1973-84	First Bank
UK (Lewis Berger). Manufacture of paints.		
Bewac	1977-85	Union Bank
UK. Distribution of motor vehicles and machinery.		
BFN	1978-84	Union Bank
UK (John Holt). Hire-purchase finance.		
Blackwood Hodge	1973-85	Union Bank
UK. Sales and servicing of earth-moving and construction equipment.		
Boots Co.	1974-84	First Bank
UK. Manufacture and marketing of pharmaceuticals and toiletries.		
Cadbury	1976-84	Union Bank
UK (Cadbury Schweppes). Manufacture of food and drinks.		
Cappa & D'Alberto	1980-83	United Bank
Italy. Civil engineering and building contracting.		
CFAO	1972-84	First Bank
France. Commercial and industrial activities.		
Chemical & Allied Products	1978-83	Union Bank
UK (ICI). Manufacture of chemicals and paints.		
Costain	1974-84	First Bank
UK. Construction.		
Cross River Breweries	1983-85	United Bank
Germany (GmBH). Brewing. (First listed in 1983.)		
Daily Times of Nigeria	1973-85	
Now 100% Nigerian. Printing and publishing.		
Dumez	1980-84	United Bank
France. Construction and civil engineering.		
Dunlop	1973-83	Union Bank
UK. Manufacture of tyres, tiles, adhesives; marketing of sports equipment.		
Enpee Industries	1981-84	United Bank
Bahamas (Kirplani [Indian]). Manufacture of textiles.		
First Bank of Nigeria	1974-84	First Bank
UK (Standard). Banking.		
Flour Mills Nigeria	1979-85	
USA (N/A [Greek]). Flour milling.		

Food Specialities 1978-83 Union Bank

Switzerland (Nestlé). Manufacture of food and drinks.

Foremost Dairies 1978-84 Union Bank

USA. Manufacture and marketing of dairy products.

G. Cappa 1979-85

Switzerland (Fondation Gifflenga). Construction and civil engineering.

Glaxo 1978-84

UK. Manufacture and marketing of pharmaceuticals.

Golden Guinea Breweries 1979-84 First Bank

Germany (Coutinho Caro). Brewing and bottling of beer.

Guinness 1973-84 Union Bank

Ireland/Bermuda (Guinness/Alantaf Holdings). Brewing and bottling of beer.

Hagemeyer 1978-84

Netherlands. Manufacture and marketing of paints and cosmetics; general merchandising.

Incar 1980-84 United Bank

Italy/Switzerland (Intersomer). Marketing of motor vehicles and spare parts.

Industrial Gases 1978-84 United Bank

UK/Netherlands (BOC/Van Leer). Manufacture of industrial and medical gases.

International Paints 1978-84 Union Bank

UK. Manufacture of paints.

Intra Motors 1979-84 First Bank

France/UK (Labededi [Syrian]). Distribution of motor vehicles and spare parts.

J.L. Morrison 1979-84

UK. Importation and distribution of drugs; manufacture of cosmetics and toiletries.

John Holt Investment Co. 1974-84 Union Bank

UK. Investments; management of estates, lands and buildings.

John Holt 1974-1984

UK. General merchandising, manufacturing and investments.

Julius Berger 1979-82 Union Bank

Germany. Civil engineering and construction.

K. Chellarams 1977-83 Union Bank

Bermuda (Chellsons [Indian]). Wholesale and retail distribution; manufacture of technical products, blankets, and polyethylene films and shopping bags.

Lennards 1971-84 Union Bank

Now 100% Nigerian. Trading in footwear.

Leventis Motors 1975-84

UK?. Sales and servicing of motor vehicles, trucks and tractors.

Leventis Stores 1976-82

UK?. Operation of supermarkets and department stores; import-exporting. (Merged with A.G. Leventis in 1983.)

Leventis Technical 1977-85

UK? (Leventis). Sales and servicing of computers, office machines, domestic appliances and electronic equipment.

Lever Brothers 1973-84 Union Bank

UK (Unilever). Manufacture and marketing of soaps, detergents, edible oils and fats.

Livestock Feeds 1979-84 Union Bank

USA (Pfizer). Manufacture of feeds and concentrates.

Mercantile Bank of Nigeria 1978-84

Now 100% Nigerian. Commercial banking.

Metal Box 1974-85

UK (Metal Box). Manufacture of containers.

Mobil Oil 1978-83 Union Bank

USA. Marketing of petroleum products.

NCR 1978-84 Union Bank

USA. Manufacture, marketing, installation and servicing of business machines.

Nigerian Bottling Co. 1973-84

UK (Leventis). Bottling and distribution of soft drinks.

Nigerian Breweries 1975-84 Union Bank

UK/Netherlands (CWA Holdings [Unilever]/Heineken). Brewing and importation of beer.

Nigerian Cement Co. 1974-80

100% Nigerian. Manufacture of cement. Shares of company not traded since 1981.

Nigerian Enamelware Co. 1980-84 Union Bank

Hong Kong (Ifeng). Manufacture of enamelware products.

Nigerian Hoechst 1978-84 United Bank

Germany. Manufacture of pharmaceuticals and toiletries.

Nigerian Ropes 1978-84 First Bank

UK (Bridon). Sale and manufacture of fibres and synthetic ropes.

Nigerian Sewing Machine Mfg. Co. 1978-84 Union Bank

USA (Singer). Manufacture and assembly of sewing machines, cabinets and refrigerators.

Nigerian Textile Mills 1973-84 Union Bank

Liechtenstein (Amenital Holdings [Italian?]). Manufacture of textiles.

Nigerian Tobacco Co. 1974-84

UK (BAT). Manufacture of tobacco products.

Nigerian Wire Industries 1979-83 United Bank

UK/Japan (Bridon/Mitsui). Manufacture of wire products.

Northern Nigeria Flour Mills 1979-84
USA (N/A [Greek]). Flour milling.

Ovaltine 1978-84
Bahamas [UK] (Wander). Manufacture of beverages.

P.S. Mandrides & Co. 1980-84 United Bank
UK (John Holt). Production of vegetable oil and animal feeds.

Paterson Zochonis Industries 1974-84
UK. Manufacture of cosmetics and general trading.

Pfizer Products 1979-84 Union Bank
Panama [USA] (Pfizer). Manufacture of pharmaceuticals and animal health products.

Pharma-Deko 1978-84
USA (Parke-Davis/Warner Lambert). Importation and distribution of pharmaceuticals.

Poly Products 1980-84 United Bank
Benin (Bhojwani [Indian]). Manufacture of polyethylene and plastic products.

R.T. Briscoe 1974-84 Union Bank
Denmark (East Asiatic). Importation, assembly & distribution of vehicles and equipment.

Roads Nigeria 1979-84 United Bank
Netherlands (Royal Volker Stevin). Civil engineering and construction.

Savannah Bank 1984-84
USA (Bank of America). Banking. (First listed in 1985.)

SCOA 1978-84 United Bank
France. General trade; sales and service of motor vehicles, earth-moving equipment, and industrial machinery; motor vehicle assembly; export of hides and skins.

Sterling Products 1978-84 First Bank
USA. Manufacture of pharmaceuticals.

Stokvis 1978-83 United Bank
France (cie. Optorg). Importation and distribution of technical equipment.

Studio Press 1979-84
France/Germany (CFAO/Ernst Kleff). Manufacture of light cartons and packaging.

Tate & Lyle 1973-84 Union Bank
UK. Manufacture and distribution of sugar, plastic pipes and plastic products.

Taylor Woodrow 1978-84 First Bank
UK. Mechanical and civil engineering; construction.

Texaco 1978-84
USA. Manufacture, marketing and distribution of petroleum products.

Thomas Wyatt 1976-84
UK. Manufacture of stationery, facial tissues, toilet rolls and envelopes.

Total 1978-84
France (cie. Fr. des Petroles). Marketing of petroleum products.

UAC of Nigeria	1974-84	
UK (CWA Holdings). Manufacturing and processing; technical operations and servicing; merchandising; marketing and other services.		
Union Bank of Nigeria	1973-84	Union Bank
UK (Barclays). Banking.		
United Bank for Africa	1973-85	United Bank
France (Banque Nationale de Paris). Banking.		
United Nigerian Textile Mills	1974-84	United Bank
Hong Kong/Singapore/UK (Maritime Atlantic [Chinese]). Manufacture of textiles.		
University Press	1979-85	Union Bank
UK (Oxford University Press). Book publishing.		
UTC	1974-85	United Bank
Switzerland. General trading and servicing.		
Van Leer Containers	1979-84	United Bank
Netherlands. Manufacture of metal containers.		
Vitafoam	1978-84	First Bank
UK (Vita/CWA Holdings). Manufacture of polyurethene foam for pillows and mattresses.		
Vono Products	1974-84	United Bank
UK (Vono/CWA Holdings). Manufacture of beds, mattresses and metal furniture.		
West African Portland Cement Co.	1978-83	
UK (Blue Circle). Production and distribution of cement.		
Western Textile Mills	1980-84	United Bank
Channel Islands (Vaswani [Indian]). Manufacture of textiles.		
Wiggins Teape	1973-84	First Bank
UK (Wiggins Teape [BAT]). Distribution, printing and paper conversion.		

