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THE INDIGENIZATION OF AFRICAN ECONOMIES

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(cont'd.)

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I. INTRODUCTION

1. The present study represents an attempt to analyse the theoretical perspectives of and propose an effective strategy for indigenization in Africa.

2. It is divided into four sections. The first part covers the theoretical perspectives and attempts to clarify the concept and aims of indigenization with its three basic constituent elements: indigenization of personnel, indigenization of ownership and indigenization of control, including technology.

3. The second part, aimed at defining an effective indigenization strategy for Africa, examines the conventional explanations for the limited success of indigenization policies in Africa and the relationship between such policies and development strategies in general as well as dealing with certain more specific problems of indigenization.

4. The third part contains case studies of four countries: Ghana, Kenya, Nigeria and the United Republic of Tanzania. Owing to the shortage of detailed information it has not been possible to cover more countries in depth, but mention is made of their experience whenever possible. In addition, it should be noted that indigenization policies have many common features and objectives and face similar problems of implementation in most countries. To this extent the detailed analysis of the four countries may be relevant to other African countries.

5. The final section contains a summary of the findings in the body of the report and draws a certain number of conclusions from them.

II. THEORETICAL PERSPECTIVES

A. General

6. What is indigenization? The concept of indigenization appears deceptively simple but it is in fact highly problematic. In the first place, the sheer proliferation of definitions of indigenization poses serious problems. The concept has been defined in ways which equate it to nationalization, Africanization, Kenyanization, Egyptianization, localization of ownership of enterprises, etc. However, four types of indigenization were identified at the AAPAM conference at Maseru, Lesotho in 1975. 1/ These include indigenization of ownership, of control, of manpower and of technology.

7. The indigenization of ownership aims at giving the indigenes of a country an ownership stake in the economic establishments in their country. This can be accomplished either through public or private ownership or through a combination of both. The second type, that of control, enables the indigenes to exercise control - through the Board of Directors - over the policies of enterprises. Manpower indigenization aims at developing indigenous competence in modern industrial and commercial operations and management. Finally the indigenization of technology can be broken down into three phases: first, the acquisition of technology from the highly industrialized countries; secondly a process of selection and adaptation; and thirdly a major commitment to depend increasingly on technology which has been indigenously developed and which is suited to local needs, factor mix, predicaments and domestic natural resources.

1/ Adebayo Adedeji, "Indigenization as a factor of rapid economic development," Fourteenth Inter-African Public Administration and Management Seminar, held at Maseru, Lesotho, 27 October to 3 November 1975.

8. For indigenization to have any meaning at all as one of the instruments of achieving self-reliance and promoting self-sustained growth it has to involve the fullest participation of the people of the country concerned.

9. To become self-sustaining, it has to be internalized by having a fundamental effect on the attitude, beliefs and habits, the social institutions, the skills and technical and managerial know-how and indeed the totality of the way of life of the people of the country concerned. Without such effective popular participation in the development process and without such changes in factor supplies and product demands, what takes place is growth without development.

10. A premature or mal-formulated indigenization programme can adversely affect any of the major inputs required for the development process. These inputs include savings and investment, science and technology and administrative and managerial know-how plus an efficient, highly motivated labour force. But even if the indigenization scheme is properly articulated and efficiently executed, no matter how highly motivated and efficient the labour force, it will take time before it compares favourably with its counterparts in the industrialized countries in terms of productivity per man-hour given the same capital input and technical coefficient. With this in mind, it must be accepted that in the short run there exists the possibility of a slowing down of the rate of growth.

11. It is important to note that there are gradations of the degree of indigenization which can be total or virtually so (as in the case of Uganda), or partial and selective (as in the case of Nigeria) or pragmatic (as seems to be the case in Kenya).

12. Because of this multiplicity of meanings it is all too easy for people to talk at cross purposes about the problems of indigenization. This is all the more so since the numerous definitions are usually phrased as active processes without clear specification of the objects of the process with the result that what is nationalized, Africanized, Kenyanized or Nigerianized is somewhat obscure. It is evident that even if two people agree that indigenization is Africanization, their conceptions of what is Africanized may differ to such a point that they would be talking about somewhat different processes despite their agreement on the point that indigenization is properly conceptualized as Africanization.

13. For instance, one may think of Africanization of public service personnel and the other about the Africanization of ownership of business enterprises. If the definitions of the process of indigenization are pitted against the main conceptions of the objects of indigenization, a rather different array of meanings emerges. In the face of these difficulties, it is tempting to abandon the concept as being analytically useless, but that will create more problems than it solves.

14. A promising point of departure for clarifying the concept of indigenization is to ask what is the object of indigenization. When analyzed, it will be found that notions of indigenization generally assume some aspect of the economy as the object of indigenization. It may thus be assumed, pending further clarification, that what is indigenized is the economy, or the economic system.

15. However, the term economy is itself not particularly precise. Worse, popular assumptions notwithstanding, the economy is not really a concrete entity but an abstraction. This is said without prejudice to the fact that elements of an economy are substantive phenomena or concrete things such as natural resources, labour force, the stock of technology. The term economy describes not these entities or phenomena, as such, but relations. That is why it can not be stated simply that one is indigenizing an economy and leave the matter at that. The problem can be circumvented by using the term economy loosely so that it refers also to the concrete factors which make up an economy and not simply to their integration as a system. However, this loose concept of economy loosely can not be avoided without creating more serious problems. For instance it can not be stated as part of a general definition of indigenization that the object of the process is specifically firms for that would imply that other elements of the economy are excluded from indigenization.

16. A clear conception of the process of indigenization has still not emerged. It will not do to define indigenization as for instance Africanization or Kenyanization of the economy. What exactly does the claim that one is Kenyanizing an economy entail? More generally, are the characteristics of the economy that one makes more African or more indigenous as the case may be? A review of existing literature on indigenization reveals three possibilities: (a) roles (or personnel); (b) ownership; and (c) control, including technology.

17. These three notions of the specific aspects of indigenization are related and complementary. The indigenization of control entails in some measure the indigenization of ownership and of personnel. Indigenization of personnel necessarily involves some degree of the indigenization control, although not of ownership. Finally, the indigenization of ownership entails some measure of indigenization of control although it need not involve indigenization of roles. It is therefore not necessary in searching for a working concept of indigenization to choose between these three aspects of the economy. They constitute a continuum with roles or personnel representing the least fundamental form of indigenization and control the most fundamental. When a country such as Kenya is said to be pursuing indigenization, what is meant is that it is making roles, ownership and control of the economy more indigenous.

18. The demand for indigenization originally emerged as the demand for the indigenization of personnel as far back as the early days of the nationalist protest against colonialism in Africa. For example Africanization of personnel in the private and public sectors of African economies was one of the major platforms of the National Congress of British West Africa, a transnational organization of the rising African middle class conceived in 1913 and founded in 1920. The conception of indigenization in terms of roles or personnel is still current in Africa. At the same time, the conception of indigenization in terms of ownership has been gaining currency. African Governments are not merely talking about increasing African personnel in the public services and public and private corporations, they are now encouraging the indigenization of ownership. As far as the indigenization of control is concerned it is little understood and still less effectively pursued. That is not to say that the idea of indigenizing control is not current, but it is usually confused with the indigenization of personnel and of ownership. Thus when an African country carries out a series of nationalizations, it is apt to claim to have seized control of the commanding heights of the economy. Unfortunately it takes rather more than that to seize control of the commanding heights of an economy.

B. The aims of indigenization: Manifest and latent functions

19. Why is indigenization being sought in the first place? What purpose is indigenization supposed to accomplish? This question can be answered on two levels. The first is the level of manifest functions, that is the purposes which are explicitly and publicly given and which are offered as the objective reasons for the pursuit of indigenization. On the level of manifest functions two cases are made for indigenization. One case runs along the lines of the assertion of self-determination: indigenization is seen as a continuation of the unfinished business of winning and consolidating political independence. Political independence, it is argued, has no substance unless it is supplemented by economic independence.

20. It is useful to review the usual objections against this argument for indigenization. One is that the quest for economic independence is futile and undesirable - futile because of the realities of the global system and undesirable because everyone, including Africans, profit by the economic interdependence of the global system. African countries are not seeking absolute economic independence but relief from unjust and debilitating economic dependence. They want to barter their asymmetrical relationship against interdependence among equals for the mutual benefit of all. The second part of the objection is a more serious argument; but it assumes too much. It assumes that Africa profits from its current dependence and hence that an attempt to change the status quo in the name of self-determination will be detrimental to Africa's interest, especially the prospect of economic development. This argument can be conclusively refuted on formal grounds alone. To begin with, a distinction should be made between two types of relationships. One is a symmetrical relationship among equal partners. This is the type of relationship among the industrialized countries such as France, the United States, the Soviet Union, Japan and Federal Republic of Germany. The other type of relationship is assymmetrical, typified by the relationship of African countries to the industrialized countries. Many African countries have tasted the realities of such assymmetrical relationships exercised through mechanisms such as the manipulation of the international commodity markets, the monopoly of technology, etc. Because the latter type of relationship implies unequal bargaining power, it is often disadvantageous to the weaker partner. In a world of intense competition for scarce resources, the weaker countries are less able to get what they deserve, and much less what they want. Even if the dominant countries were benign and willing enough to avoid the legitimate claims of the weaker countries, that would still not make their dependence any less.

21. The second type of case made for indigenization rests precisely on the economic liabilities of dependence between unequal partners. It runs along the lines of putting an end to the exploitation of Africans by foreigners or at any rate minimizing it. It is argued that as long as foreigners own and control resources in Africa, the continent remains susceptible to exploitation and its capacity for overcoming underdevelopment is somewhat reduced. This case is not problematic and there is no need to dwell on it. However, it is useful to take note of the fact that there is no one-to-one relationship between the reduction of dependence by indigenization and the reduction of foreign exploitation. The interest of the Africans who control the indigenized economy may well be such that they are served by collaboration with foreigners in the exploitation of their own country. The point does not invalidate the case for indigenization, but it underlines the necessity of paying meticulous attention to how indigenization occurs and to the content of indigenization policies.

22. The latent functions of indigenization refer to the private interests which motivate the quest for indigenization. There are several groups with such private interests - bureaucrats and professionals wanting to improve their lot by eliminating their foreign competitors, businessmen mindful of the advantages of reducing competition from foreigners, and so on. The group whose interest has been the most decisive is undoubtedly the leadership which inherited political power at independence. This leadership found that it was in office but not in power. It was not in power because political power on the national level needs to be supported by an economic base to have any substance. That material base was lacking because the leaders had just inherited a colonial economy which was still controlled by the colonizers and whose very structure tended to perpetuate this control. There was disequilibrium between economic power and political power the pressure to correct this disequilibrium came from both sides. Foreign capital which had the economic power tried to secure its interests by translating economic power into political power. It used its economic leverage in an effort to maintain the colonial economic structure. For their part, local vested interests tried to use political office to create an economic base. Neither was in a position to achieve a decisive victory. A decisive victory for foreign capital would mean reimposing the classic colonial situation, an event which the tide of African nationalism and world opinion would not permit. African vested interests could not hope to win a decisive victory because the only weapon they had was political power which was too fragile to be risked in a major offensive against foreign capital. What ensued was a struggle tempered by recognition of the inevitability of compromise and accommodation.

23. These were the circumstances under which some African Governments started their drive to indigenize their economies. To all appearances, complete economic independence was not the primary objective of indigenization. The primary objective of indigenization in some countries appears to be the consolidation of political power. In these countries more often than not, the process of indigenization amounts to a compromise between local interests and foreign capital.

24. It is highly significant that the whole process of indigenization devolves around the use of political power, particularly State power, to nationalize, to control investment, work permits, import and export licences, to stipulate who can engage in what kind of economic activity and to bring more aspects of economic life under constituted political authority. Indeed it is also this very problem of disequilibrium between political power and economic power which largely explains the flirtation of African countries with varieties of nationalization. Having control of more of the economic surplus places them in a better position to consolidate not only political power but also economic power. Unless indigenization is put into the general context of translating office into power, it will be quite difficult to understand the forms which indigenization policies and strategies have taken or the ambiguities and limitations of the indigenization process.

25. As is to be expected, there are contradictions between the manifest and latent functions of indigenization. Quite clearly it makes an appreciable difference whether the control of African economies by Africans is being promoted to enhance national economic independence or whether it is being promoted to ensure political stability or the success of indigenous entrepreneurs. Up to a point the problems caused by these contradictions are reduced if consideration is given to the declared intentions of some Governments in terms of the manifest functions of indigenization. Even then it is impossible or at any rate undesirable to neglect entirely the importance of latent functions if only because the contradiction between the latent and manifest functions of indigenization are bound to reappear in indigenization policies.

C. Indigenization, economic structure and development strategies

26. Indigenization can not be thought of in isolation as is often the case in some African countries. Indigenization has to be related to economic structures and development strategies. To see this relation in clear relief, it is useful to begin by considering the implications of indigenization in its most fundamental form, that is as the indigenization of control. The indigenization of control is a profound and complex undertaking. The African country which wishes to indigenize control of its economy will, among other things, have to extricate itself eventually from technological dependence. For there is scarcely any freedom from foreign control when foreigners have the decisive power over the accessibility of a factor as critical in production as technology. The African country which wants to be technologically independent will have to generate existing technology internally or gear its productive activity to the level of technology which it can generate internally. Either of these choices is a profound revolutionary change hardly comparable to nationalization which is achieved by legislative fiat. Furthermore, the African country which seriously wants to indigenize control of its economy has to revolutionize the very structure of its economy, for the present international division of labour and the system of unequal exchange which emanates from it, is necessarily a fetter on all but the most marginal change towards economic independence in Africa. Indigenization of control will in all probability also entail revolutionalizing the social relations of production. What passes for indigenization in many African countries is often a process of increasing the wealth and power of local entrepreneurs some of whom are often auxiliaries of foreign capital. This is one of the reasons why a scientific analysis of indigenization must raise the question of the relation of indigenization policies and economic structures.

27. The implications of indigenization are even more profound than that. Unless trivialized, indigenization entails not only the restructuring of the African economy but also the review and reorientation of the thrust and the content of development strategy. In Africa, despite much talk about the uniqueness of the African situation, the distinction between growth and development with equity and vociferous criticism of blind imitation of the experience of the industrialized countries during the nineteenth century, there is still a persistent tendency to conceptualize development as mere industrialization. The process of development then tends rather to follow that of the West or that of the industrialized countries in their early stages of take-off. In as much as this notion of development prevails, the quest for development inevitably reinforces dependence. In short, this idea of development is not the appropriate context for the pursuit of indigenization. Indeed it is incompatible with indigenization which must hinge on the maximization of self-reliance with social equity.

28. With few exceptions, prevailing ideas of the problems of development suffer from the same defect. For the most part, conceptions of the problem of underdevelopment are externally oriented. The tendency is to think of the problems of underdevelopment in terms of externally induced factors such as low earnings of export commodities, shortage of foreign exchange, lack of technological know-how, unfavourable terms of trade, engineering more transfer of technology, etc. As the African experience has shown, this type of development strategy is more likely to reinforce dependence.

29. Indigenization requires a development strategy with an entirely different thrust and content. For instance the capacitation approach in the sense of indepth situation analysis to identify bottlenecks and find appropriate solutions in a unified fashion will be more a suitable development context for the pursuit of indigenization in so far as it is inwardly oriented and emphasizes wider participative development and the utilization of existing resources and capabilities in an optimal way. Thus for instance instead of approaching the problem of health care by building elaborate hospitals with specialists and sophisticated equipment, the capacitation approach would tend to handle the problem in terms of a system of village dispensaries, "barefoot doctors" and the strict enforcement of public health care regulations so that the benefits accrue directly to the lagging sectors and segments of the population. It is far more rewarding to pursue indigenization in the context of a development strategy with such thrust and content. For that is the type of development strategy that promotes the realization of self-reliance with social equity, a necessary condition for the indigenization of control.

D. <u>Obstacles to indigenization</u>

30. Among the obstacles to indigenization which are most frequently mentioned, especially in official documents, are the following: (a) Lack of capital to finance the buying of shares, the take-over of foreign business, etc.; (b) Shortage of manpower to replace out-going expatriates; (c) Decline of productivity; and (d) Flight of capital, presumably threatened by aggressive economic nationalism and the restrictive legislation of indigenization. This list is not comprehensive but it illustrates some thinking on the difficulties of the indigenization process.

31. What is interesting about this list of problems is its implicit assumptions about what the indigenization process entails and about the type of development strategy associated with it. To begin with, the lack of capital becomes a serious problem because one assumes that large sums of money have to be pai out during a short period by way of compensation. More often than not, countries have acknowledged the necessity of paying generous compensation in order to encourage the future procurement of capital from abroad. Similar assumptions underline the points about shortage of manpower and decline in productivity. In these cases what is assumed is a continuation of the existing patterns of economic activities, organizational structures and value orientations requiring the inputs (such as capital, organizational skills, technological and entrepreneural know-how) of foreigners. According to a certain school of thinking, if this assumption were denied as being of a temporary nature, the grounds for making shortage of manpower and the possible decline of productivity obstacles to indigenization disappear. Finally, in the case of flight of capital, the necessity or desirability of foreign capital and (by implication) of excessive dependency is assumed. Presenting the flight of capital as a serious obstacle to indigenization clearly indicates that a development strategy which departs radically from current tendencies, in the sense of making the availability of capital or foreign capital at least, peripheral to development is not a possible option.

32. These examples show some ambivalence toward the problem of indigenization. On the one hand, understanding of the need to change the status quo and on the other hand, an inclination to want to change the status quo in a manner compatible with its maintenance. Why this ambivalence exists, why there has been a tendency to trivialize the problem of indigenization are interesting questions which should by no means be taken for granted. At the root of this ambivalence, however, lies the colonial legacy. The policies of the colonial regimes limited the opportunities available to Africans for the management of business and production on higher levels. As a result there is reluctance in some countries to forego the services of aliens. Such a policy has increased the reluctance of some Governments to involve themselves more extensively in production and this has had some impact on development priorities.

III. TOWARDS AN EFFECTIVE STRATEGY

A. Background

33. In the last two decades African countries have devoted considerable efforts into the indigenization of their economies. It is now reasonably clear that this effort has met with only limited success in some aspects of indigenization. The most notable progress was made in the indigenization of personnel, especially in the public sector, but even here the picture is somewhat ambiguous. The demand for high-level manpower continues to grow faster than the supply and the critical shortage of high-level manpower in Africa indicates the strict limits of the indigenization of personnel. Evidence of progress in the indigenization of ownership is readily visible in the nationalization of some foreign companies, the prohibition of aliens from engaging in certain activities and enterprises, the rising equity participation of the State and indigenes in foreign-owned companies. It should, however, be noted that in certain countries it is only the smaller enterprises involving small capital and low-level technology which have been indigenized while enterprises involving sophisticated technology and large amounts of capital have tended to remain foreign-dominated, whereas in other countries the process has been taken much further.

34. It is in the indigenization of control that progress is lagging behind other aspects of indigenization. There is reason to doubt whether what control entails is clearly understood. It is often assumed that the indigenization of control and economic independence have been advanced by increasing indigenous equity participation in foreign business or nationalizing it even when the nationalized enterprise depends on expatriate management, technology and imported inputs. Somehow African countries tend to pursue indigenization in the context of development strategies based on dependence with the result that this has limited the potential of indigenization policies. Despite two decades of preoccupation with indigenization, it does not seem that much has been achieved in the way of self-reliance or economic independence.

B. Conventional explanations of the failures of indigenization in Africa

35. Considerable attention has been devoted to why the drive for indigenization has achieved so little. There is a great deal of consensus on the problems which have rendered the drive for indigenization in Africa so limited. Among the problems repeatedly mentioned are the following:

36. Shortage of capital. Current indigenization policies make large demands on capital resources. In the first place, capital is required to pay compensation to the owners of nationalized enterprises and to increase the equity participation of citizens and the Government in foreign enterprises. Capital is needed to give loans to indigenous businessmen so as to help them to make a success of the foreign enterprises which they have acquired and to provide vital services such as industrial estates, feasibility studies, management guidance, etc. It is argued that since capital plays this type of role in indigenization, then the limited availability of capital in Africa is a serious constraint not only to the amount of enterprises which can be indigenized but also to the prospects of indigenizing without loss of efficiency.

37. Administrative and institutional capability. Administrative and institutional capability not only affects the Government's ability to initiate indigenization, but also the ability to implement indigenization policies successfully. The experience of indigenization in Africa reveals instances when the implementation of indigenization has put a severe strain on the administrative apparatus. In some cases institutional factors such as patronage or nepotism have adversely affected the formulation and the implementation of indigenization policies.

38. Entrepreneural and managerial skills. The availability of entrepreneural and managerial skills not only sets limits to the level of indigenization undertaken but also affects the efficiency of indigenized enterprises. African countries have tried to generate more indigenes with these skill but the shortages remain critical. Because of economic expansion and the limited scope for increasing the supply of such skills internally, the demand often surpasses supply.

39. Quantitative approach to indigenization. Some African countries have tended to indigenize on too large a scale too fast, with the result that efficiency and productivity have suffered.

40. Poor planning of indigenization policies. It has been pointed out repeatedly that indigenization policies are poorly planned. More often than not they are made on an *ad hoc* basis in response to particular political and economic pressures of the moment. Because of poor planning, indigenization policies are often inconsistent and easily evaded or subverted. Sometimes they make facile assumptions, for instance, about the availability of certain opportunities for indigenes and about their ability to recognize and take advantage of opportunities supposedly provided for them by indigenization policies.

C. Improvement of indigenization policies

41. There is consensus on what policy makers can do to increase the effectiveness of indigenization policies. It is generally believed that to indigenize effectively policy makers should, among other things, plan indigenization policies more carefully, mobilize more capital particularly from local sources, increase and intensify the training of managers and administrators and take steps to increase the supply of high-level manpower.

42. One school of thought on the problems of indigenization and how to overcome them is to be found in the proceedings of the Conference of the African Association for Public Administration and Management held at Maseru, Lesotho in 1975. 2/ The recommendations of the Conference on indigenization are summarized as follows:

43. A country should first study the political and economic implications of economic indigenization programme and decide whether the level of its economic development and efficiency (manpower situation) could sustain the indigenization exercise.

44. A decision should then be reached as to the level of indigenization it is proposed to reach, and a clearly defined policy drawn up.

45. As far as possible the country should make use of its own resources of manpower, capital and technical know-how but since they are likely to be limited, it should then turn to other countries (in the region) before enlisting overseas assistance. In all cases Governments should be selective in the sources of external financing and conditions attached thereto.

46. The country should set up its own financial institutions to minimize the possibility of economic sabotage and, in order to exercise control over existing institutions, ownership and management should be indigenized at an early stage so that the available funds can be channelled on the basis of national priorities.

47. Attention should be paid to the mobilization of savings and the provision of funds to assist small enterprises. A fixed percentage of the funds at the disposal of development banks should be reserved specifically for investment in the smaller enterprises.

48. There should be a general education programme for the masses to make the objectives, purposes and procedures of the programme generally known in order that the people themselves should understand and agree with it and, more important, be involved with it.

49. Training institutions within the country should function within the context of the indigenization policy and the country's manpower requirements and their programmes should be co-ordinated at a national level.

50. The Government should endeavour to co-operate with the Governments of other African states, the Economic Commission for Africa and African Development Bank in exploring the feasibility of establishing subregional institutions to further their indigenization programmes.

51. The process of indigenization should be a gradual one but it should be remembered that in some African countries, the gradual involvement of the indigenous people has been consciously hampered and even prevented by uncommitted groups of aliens. If such a problem is encountered and such groups identified, Governments should take swift and firm action to prevent frustration of their programme.

2/ The African Association for Public Administration and Management (AAPAM), The fourteenth Inter-African Public Administration and Management Seminar, held at Maseru, Lesotho, 27 October to 3 November, 1975.

52. These recommendations have been criticised by another school of thought, according to which there is really not much point in saying that indigenization is hampered by lack of capital, paucity of manpower resources, lack of technical know-how among the indigenous population, etc. In so far as there is an abundant supply of these factors, the problem of indigenization would scarsely arise. Part of the problem of indigenization is to increase the supply of these factors. Therefore the solution of the problem of indigenization can not be predicated on the domestic availability of these factors as opposed to the possibility of generating them internally.

53. This school of thought feels that it is not very difficult to see that the conventional approaches to the problem of indigenization trivialize the problem and that the prescriptions emanating from them can only produce marginal improvements at best. For instance a country which faithfully follows the policy prescriptions in the proceedings of the African Association for Public Administration and Management quoted above will not significantly increase its degree of indigenization. Assuming that the economy whose indigenization is at issue seriously lacks technology, high-level manpower, capital, managerial personnel, etc., then it is immediately clear that the policy prescriptions which emerged from the Association's seminar barely scratch the surface of the problem.

54. To illustrate, according to this school of thought, proposition 45 advises Governments to turn to other African countries and to be selective about sources of external financing. The trouble is that other African countries suffer the same scarcities and in any case the advice is evasive because the ultimate objective is to maximize self-reliance at the national level by which collective self-reliance at the regional level can be enhanced. The point relating to selectivity vis-a-vis sources of external financing is also evasive because what is involved is not so much removal of dependence as its relocation.

55. Proposition 46 assumes the problem will be solved on the basis of ownership and management. Proposition 48 advises that the masses be educated on indigenization programmes so that they can understand and become involved in them. It is obviously desirable to secure the involvement of the masses but only if one has effective policies and strategies.

56. Finally this school of thought notes that the conventional approaches to the problem of indigenization such as the propositions of the African Association for Public Administration and Management are not so helpful because they are too concerned with quantitative changes. The advice which emanates from them as to what the policy maker should do to indigenize successfully and quickly amounts to increasing the stock of technology, more managerial training, mobilization of savings on a larger scale, etc. Many pertinent questions which direct attention to the qualitative changes necessary for indigenization are not asked. Can a significant degree of indigenization be achieved in a monocultural export economy? Is any significant degree of indigenization possible in the context of the present international division of labour? Do the distributive effects of indigenization policies have consequences for further indigenization? Finally, does the over-all orientation of the development strategy matter at all as far as the pursuit of indigenization is concerned?

D. Indigenization and development strategies

57. The importance of these questions for the success of indigenization policies can easily be illustrated by considering the tendencies of development strategy in Africa for the last two decades and their consequences for indigenization. In the early 1960s development strategies in Africa were characterized by emphasis on commodities; the main preoccupations were how to increase the production of commodities, how to diversify production and how to contrive price stabilization arrangements. This type of strategy was defended mainly on grounds of (a) making the best of Africa's comparative advantage in the global context and (b) the pivotal role of foreign exchange earnings for development. The striking feature of this type of strategy is that it assumed that the prospects of African development depended heavily on 'external' factors such as foreign exchange earnings and international trade in commodities.

58. As a development strategy, it had its own limitations. First, the developed countries were not very co-operative with commodity price stabilization arrangements, and non-members of the few agreements which emerged undermined them by overproducing and underselling members. Second, the increasing use of synthetic substitutes and slow population growth in developed countries weakened demand for agricultural products. Third, the upward spiral in production in the industrialized countries as well as rising demand for manufactured goods turned the terms of trade against Africa. In the face of such factors the development strategy failed and financial crisis ensued, followed by a scramble for external aid and the reinforcement of dependence. Even if the strategy had succeeded in promoting economic growth it would still have tended to reinforce dependence by reinforcing the existing international division of labour and Africa's role in it. To pursue indigenization in the context of such a development strategy is in the final analysis a contradiction in terms.

59. From the late 1960s through the early 1970s, a different type of development strategy was in vogue in Africa. This time the preoccupation was industrialization, particularly import substitution industrialization. It was hoped that this strategy would not only accelerate economic development but also reduce economic dependence. Unfortunately, the pursuit of import substitution was not geared to self-reliant utilization of existing resources and capabilities. Rather, it was given a heavily external orientation. In particular import substitution industrialization was made heavily dependent on externally derived inputs: import of managerial skills, technical skills, foreign investment, foreign aid, the importation of capital goods, the co-operation of multinational companies, and the foreign exchange earnings of primary commodities. The strategy failed to accelerate economic growth for reasons which are fairly obvious. What is pertinent here is that the import substitution industrialization also failed to decrease the economic dependence of Africa. Indeed on balance it would appear to have increased the dependence of some African countries. The strategy increased the role of multinationals in African economies as well as the role of foreign investment in development for the simple reason that it created a heavy demand for imported inputs. Also the need for imported inputs increased the need for greater foreign exchange earnings which in turn created pressure for increasing the output of primary commodities, thereby reinforcing Africa's traditional role in the international division of labour. And Africa's role in the international division of labour is at the very root of its dependence. Import substitution industrialization is not a suitable development strategy for the pursuit of indigenization despite the appearance of promoting self-reliance.

60. At an extraordinary meeting held at Addis Ababa from 16 to 18 February 1976 the Executive Committee of the Economic Commission for Africa adopted a regional strategy for the next decade and beyond. This strategy which is embodied in the Revised framework of principles for the implementation of the new international economic order in Africa, aims at restructuring international economic relations and accelerating internally located and relatively autonomous growth, diversification and integration. The strategy reiterated that neither a policy of increasing production of one or two primary export crops nor a policy of diversifying the range of agricultural exports, nor a strategy aimed at import substitutions had led to a self-sustaining economic growth or substantially removed the major constraints on Africa's external trade. 3/

61. According to this strategy, economic and social development in the decade of the 1980s and beyond should rest on the three basic objectives: (a) the deliberate promotion of an increasing measure of self-reliance; (b) the acceleration of internally located and relatively autonomous processes of growth and diversification; and (c) the progressive eradication of unemployment and mass poverty.

62. The achievement of the above strategy would among other things entail the promotion of agricultural production, rural transformation and basic industrialization; second, the enlargement of markets through close economic co-operation or integration among States, and, third, the restructuring of trade between Africa and the outside world.

63. In addition to their capability for mutual reinforcement, basic industrialization activities exert strong growth-promoting effects on other industries and sectors, in particular on agriculture and on rural transformation, which then react positively on each other and on the industrial sector. Thus, agriculture is subject to demand pressures from industry and public works in the rural sector; industry is subject to demand pressures from agriculture and public works in the rural sector and public works in the rural is subject to demand pressures from both agriculture and industry.

64. It is necessary therefore to design deliberate policy instruments, programmes and plans to promote the development of these sectors. In view of the small size of most African countries and the dominance of subsistence output in many of them, multinational co-operation among African developing countries in the production and distribution of many inputs critical for initiating or accelerating processes of socio-economic change is singled out as a major area where concrete and concerted action is needed.

65. An inadequate supply of competent entrepreneurs and skilled manpower in both the public and the private sectors; a limited range of choice of technology; lack of information on production process and product markets; limited knowledge of inter-industry integration; large imports of inputs; small output mix; and limited domestic markets relative to efficient plant sizes are also mentioned as factors which restrict the absorptive capacities of African countries to respond at the micro level to initiatives at the national and regional levels.

66. Relations with the developed market economies and the Socialist countries and wider access to their markets are important, as are policies destined to contain the external drain of resources from developing countries, securing technical assistance in real and more relevant terms and gaining access to technology on less restrictive terms.

3/ Revised framework of principles for the implementation of the new international economic order in Africa, 1976-1981-1986 (E/CN.14/ECO/90 Rev.3).

But under the strategy as conceived, it is the vision and competence of Governments and communities in selecting particular technologies, types of skills, capital goods and services and combining them with local resources that will determine the results.

E. The unified approach and indigenization

67. This approach is the outcome of Economic and Social Council resolution 1494 (XLVIII) and General Assembly resolution 2681 (XXV). These resolutions pointed to the need for an approach to planning which would 'integrate the economic and social components in the formulation of policies and programmes at the national and international levels'. The major objectives of the approach are:

"(i) To leave no sector of the population outside the scope of change and development;

(ii) To effect structural change which favours national development and to activate all sectors of the population to participate in the development process;

(iii) To aim at social equity, including the achievement of an equitable distribution of income and wealth in the nation;

(iv) To give high priority to the development of human potential ..."

68. Following the resolutions, a unified approach was subsequently elaborated in a report prepared by the United Nations Research Institute for Social Development (E/CN.5/519). The report explains that "development under a unified approach is conceived not as the increase of an aggregative quantity like GNP but as growth and change of a pattern or complex of social and economic factors. It implies observed progress towards a set of goals or values; but it also implies the objective changes taking place which underline the observed progress. These include various kinds of structural and institutional change and social and individual transformation which build up the capacity of the society and of its members to realize higher levels of production and welfare." The development strategy under a unified approach would aim primarily at "changing the existing style of development into a more desirable style, as judged in terms of cross-sectoral linkages, spread effects, participation, distribution, and like criteria". The use of a unified approach entails preoccupation with "questions of kind or composition within the different fields of developmental activity: the kind of industrial growth, the kind of agricultural growth, the kind of imports, the kind of technology, the kind of educational development, the kind of health programme, etc."

69. One of the most interesting elements in the report is the concept of capacitation. The report points out the need for thinking in terms of a 'capacitating' operation "which does not try so much to define and control the future as to establish present conditions or capacities which will permit a given society to meet its problems in the future." An example of such a "capacitation" activity would be the undertaking of structural or institutional changes, which conventional planning does not readily deal with through its technical methods. Various structural and institutional conditions tend to be assumed in planning procedures, including often, structure of demand. Social transformation such as the abolition of class constraints on mobility also fall outside the scope of orthodox planning techniques.

70. A unified approach is a promising development approach which is conducive to dealing effectively with the problems of underdevelopment and economic dependence. The capacitation approach promotes self-reliance by orienting development policies to the assessment and exploitation of existing capabilities. A unified approach is geared to maximizing cross-sectoral integration, spatial integration and participative development. This type of approach is more in harmony with the objectives of indigenization. A comparison of this approach with the other approaches reviewed here shows clearly that the question of how to pursue indigenization can not be separated from the question of the characteristics of development strategy.

71. The suggestions made below concerning more effective ways of achieving indigenization of African economies are tentative and deal only in generalities, given the uniqueness of each African country.

72. If African countries want to make significant progress towards indigenization they will do well to adopt the methodology suggested in the unified approach to development. The brief examination of the unified approach above indicates its excellent prospects for the achievement of self-sustained growth, a necessary condition of indigenization. The unified approach would give development strategy a direction and content which would be entirely harmonious with the goals of indigenization. For one thing it emphasizes the utilization of existing domestic resources and capabilities. For another, it focuses attention on the removal of structural and institutional factors which reinforce dependence by accentuating unbalanced development and the neglect and economic marginalization of the rural population. The objective of this approach would be to include all sectors of the population within the scope of structural changes, development and social equity and hence, by giving the development strategy a participative and distributive emphasis, the unified approach would facilitate the avoidance of what one may call enclave development which is an underlying cause of the structural dependence of African economies. To ensure participative development, which would have little meaning without the right to productive employment that would generate income sufficient to acquire the basic needs, the approach suggests a methodology for identifying the lagging groups and regions through decentralized information flows diagnosing the causes behind the failure of such sectors to participate in development and suggesting the policy measures to rectify the situation. These policy measures may take the form of education and training, development style, kind and type of output, credit facilities, land fertility, political constraints, type of land holdings, institutional arrangements, government policies, lack of farm inputs such as fertilizers, sprays, water pumps, cement, means of transport, etc.

73. With minor exceptions the basic structure of African economies is as follows: they are essentially subsistence based, punctuated by a few commercial and industrial centres which are also administrative centres. In these centres banks and other financial institutions, infrastructure developments and amenities are concentrated. These centres stand out clearly from the rest of the society partly because they are already so well endowed that they tend to attract more development. Investment tends to go where infrastructures and educational facilities are, where advantage can be taken of economies of scale.

This tendency leads to the following consequences:

(i) The inequalities between these centres or urban areas and the rest of the country in income, social amenities and other factors increase.

(ii) Their isolation from the rural areas tends to increase and, with that, development becomes less and less relevant to the needs of the bulk of the country's population.

(iii) The external orientations of the developed centres are reinforced and the tendency arises to think of development problems only in terms of external factors such as, private foreign investment, foreign aid, importation of technology, management skills, capital goods, etc., instead of the exploitation of existing natural resources, assets, capabilities and above all the energy of the people.

(iv) The development pattern which ensues relies on outside linkages, fragments the economy and leaves it incapable of self-sustained growth and indigenization.

F. Nationalization of foreign assets

74. Indigenization means displacement of foreign control of the economy and may be pursued by encouraging indigenous enterprises and the transfer of productive assets to indigenes privately, that is, as private property. This policy stimulates the growth of the indigenous private sector but it also increases inequalities in wealth and income distribution without changing the structure of dependence and it tends to create local vested interests favouring links with foreign capital.

75. Although there are great variations within the region, it has, however, become policy in certain countries for the State to play a decisive role in realizing indigenization especially where there is as yet no large pool of indigenes with substantial wealth and a well-established economic base. In these countries regulations may be used to limit foreign control and to pave the way for more indigenous participation in the economy. In such countries the State has found itself intervening more widely in economic life: going into partnership with multinationals, buying into foreign-owned business, holding shares in trust for citizens, transferring foreign businesses to local ownership, lending indigenes money to buy foreign business or to set up new ones, providing extension services, loans and industrial estates to help citizens who have taken over foreign business in the process of indigenization. What then are the advantages and disadvantages of indigenization by nationalizing foreign enterprises and transferring them, partly or totally, to public ownership?

76. First of all, indigenization must entail restructuring the economy. African experience with indigenization has shown that indigenization is only partially achieved by quantitative change such as the changes in the distribution of ownership among citizens and non-citizens. Such quantitative change leaves intact the structural features of the African economy such as its outside orientation and externally directed linkages which are the very foundation of dependence. Indigenization must be, first and foremost, a process of restructuring the economy to ensure sectoral integration, participative development, regional integration and more inward orientation in order to achieve self-sustained growth and the reduction of the structure of dependence.

77. As has been pointed out, one of the reasons why indigenization in Africa has had only limited success is because it has been carried out in the context of a development strategy which has neglected the urban poor and the rural population, the two groups which constitute the overwhelming majority of the population of African countries. However it is hard to see how, given all the constraints of underdevelopment, the productivity of these groups can be significantly increased without substantial injections of methods which have achieved success in certain cases such as co-operatives, work brigades, mobile production units, etc. Direct measures may also be needed to improve the prospects of these lagging sectors which may take such forms as comprehensive land reforms including land redistribution, public works programmes and the like. But more pertinent are the more efficient use of extension services, the mobilization of credit, the sharing of expertise, economies of scale, accessibility and more economic use of certain inputs, particularly technology.

78. Policies of indigenization through nationalization and the socialization of production have had to face many problems. First there is the problem of finding public capital to nationalize foreign assets. This problem can be mitigated by taking the foreign investors into partnership within very strict limits. Second, there is the problem of efficiency and productivity. Unfortunately, the performance of public enterprises in Africa has been extremely disappointing. A serious effort will have to be made to inculcate more positive attitudes to work and rewards and more efficient pricing policies in public enterprises.

79. In addition, socialized production units are not under the same pressure as the entrepreneur to take risks and generate wealth in order to prosper. Another problem is the danger of complacency. It is all too easy to confuse nationalization of productive assets with the achievement of economic independence. Nationalization like private ownership of indigenized enterprises does not necessarily entail progress towards economic independence. For, as is often the case in Africa, the nationalized enterprises invariably depend heavily on imported technology, foreign capital, and foreign management. Sometimes nationalization in Africa amounts to the substitution of collective dependence for diffused dependence (under private ownership) rather than the reduction of economic dependence. The choice among these alternatives is a political decision left to the Governments to take. Each system has its advantages and disadvantages and in many cases mixed economies ultimately emerge.

G. Productivity

80. An essential aspect of indigenization must be a strenuous drive to increase productivity. The relation between productivity and dependence is quite clear. The more a country is able to improve the quantity and quality of its output and distribution, the more economic independence it is able to achieve. To achieve indigenization in Africa, the productivity of the population and other factors of production has to be increased if not optimized. It will be particularly desirable to increase the productivity of the informal sector and the subsistence economy and, to do so, it will be necessary to mobilize them politically and give them suitable recognition for purposes of production. For instance it will be desirable to consolidate rural dwellers into co-operatives and to consider an integrated approach to rural development. This would make it easier to attend to the welfare of this part of the population, as it will facilitate the provision of amenities such as health centres, water supplies, the improvement of sanitation and education. It will aid

efficiency by encouraging shared facilities more economic use of extension services, a more specialized division of labour and economies of scale.

H. Specific problems

81. Specific problems of indigenization such as the problem of lack of technology, manpower and capital deserve some consideration, particularly in the light of the suggestions made here on how to accelerate indigenization. Earlier, it was noted that conventional approaches to indigenization which focused on the solution of these specific problems were of limited success because the problem of indigenization is trivialized if it is dissociated from the question of the direction and content of development strategy and confined to specific tasks of improving the supply of capital, manpower and technology. That is not to say that these specific problems are not real and important, and consideration is given below to how these problems might be handled in the context of a unified approach and the indigenization policies suggested here. The problem of capital can be mitigated by reducing both private and public conspicuous consumption, by restricting imports to what is strictly necessary and de-emphasizing import substitution industrialization, by more intensive and efficient use of existing assets, more effective use of manpower resources, more strenuous effort at domestic mobilization of savings, etc. A capacitation perspective will tend to lead to such measures of dealing with shortage of capital.

82. The problem of manpower can be tackled with somewhat more imagination. For instance it is repeatedly said that African countries suffer from a dearth of high-level medical personnel. More strictly speaking, the problem is fundamentally a problem of poor health care and only incidentally a problem of manpower. But the health problem can be improved enormously by enforcing public health regulations strictly, better sanitation, improving public consciousness of nutrition, a system of rural dispensaries and small hospitals manned, as in the People's Republic of China, by "barefoot doctors" who can be trained in relatively short time. In short, a lot can be done to deal with the health problem without spending a lot of money on complex and sophisticated hospitals and the training of doctors. If the problem is approached as suggested, it will require less money, less technology and entail more self-reliance. Similar solutions can be applied to administration and production. For instance the problem of managerial and administrative personnel can be mitigated by resolving complex organization and complex operations into more manageable ones. The organization of society for purposes of administration and production can be done with reference to the level of manpower which can be supplied with relatively little difficulty.

83. The problem of lack of technology can be similarly treated and it looks somewhat different when approached from the point of view of participative development and capacitation. For instance if production is geared to mass consumption goods, as should be the case, technological dependence is likely to be reduced. Also the problem of the lack of technology is made worse because insufficient effort is made to gear production to real and potential domestic technological capability. The failure to make this match greatly inhibits the development of technology. Finally the development of technology and the diffusion of technological skills will be greatly increased by building in a technical unit into every production organization.

For example, each district or group of co-operatives can have a specialized production unit which works on the improvement of the simple tools and machines that its members use and experiments on how to make its production processes more efficient. This unit could be reinforced on a permanent or temporary basis by specialists in the technology relevant to the work of the co-operative. The Chinese have used this method to great effect.

84. Nevertheless, it should be pointed out that basic decisions on development strategies and policies and approaches to indigenization are largely political decisions in the final analysis. The policies suggested here for pursuing indigenization entail practical commitments.

IV. CASE STUDIES IN INDIGENIZATION

A. Ghana

1. Background

85. Ghanaian government publications refer more to economic independence and self-reliance than to indigenization. For instance the stated aim of the five-year development plan, 1975-1976-1979/80, is to build an independent national economy, firmly structured on the resource potentials of the land and culture of the peoples in the context of the stated Government principle of self-reliance. In the publication of one of the institutions dealing with the indigenization of the Ghanaian economy, it is stated that the greatest task that faces any country like Ghana that has attained political independence after many years of colonial rule is the achievement of economic independence. In the Ghanaian context, indigenization means also the quest for self-reliance, and an examination of the publications of the Ghanaian Government shows that whether the word self-reliance or economic independence is used, the major concern is the Ghanaization of the personnel and ownership of enterprises. The following passage from the foreword to the five-year development plan illustrates the point: "We have succeeded in promoting increasing indigenous participation in the Ghanaian economy and have spelt out for the benefit of investors, both domestic and foreign, the conditions under which productive investment can be made in Ghana."

86. In the period 1957-1960, the Government appeared to be very much aware of its obligations to Ghanaian businessmen, especially the small business who had supported it through the struggle for independence. But this awareness was scarcely ever translated into preferential treatment. One student of Ghana finds that neither legal action nor significant administrative pressure was applied to force expatriates out of retail trading, or to limit their roles in other fields of commerce, except for cocoa purchasing (Esseks, in Journal of Modern African Studies 9,1,1971). The policy of the Government in regard to the business community in this initial period may be described as somewhat passive. Following the Go Shifimo Kpee and the General Strike of 1961, the ruling Convention People's Party consequently decided on a change of course.

It discarded its second development plan and substituted a seven year plan which proclaimed socialism as the basis of Ghana's development. The details of this socialist approach were elaborated in a new party publication entitled 'Programme of the Convention People's Party for Work and Happiness.' Socialism was to be achieved by increasing productivity and, most importantly, by expanding and strengthening the public sector. According to the programme private enterprise was not to be killed, but merely surpassed. The strategy for stimulating the growth of Ghana's productive assets and enlarging the role of the public sector called for close co-operation between the Government and foreign capital. It was expected that foreign capital would play an important role in the implementation of the new development plan supplying over 40 per cent of the projected capital expenditure.

87. When the Government changed in 1966 there was a change of policy towards indigenous capitalism. The National Liberation Council which came to power formulated a comprehensive policy for the promotion of Ghanaian business enterprises in a policy paper entitled, "Government policy on the promotion of business enterprises (1968)". The paper declared that a major objective of Government economic policy was to encourage private enterprise (both foreign and Ghanaian) to continue its vital role as the leading contributor to the country's volume of production, income and employment. The paper pointed out that, while the Government was interested in encouraging foreign investment, it was not the intention of the Government that the encouragement of foreign investment should result in the perpetuation of foreign control and domination of the country. It went on to stress that government policy would ensure that Ghanaian enterprises received the maximum encouragement and that there was no excessive concentration or control by foreign enterprises in the economic sector. This policy paper set the tone for the indigenization or Ghanaization of the economy. It was spelled out in more concrete policy terms a few months after by a decree promulgated in December 1968.

2. Promotion of indigenization

88. The decree of December 1968 reserved, as the exclusive preserve of Ghanaians, the following enterprises: retail trade of less than ¢0.5 million, wholesale trade of less than ¢1 million in volume, taxi services and any enterprise engaged in extraction, processing, manufacturing or transportation business, employing 30 persons or less and requiring simple production techniques or having a capital investment of less than ¢100,000. A Ghanaian Enterprise Committee was set up to advise on the implementation of the decree. Foreign businessmen in the affected enterprises were to be given two to five years to transfer ownership to Ghanaians and this transition period was to be used for improving the managerial and technical education of Ghanaians.

89. The National Liberation Council Government fell in September 1969 and the new Progress Party Government was forceful in the pursuit of indigenization. In its very first week of office it ordered the deportation of all aliens without valid resident permits, a move which might have affected as many as 150,000 persons, many of them in the private sector. However, numerous exemptions and a rush of naturalizations reduced its impact. The new Government quickly passed through Parliament a Ghanaian Business Promotion Act in June 1970, which embodied the approach to indigenization adopted by the National Liberation Council policy paper but sought to accelerate

indigenization and give it more depth. It changed the deadline for compliance by affected foreign enterprises from June 1973 to August 1970. Like the decree of 1968 which it superseded, the Act reserved certain enterprises exclusively for Ghanaians. The reserved enterprises were classified into two categories. The first category was a list very similar to the reserved list of the 1968 decree. The items in this list were taxi services, sole agency for overseas representation, sale under hire-purchase contract of taxis or vehicles, petty trading, hawking or selling from kiosks and retail or wholesale trade where the annual turnover for the enterprise for the tax year 1967/68 did not exceed ₵500,000. The prohibition of foreign ownership of enterprises in this category came into effect on 1 August 1970. The second category of enterprises consisted of the following: commercial transportation by land, bakery, printing other than printing textiles, beauty culture, produce brokerage, advertising and publicity, manufacture of cement and blocks. The application of the decree to items in this category was effective from July 1971.

90. There was an elaborate mechanism for implementing the Act. A Ghanaian Enterprises Advisory Committee was set up to advise on how to promote Ghanaian enterprise generally and also advise the Minister of Economic Planning on the administration of the Act. This organ superseded the old Ghanaian Enterprises Committee set up under the decree of 1968. In addition to this there was also the Office of Business Promotion, which was to assist in the implementation of the Act by drawing up a comprehensive plan for the development of small business in Ghana. It was also required to provide Ghanaian business with advisory services and technical and financial assistance, to assist small businesses to identify, prepare and execute projects and to exercise any other functions that might be necessary for the development of the small-scale business sector of the economy and the promotion of indigenous entrepreneurship. When the Office of Business Promotions was set up in July 1971, it was organized into four units: (1) the Inspectorate and Licensing Unit which was to license the enterprises affected by the Ghanaian Business Promotion Act and the Alien Licensing Regulation of 1970. In addition to this function, the unit was to inspect businesses reserved for Ghanaians and monitor the businesses which have received loans from the Small Business Credit Scheme which was set up to promote indigenization; (2) the Administration and Finance Unit, whose functions were the processing of applications for loans and feasibility studies and supervising loan accounts; (3) the Business Promotion and Development Unit, which was to conduct research on small business to determine how they could best be assisted. It also carried out the promotional work of the Office of Business Promotions; and (4) the Regional Business Promotion Secretariat, which acted as the arm of the Office of Business Promotions in the regions.

91. Financial assistance for implementing the act was to be provided by the Office of Business Promotion in co-operation with the National Investment Bank, Barclays Bank, Standard Bank and the Ghana Commercial Bank. The Government tried to mobilize more capital by raising the interest payable for deposits with the Post Office Savings Bank (known as the National Savings and Credit Bank) from 2½ per cent to 5 per cent. It also reduced the liquidity ratio of commercial banks from 50 per cent to 45 per cent. Finally the Government agreed to assist Ghanaians to acquire foreign businesses by guaranteeing the banks up to ₵100,000 in support of such transactions with government-approved clients. The financing of the Act was greatly helped by the small credit

scheme of the Office of Business Promotions. This scheme was launched in December 1970 and its aims were (a) to increase the local entrepreneur's access to organized credit on reasonable terms; (b) to supplement the available credit through the commercial banking systems, and (c) to enable local businessmen with ability, drive, imagination and sound business ideas, but lacking adequate funds, to start business in a small way. The two types of small businesses which were to benefit from the scheme were the small businesses which were taken over from foreigners under the Act and also those operating in the priority sectors of the economy which, according to the Government, included import substitution, export promotion enterprises and small manufacturing.

92. Steps were taken to educate Ghanaians on the acquisition of foreign business, the setting up of new ones, the problems of management and how to overcome them. Some of these functions were performed by the Office of Business Promotion. The effort of this institution was supplemented by Ghana Institute of Management and Public Administration which was duly expanded by the inclusion of an Administrative Staff College, and also by the advisory bureaux set up across the country by the Management Development and Productivity Institute. The Development Service Unit of the National Investment Bank offered feasibility studies and consultancy services to Ghanaians wishing to go into business and its Post-Finance Department helped clients with accountancy problems.

93. The Ghanaian Business Promotion Act was quite successful in achieving its modest aims. The Office of Business Promotion tried to enforce compliance by a rigorous schedule of inspection. And it did not hesitate to take over companies which failed to comply by the appointed date. By the end of December 1973, the total number of loans granted to Ghanaians under the Act by the Office of Business Promotion was 6,232 worth a total of ¢10,213,342. Some of the loans achieved excellent results. For instance, a loan of ¢156,110 was given to 94 Accra taxi drivers to take over a fleet of taxis originally belonging to Fattal Brothers. By June 1974, all but ¢11,369 had been repaid and 72 of the taxi drivers already owned their taxis. Bouyed by this success, the Office of Business Promotion encouraged the taxi drivers who had completed their payment to form co-operatives and gave them financial assistance to do so. Those who borrowed money under the Act took their obligations seriously, for the average repayment as of June 1974 was about 70 per cent.

94. There were however difficulties in the implementation of the Act, some of them serious enough to reduce its effectiveness considerably. It would appear that financing the Act was a considerable problem. Some foreigners affected by the Act were unable to dispose of their enterprises because prospective Ghanaian buyers could not raise the requisite funds to effect the transaction. Despite the encouragement of the Government, Ghanaian bankers were unwilling to relax their rather stringent conditions for lending. Even the small business credit scheme imposed very stringent conditions for lending and required applicants to go through a rather tiresome process. Thus many applications were turned down after long delays, and in some cases approval came too late to enable the completion of transactions before the deadline for the transfer of the affected foreign enterprise. The Act had neglected to specify and regulate the process of transfer of foreign business to Ghanaians. Some of the affected foreigners preferred private, often secret deals and demanded bonus payments, unrealistically high prices and payment of part of their money in foreign exchange.

The Act also had not regulated the treatment of employees of affected enterprises with the result that there was considerable displacement of people and some suffering; with about 4,000 people being affected. The implementation of the Act led to shortages of some essential commodities as affected foreign businesses refrained from ordering new stock and those unable to find Ghanaian buyers by the deadline simply closed shop. The degree to which the aims of the Act were achieved suffered from the fact that the Act had not insisted that expatriates should train Ghanaians to take over their businesses within a certain date and this encouraged an arrangement by which Ghanaians were used as fronts. Nevertheless, even if the implementation of the Act had been 100 per cent successful, it would still not have advanced indigenization significantly. The aims of the Act were too modest, and the list of enterprises reserved for Ghanaians represented a very small part of the industrial and commercial sector.

95. The deficiencies of the Act of 1970 were supposed to be remedied by the new indigenization policies launched in 1975. In April that year the Government promulgated the Investment Policy Decree (National Redemption Council Decree No. 329) and the Ghanaian Enterprises Development Decree (National Redemption Council Decree No. 330) which were to supersede the Ghana Business Promotion Act of 1970 with effect from 1 January 1976.

96. The significance of the Investment Policy Decree lies mainly in the extension of the scope for Ghanaian participation in the economy. The following enterprises were reserved exclusively for Ghanaians (a) all commercial enterprises including produce brokerage, advertising agencies, retail trade with a capital of ₵500,000 or more or a turnover of ₵1 million or more and commercial transportation by land, (b) eight industrial enterprises including bakeries, printing of books and stationery, manufacture of cement blocks for sale and tyre retreading. Another category of enterprises was reserved partly for Ghanaians consisting of (a) eight commercial enterprises including shipping, casinos, clearing and forwarding and distribution agencies for machines and technical equipment; (b) 36 industrial enterprises including laundry and dry cleaning, manufacture of confectionery, motor workshops, sawmilling, manufacture of matches, fish processing, manufacture of footwear, paper conversion and manufacture of rubber products; and (c) two agricultural enterprises, namely, fish and shrimp trawling and poultry farming. Commercial or industrial enterprises in this schedule with a capital of less than ₵500,000 and an annual turnover of less than ₵1 million required 50 per cent Ghanaian participation, while those with a capital of more than ₵500,000 or annual turnover of more than ₵1 million required at least 40 per cent Ghanaian participation. All enterprises in this schedule engaged in the production of essential commodities (basic necessities such as sugar, salt, soap, fertilizer, matches, beer, cement, baby food, petroleum products, shoes and textiles) required at least 50 per cent indigenous participation. Banking services, mineral enterprises and timber enterprises with a capital of less than ₵500,000 or annual turnover of less than ₵1 million were to have indigenous participation of at least 40 per cent. The decree also made a certain level of State participation mandatory for certain enterprises. State equity participation of not less than 55 per cent was required in the following cases (a) timber enterprises with capital of more than ₵500,000 or an annual turnover of more than ₵1 million; (b) mineral enterprises with capital of more than ₵500,000 or turnover of more than ₵1 million; and (c) all enterprises producing basic necessities such as salt, fertilizers, matches and milk provided that they had an annual turnover of more than ₵1 million or capital of more than ₵5 million. In addition State participation of not more than 30 per cent was required for enterprises dealing with the extraction and processing of bauxite and aluminium, and not more than 20 per cent in enterprises dealing with the production of mineral oil.

97. Apart from enlarging the scope of indigenization, the Investment Policy Act tried to deal with some of the problems which had impeded the implementation of the Act of 1970. "Fronting", or collusion with expatriates to hold legal ownership while the expatriate retained effective ownership was punishable by two years imprisonment with no option of a fine. Furthermore, the Decree made it illegal for any Ghanaian to employ directly or indirectly any foreigner in the operation of any enterprise previously owned by that person which the foreigner had disposed of or had purported to dispose of. To enable Ghanaians to take over foreign enterprises without loss of efficiency, the Decree enjoined all expatriates with enterprises affected by the Decree to institute within six months of the Decree a training scheme which would enable Ghanaians to acquire the skills for running the enterprise including supervisory and managerial skills. They were to report the full details of their training programme to the authorities within 12 months of the commencement of the Decree. Another deficiency which the Investment Policy Decree tried to remedy was the unregulated transfer of shares and businesses which had led to abuse under the Act of 1970. The Decree stipulated that sales of shares and transfer of businesses under the Decree were to be effected through the agency of the Investment Policy Implementation Committee which was set up under the Decree to implement it. The shares for sale were to be vested in the Committee in the first place and it was up to the Committee to determine their value, receive payment from the buyers and transmit the payment to the vendor.

98. The Investment Policy Decree was complemented by the Ghanaian Enterprises Development Decree, promulgated at the same time. While the former defined the scope of Ghanaian participation in the economy and the procedures and processes by which it was to be achieved, the latter was concerned essentially with setting up an executive agency, the Ghanaian Enterprises Commission, to ensure that the targeted scope of Ghanaian participation was realized. Apart from ensuring the indigenization of enterprises as stipulated by the Investment Policy Decree, the Commission was also entrusted with the broader responsibility of ensuring the assumption of control of the economy by Ghanaians within the shortest possible time as well as creating an effective institution providing technical and financial assistance, as well as a general advisory service to Ghanaian businessmen. One of the deficiencies of the Act of 1970 was its indifference to the likely effects of the process of indigenization in accentuating inequality. The Ghanaian Enterprises Development Decree showed some sign of recognizing the problem, but without tackling it seriously, for it empowered the Ghanaian Enterprises Commission to reserve a proportion of the shares scheduled for indigenization for the workers.

3. Implementation and problems encountered

99. The implementation of the indigenization Decree of 1975 has proceeded rather well. The Government moved quickly to acquire the stipulated large enterprises with a capital of ¢550,000 or turnover of over ¢1 million. The Government has also taken over the petroleum refinery. According to a report of the Investment Policy Implementation Committee dated January 1977, by the deadline for effecting the Investment Policy Decree, i.e. 31 December 1976, of the 290 affected companies examined by the Ghanaian Enterprises Commission, three were exempt from the Decree and 204 out of the remaining 287 had complied with the provisions of the Decree.

According to the annual report of the Ghanaian Enterprises Development Commission for the financial year 1976/77, a comprehensive check on the enterprises reserved for Ghanaians revealed that 85 per cent of foreigners operating in the Greater Accra and Ashanti Regions are legally entitled to operate as Ghanaians by birth or by naturalization. In the other regions, no non-African were found operating in the reserved areas. The small business credit scheme has also been equally successful. Under the Investment Policy Decree, the scheme has been extended to assist not only those taking over foreign business in schedule I (that is enterprises reserved exclusively for Ghanaians) but also to help indigenous entrepreneurs in the areas designated as priority areas of the economy from time to time. The total investment in this scheme since 1 July 1971 is ₵21,814,373. To all appearances, Ghanaians are alert to the opportunities which indigenization policies offer. The few companies which went public to meet the requirements of the Investment Policy Decree were generally oversubscribed and the demand for loans under the small business credit scheme has been very heavy.

100. Concerning progress in the indigenization of personnel, Ghana has made a serious effort to achieve self-sufficiency in high-level manpower by the use of institutions such as the universities, the Ghana Institute of Management and Public Administration and the Management Development and Productivity Institute. However, in Ghana as in most parts of Africa the quest for self-reliance in manpower has proved to be elusive, partly because of the new demands being generated by development. Output of high-level manpower increases in absolute terms without really alleviating the critical shortages as the following table shows:

<u>Output of high-level manpower</u>

<u>Table I.</u>

Occupation	Total employed 1975	Projected employment 1980	Estimated output 1975-80	Shortages and surpluses
Civil engineers	508	761	100	- 153
Mechanical engineers	566	920	100	- 254
Architects and townplanners	422	1,049	200	- 427
Surveyors	640	1,623	200	- 783
Geologists	42	192	25	- 105
Agriculturists	635	1,135	400	- 100

<u>Source:</u> Adapted from <u>Five-year development plan 1975/76 - 1979/80</u>, Ministry of Economic Planning, Accra, (1977) p. 358.

The situation of high-level administrative and managerial personnel appears to be more promising. The additional requirement in this category for the plan period 1975/76-1979/80 is 3,132. It was expected that the output would meet this requirement but incomplete evidence indicates that this expectation was somewhat optimistic. Despite the efforts made in manpower development, the supply of manpower remains a constraint on indigenization in Ghana.

101. The Investment Policy Decree did not solve all the problems and it was not without its own difficulties. Tardiness in loan repayment continues to reduce the effectiveness of the small business credit scheme. The amount due for collection from clients for the financial year 1976/77 under the scheme was ¢4,761,145. The Ghanaian Enterprises Development Commission was able to collect only ¢2,721,030 or 57 per cent of payments due. Taking the cumulative annual repayment performance for the five years up to 30 June 1977, the picture is somewhat better and the figure for the financial year 1976/77 is 69 per cent. The problem of repayment is important because the Commission is now relying heavily on repayments to finance new loans. The scheme suffers not only from the tardiness of repayment but also from the administrative costs of debt collection. During the financial year 1976/77, the Commission was involved in the prosecution of 37 cases of debt default involving a total amount of ¢246,932. It was able to recover only ¢54,974 as a result of these cases and the cost of this litigation must have been considerable. In the same period, the confidence in the small business credit scheme suffered from suspicion that its loans are often awarded for reasons other than sound business principles. The Ghanaian Enterprises Development Commission has devised new guidelines for the scheme which it hopes will remove the unfavourable political stigma that has been attached to the small business credit scheme.

102. Some of the indigenized enterprises are suffering from operational and management problems. The Commission complains that, despite its careful selection of the candidates to buy foreign business, some of the enterprises are having difficulties under their new Ghanaian owners. These difficulties arise mainly out of the limited financial resources of the new owners and from poor supervision. Just how serious these problems are is difficult to say but they may be quite serious judging from the Commission's resolve to address itself vigorously to these problems to rescue those in difficulties. In some cases "pairing" has accentuated the problems of management and operation. 'Pairing' was an idea encouraged by the Commission to facilitate indigenization. It involves bringing two or more Ghanaian Entrepreneurs into a new partnership in order to be able to take over a foreign business which they would not have been able to do individually. In one instance disputes among the partners made it necessary for the Commission to repossess and sell their factory.

103. Some of the problems facing the indigenized enterprises really have nothing to do with managerial and entrepreneural deficiencies of Ghanaian businessmen. One of the most serious of these problems is the supply of inputs. Many of the newly acquired enterprises appear to have had difficulties with the supply of raw materials. Part of the problem was caused by the failure of the Government to issue enough import permits. It is suspected that the problem was also due to subversion by the former owners of indigenized business, particularly in the case of the garment and leather enterprises. The shortages in the supply of inputs were also caused by the difficulties the new Ghanaian owners had in securing credit facilities overseas, owing to suspicion by overseas suppliers of the performance of the new Ghanaian owners.

104. There were also problems arising from the confusion of transition and the unfamiliarity of some of the Ghanaian businessmen with procedures. For instance the Commission found that some businessmen had difficulties dealing with the Customs and Excise, the Ministry of Trade and Tourism, the Registrar General, etc., but the Commission has paid considerable attention to these problems and has helped to alleviate them. For instance, it has taken pains to educate the Ghanaian businessmen on import license allocation, the procurement of raw materials, customs and excise requirements for Ghanaian manufacturers, and the use of the Ghana Standard Board Certification Mark.

105. Finally, some problems arose from people trying to take advantage of the transition process and the inexperience of some of the owners of the new enterprises. For instance, when certain businesses were changing hands the landlords of the premises tried to raise rents steeply and even to evict the business. The Ghanaian Enterprises Development (Amendment) Decree of May 1976 helped to deal with the problem, for existing tenancy agreements were made to hold for the new Ghanaian owners.

106. The financing of indigenization in Ghana does not appear to be a particularly difficult problem. Because of what may be described as Ghana's gradualist approach to indigenization, the financial requirements for buying out foreigners from the enterprises reserved wholly or partially for Ghanaians was rather modest. According to figures from the Capital Investment Board, the share capital of foreign businesses affected by the Investment Policy Decree was between ¢55 million and ¢75 million, which is a small amount in comparison to available credit. As of January 1976 the demand liabilities of the commercial banks was about ¢930 million. When allowances are made for foreigners' share of this amount and competing demands for credit in agricultural and industrial development, the availability of credit for indigenization is greatly reduced. Nevertheless Ghana's experience with indigenization to date indicates that credit has not been a particularly serious difficulty.

107. It is difficult to estimate the effects of indigenization on factors such as productivity, the level of direct private investment and international capital movements, partly because indigenization policies in Ghana, as in most African countries, have been modest and partly because detailed studies of these effects are not available. It is likely that the process of indigenization might have had some adverse effect on productivity because of the managerial problems of transition and the shortages in the supply of inputs as in the case of the garment and leather industry.

108. The two years following the launching of the Ghanaian Business (Promotion) Act of 1970, the landmark in the indigenization of contemporary Ghana, were very hard years for Ghana economically. However, this was not due to indigenization policies. In 1971 the export earning of cocoa had fallen by 28 per cent as a result of a steep decline in world cocoa prices. This led to a balance-of-payments crisis, a crisis which was all the more serious because of the fiscal and monetary policies and import liberalization undertaken in 1970 in the wake of rising export earnings of cocoa. As far as international capital movements and investment are concerned, indigenization does not seem to have made much difference. There are really no compelling reasons for foreign capital to flee Ghana given the moderate and practical character of Ghana's indigenization policies and the incentives to invest which came with

indigenization to allay the fears of foreign capital. For instance, prior to the Investment Policy decree, a tax of 55 per cent on dividends was abolished. The Investment Policy Decree enjoined the Ghanaian Enterprises Development Commission to ensure that there were no restrictions on the transfer out of Ghana of capital which the Commissioner was satisfied had been brought into Ghana by persons other than Ghanaians or of profits and dividends on any investments of such capital made by such persons in Ghana. Some foreigners appear to be taking advantage of this opportunity, especially in repatriating unremitted profits but there is no sign of significant flight of capital. Indeed it would have been surprising if substantial flight of capital or redirection of foreign investment had occurred. A Ghanaian Government publication, Ghana's Economy and its Aid Requirements, states that the policy of promoting Ghanaian business enterprises should not be misconstrued as a policy to eliminate foreign entrepreneurs in Ghana. On the contrary, this policy is basically intended to promote a mutually advantageous and lasting partnership between Ghanaian and non-Ghanaian businessmen. Ghana's indigenization policies would appear to have lived up to this assurance.

109. Indigenization in Ghana is successful in the sense that the relevant enterprises have been taken over more or less smoothly and in the sense that the prescribed scope of State participation in the economy is being achieved without any serious negative consequences. However, the effects of indigenization policies on the Ghanaianization of ownership and the localization of control has been limited. It would appear that indigenization has encouraged local petty entrepreneurs by reserving for Ghanaians enterprises which require less complex organization, capital, managerial talent and sophisticated technology. The estimated value of shares affected by the Investment Policy Decree is between ₵55 million and ₵75 million.

110. No discussion of the effects of indigenization in Ghana will be complete without mentioning two tendencies inherent in this type of indigenization. The first is the increase in economic inequality. Increasing the participation of Ghanaians in the Ghanaian economy has tended to open further business opportunities to already successful entrepreneurs. There is naturally a bias in favour of entrepreneurs who are already successful, for such people inspire confidence as being able to take over foreign businesses without loss of efficiency; such people also have the capital to buy indigenized businesses, and they inspire the confidence of lending institutions and have the requisite collateral to secure loans. For instance the small business credit scheme stipulates that it prefers to give loans to those who engage in business on their own account, and that all its loans should be properly secured by mortgage or real property, trade acceptances or lien on asset, etc. Even within the class of successful entrepreneurs, the benefits of indigenization appear to be unevenly distributed. Most of the benefits accrue to entrepreneurs in the few major urban areas where industrial and commercial activities are highly concentrated and in particular in the Accra-Tema metropolitan area which has over 50 per cent of the country's industrial establishments even though it has only 10 per cent of the population. It is also the successful entrepreneurs in this centre who would have the contacts with government officials, leading financial institutions, multinational companies and foreign businessmen.

111. In Ghana, the problem of promoting economic inequality in the course of indigenization has been recognized. Part II of the Ghanaian Enterprises Development Decree empowers the Ghanaian Enterprises Development Commission to reserve a percentage of the share capital of foreign businesses affected by the Decree to the Ghanaian workers of the enterprise. It also states that in the event of ten or more workers acquiring such shares, their share capital will be held in trust for them by a co-operative formed by themselves and that this co-operative may obtain financial assistance for the purchase of shares. If however this were to be more than a gesture, worker equity participation should have been greater and mandatory. It is interesting that the first annual report of the Ghanaian Enterprises Development Commission covering the period July 1975 to June 1976 says nothing about worker participation; neither does the annual report for the financial year 1976/77.

112. In Ghana, as in most African countries, there is a tendency to interpret increased indigenous ownership of enterprises as expanded economic independence or localization of control of the economy. This is partly correct of course with more decision making being concentrated in the hands of indigenes. However, economic independence and self-reliance call for a wider context covering many factors and elements other than the mere indigenization. Indeed, indigenization represents a step forward in this direction, but it is all too easy to miss the significance of the fact that the fundamental aspect of the debilitating dependence of African economies is not only the nationality distribution of ownership but also the pattern of economic growth and development, the internal structure of the domestic economies and types of linkages and the structural relationship of these economies to those of the developed countries. Although such structural changes of course require long years of persistent effort, it is in this field that the success in many African developing countries, including Ghana, has been limited.

B. Kenya

1. Background

113. The Government of Kenya sees indigenization essentially as Kenyanization of personnel and ownership. The 1963 Manifesto of the Kenya African National Union, the party in power, set the tone for indigenization policy of Kenya. The manifesto called for the training of Kenyans and the correction of racial imbalance in the civil service, commerce and the professions. What this manifesto offered was a moderate programme of indigenization, namely the indigenization of personnel. The same type of indigenization policy was proclaimed in Sessional paper No. 10, "African socialism and its application to planning in Kenya." The policy was again reiterated in another policy statement entitled, Kenyanization of personnel in the private sector, (1967). However, this paper contained indications of a broader concern than the mere replacement of expatriates with Kenyan employees in Government and the private sector. The paper asserted that truly national prosperity could not be built if the management of key commercial and industrial concerns remained in the hands of non-citizens.

Kenyans must participate and be involved in policy making and its execution in all sectors. In the 1970-1974 development plan, a policy of indigenizing ownership began to emerge clearly. Without abandoning its attention to the Kenyanization of personnel programme the plan began to stress economic independence. It stated that the attainment of economic independence required that Kenyan citizens should predominate in all walks of economic life. For that reason, the Plan contained proposals and financial allocations for funds to be lent to citizens to enter commerce, industry and transport or to expand their activities if they were already started. The 1974-1978 development plan continued and reinforced this trend.

114. Thus the Government of Kenya conceives indigenization in the context of a broader concern, namely the indigenization of ownership and personnel and the indigenization of control. The extension of indigenous ownership of productive assets is thought to constitute the achievement of economic independence and the localization of control of the economy. Kenya's desire to increase Kenyan participation in the economy and to transfer productive assets to Kenyans is matched by the concern to refrain from alienating foreign capital and technical assistance. This in turn is associated with the emphasis of indigenization in Kenya on increasing indigenous economic participation in new economic expansion rather than the abrupt displacement of expatriates in existing enterprises. This thrust in indigenization policy is particularly true of the industrial and commercial sectors.

2. Indigenization of the agricultural sector

115. Kenya was a settler colony, and this became the source of some contradictions in its colonial history. The European farmer needed land in large quantities. In 1934, the European farmers were given a monopoly of the high potential land in Kenya, the so called White Highlands. This preserve was about 16,700 square miles of which about 12,000 square miles or roughly 7.5 million acres was actually alienated. By monopolizing this land, the European settlers created "the land problem" or "the land question". In addition to land, the European farmers also needed labour to work their land and protection from competition from peasant agriculture. Thus pressures mounted for monetizing the peasant economy and proletarianizing the peasant. At the same time measures were taken to protect the European farmer against competition from peasants. For instance the Coffee Plantations Registration Ordinance of 1918 prevented Africans from growing coffee, while the Native Produce Ordinance, 1935, limited marketing and particularly wholesale trade to Europeans and Asians. Taxes were introduced to force peasants into the money economy as wage earners, compulsory recruitment of labour was tolerated. Measures such as the Resident Natives Ordinance turned expropriated peasants into cheap labour and other measures such as the Registration Ordinance and the Masters and Servants Ordinance increased the power of European farmers to keep Africans as wage labourers. The alienation of African land and the measures associated with it nurtured and focused the African struggle against colonialism in Kenya. As the nationalist movement gathered momentum, it became increasingly clear that the resolution of the struggle between nationalism and colonialism would hinge on the land question. Finding the nationalist movement unshakable, the colonizers decided to come to terms with it and deradicalize it by finding a compromise on the land question. This was how it came about that the colonial Government and the European settlers of Kenya themselves initiated a programme of indigenization of agriculture. The programme was facilitated by the growing commercial and economic strength of Europeans in commerce and industry.

Already by 1955 the product of European agriculture was equalled by the value of manufactured goods.

116. The compromise which emerged was the decision to transfer some of the mixed farms in the White Highlands to Africans. Only 2.1 million acres out of the 3.7 million acres of mixed farms were to be settled. It was argued that the retention of the remaining 1.6 million acres by European farmers was necessary in the interest of the economy. The 2.7 million acres of ranches in the White Highlands was also to remain in European hands because they were too important for the economy and not suitable for subdivision. The 1.5 million acres of plantations were also to remain in European hands because it was too expensive to buy them out and the land was unsuitable for subdivision and crucial for export earnings. The idea was accepted and the Million Acre Settlement Scheme was subsequently launched in 1961. It settled 35,000 families in 470,000 hectares of land at a cost of approximately K£30 million. The average size of the farms was about 12 hectares. The idea of the land transfer and land settlement schemes took root and as it turned out the Million Acre Settlement Scheme became only one of a series of such schemes. It was followed by the Harambee Settlement Programme which settled about 400 families on 6,500 hectares of land. There was also the Ol Kalou Settlement Scheme which was started in 1964 to settle 2,000 families on 56,000 hectares of land. In 1965 came the Squatter Settlement Scheme later called the Haraka Settlement Scheme, apparently the least successful of the schemes; it settled an estimated 14,000 families on about 105,000 hectares of land. In 1971, the Shirika Settlement Schemes were launched, designed to settle landless people in two phases. The first phase scheduled for completion in 1973 was to settle 5,300 families on 53,000 hectares of land. The second phase scheduled for completion in 1978 was to settle 14,000 families on 139,000 hectares of land. There are plans for more settlement schemes but the emphasis has changed to reclaiming marginally useful land such as the arid zones, which constitute over 60 per cent of the country. It is hoped that the development of these areas will increase agricultural output as well as deal with the problems of unemployment and land shortages.

117. The settlement schemes encountered many problems. They proved very expensive. The Million Acre Scheme alone cost approximately K£30 million. The Kenyan Government contributed only about K£3 million and had to borrow the rest from abroad. The high cost of the settlement imposed a great financial burden not only on the Government but also on the African beneficiaries of the scheme who eventually had to repay the money which the Government had borrowed to enable them to acquire European-held land. The average cost of establishing each of the smaller-scale farms under the Million Acre Scheme was over K£700. The debt burden of the African farmers is easily illustrated. Of the K£1.7 million which had been billed to farmers by the end of 1966, 55.7 per cent was in arrears. Of the K£3.9 million billed to settlers by the end of 1968, 43.7 per cent were in arrears and 23.7 per cent had been outstanding for at least a year. The Van Arkadie Mission of 1966 which looked into the debt problem of the settlement schemes pointed out that the new settlers were invariably in the position of having to put 70 per cent or more of their farm income into debt repayment.

118. The financial problems were by no means the only problem of the settlement schemes. The schemes also put great stress on extension services. Administering them proved to be a very complex process which made heavy demands on the Government's resources; and their administrative complexity caused long delays with the result that the programmes fell well behind schedule. However, it would appear that the financial problems weighed heavily with the Kenyan Government in its decision to de-emphasize and decelerate land transfers. For the financial year 1963/1964 the Government had devoted about 75 per cent of development expenditure for agriculture to land transfer programmes. For the year 1968/1969 the proportion was less than 50 per cent and the 1970-1974 development plan promised an even more drastic reduction to less than 22 per cent. The 1974-1978 development plan devotes K£12.74 million to land transfer and settlement out of a total development expenditure in agriculture of K£90.21 million i.e. only 14.21 per cent of development expenditure for the plan period. The reasons for the deceleration of the land transfer programme are stated in the 1970-1974 development plan. According to the document, 'Kenya has been using a very high proportion of her available agricultural development funds for the land transfer programme. However, the economic benefits from doing this are marginal at best'. The document goes on to argue that the most that can be expected from the land transfer is a modest increase in productivity and perhaps a little increase in employment. Unimpressed by these advantages it goes on to say that 'the financial transactions involved in transfering land in this way have a substantially adverse effect on the balance of payments', and that 'there are better ways in which available funds can be used to promote agricultural development'. This is perhaps somewhat more pessimistic than the facts would warrant. For one thing, despite its many problems, the land transfer scheme did not have an adverse effect on productivity. Surveys carried out by the Kenyan Government and based on large samples showed that the average value of product per hectare rose from KSh.160 in 1964/1965 to KSh.247 in 1965/1966 and still higher to KSh.299 in 1966/1967. The proportion of the output which was being sold instead of being retained on the farm rose from 30 per cent in 1964/1965 to 48 per cent in 1966/1967.

3. Indigenization in commerce and industry

119. Kenya's indigenization policy in commerce and industry is directed far less to taking over foreign-owned enterprises than to increasing Kenya's participation and share in new economic expansion. The Government of Kenya is very clear as to why it has opted for this approach. It argues that money paid for compensation to foreigners for nationalized assets "would most likely leave the country increasing our foreign exchange problems". The Government argues further that 'if the nation's limited domestic capital is used to buy existing land, livestock building, machinery and equipment, the nation has no more productive assets than before, only their ownership has changed', rather it looses the "new resources that could have been purchased instead" and the added output that would come from the new resources.

120. The process of indigenization by industrial and commercial expansion is carried out principally by the following institutions: the Industrial and Commercial Development Corporation (ICDC); the Development Finance Corporation of Kenya (DFCK); the Industrial Development Bank (IDB); the Kenya Industrial Estate Programme (KIE); and the Rural Industrial Development Centres (RIDC).

121. The Industrial and Commercial Development Corporation (ICDC) was established in 1954. It was originally called the Industrial Development Corporation. Its purpose was to further the industrial and economic development of Kenya through initiation, assistance, or expansion of the industrial, commercial, or other undertakings or enterprises in Kenya or elsewhere. The Industrial Development Act of 1967 changed the Corporation's name to its present name. The Corporation was still primarily concerned with the original task of promoting economic development, especially industrial development. ICDC tries to attract foreign capital and encourages partnership with the Corporation and with Kenyans. It hopes that such partnerships will give Kenyans not only business opportunities but also the benefit of the managerial, administrative and technical skills that foreign investors will bring with them. The Corporation aids indigenization by providing Africans with the means to take over foreign business or set up new ones. It has a scheme for helping entrepreneurs to establish new small- and medium-size businesses; a borrower obtain up to KSh.750,000 to buy equipment or construct or buy a building to set up an industry. These loans are usually repayable over a period of five to ten years. In 1975 ICDC set up a scheme whereby Kenyans who have savings are encouraged to register with the Corporation. The Corporation advises them on investment opportunities as they arise and ensures that the money is properly invested. The Corporation prepares feasibility studies on potential projects, disseminates this information to Kenyans as well as to foreign investors and assists in meeting the long-term loan requirements of such projects. The Corporation also promotes joint ventures with foreign investors with the expectation that, in due course, its own shares in such venture will be transferred to Kenyans when they have enough capital. Through this scheme some Kenyans were able to acquire shares in East African Industries Ltd., Union Carbide (Kenya) Ltd. and Raymond Wollen Mills (Kenya) Ltd.

122. ICDC has helped indigenization by providing, through its loan scheme, credit to Kenyans taking over the business of non-citizen Asians who are barred from business by immigration and trade licensing laws. From 1965 to 1971, the Corporation loaned about K£2.5 million to Kenyans; the vast majority of these loans were for the acquisition of non-citizen Asian businesses. ICDC also aids indigenization through some of its subsidiary and associated companies. For instance, the Kenya National Properties Ltd., established in 1968, helps Kenyan businessmen to procure suitable business premises by giving them loans and helping to guarantee loans for such purpose. This company has not been doing very well owing mainly to lack of funds. Indeed in February, 1975 property loans were suspended and the company has remained virtually inactive since, its only source of income being the rents from the Mackinnon and Mutos buildings. Another subsidiary of ICDC which plays a particularly active role in indigenization is the Kenya National Trading Corporation. Established in 1965, the objective of the company is to promote Kenyanization of wholesale and retail trade and the export trade, especially in primary products. It promotes indigenization by its influence over licensing and the regulation of the import and export trade. The company has been highly successful in indigenizing retail trade. The Corporation undertakes warehousing, wholesaling, authorization of imports by its agents and distribution of locally manufactured goods.

123. Finally ICDC aided indigenization through its Small Loans Schemes which it administered on behalf of the Kenyan Government. These schemes are designed to give financial assistance on reasonable terms to small-scale entrepreneurs. The names of the various loan schemes indicate the types of entrepreneural activities which they are meant to aid: Small Industrial Revolving Fund, Small Commercial Revolving Fund, Small Property Revolving Fund and Machinery Loans Fund. Although these loans are meant principally to aid economic development and the growth of employment, they have also helped Kenyans to acquire small business owned by non-Kenyans such as wood-working, clothing, leather processing and shoe-making. The scale of operations under these schemes is rather limited however, owing to shortages of funds. For instance, for the year 1974/1975 a total of KSh.54 million was disbursed to 1,087 clients under these schemes; approvals for the same year came to only KSh.49 million for 810 clients. The schemes are also threatened by repayment problems and it would appear that the Government's commitment to the scheme is wavering. In the financial year 1975/1976, all the funds together approved loans for only 610 applicants with a total value of KSh.34 million. This compares rather unfavourably to 810 approvals to the value of KSh.49 million in 1974/1975. The level of disbursement for 1975/1976 barely matched the level for 1971/1972. The administration of loan schemes is now carried out by the Kenya Industrial Estates.

124. The Development Finance Company of Kenya (DFCK), the most important associated company of ICDC, plays an important role in indigenization. The Company was incorporated in September 1963 with an authorized share capital of K£4 million of which K£3 million was to be subscribed equally by ICDC, the German Development Corporation, the Commonwealth Development Corporation, and the Netherlands Overseas Finance Company. DFCK supplements the efforts of the Government in promoting economic development. It gives special attention to the establishment and the expansion of the manufacturing and processing industry based on Kenya's agricultural and forest products as well as the tourist industry. It helps with feasibility studies, consultancy services and medium- and long-term loans. Its investments in projects range from K£20,000 to K£300,000. In carrying out these functions, the Company has given special attention to maximizing Kenyan participation in its projects and it has thus helped to increase the participation of Kenyans in the economy, particularly in the hotel industry, textiles, motor vehicle components, agricultural processing, sugar production, wood processing and paper and pulp.

125. The Industrial Development Bank (IDB) was incorporated in January 1973 with an authorized capital of KSh.40 million, which was soon increased to KSh.80 million in order to strengthen the Bank's borrowing base. The Bank was created to supplement ICDC. It invests in and promotes medium-and large-scale industrial enterprises. Its assistance is usually extended only to projects requiring investment of more than K£50,000. Up to September 1975, IDB had approved investments of about KSh.119 million in 24 projects. It promotes indigenization by encouraging Kenyan participation in its projects and by affording investment opportunities to Kenyans. As of June 1976, the total investment of IDB was KSh.125.4 million in loans and KSh.36.9 million equity in some 27 projects.

126. Kenya Industrial Estates Ltd. was originally a subsidiary of ICDC created specifically to further indigenization. According to the 1970-1974 development plan the main purpose of the Industrial estates scheme is to provide an opportunity for Kenyans to take part in industrial expansion. The programme entails the construction of factory buildings which are rented to Kenyan entrepreneurs at reasonable rents. The estates have administrative and technical services attached to them. The entrepreneurs themselves have to provide their own working capital but they receive technical and management services in the running of their enterprises. They may receive machinery and equipment on a loan basis and the loans may be up to 100 per cent of the cost of these assets. Entrepreneurs wanting to increase the scale of their operations or to diversify may also obtain premises within the estate to do so. There are estates in Nairobi, Kakuru, Kisumi and Mombassa and more are planned for Nyeri, Eldoret and Kakamega. For the plan period, 1974-1978, the projected operating cost of the Industrial Estate Programme was K£750,000. Something akin to the Industrial Estate Programme on a small scale exists for the rural sector in the form of the Rural Industrial Development Programme. This programme was initiated in 1971 in order to further the development of rural small-scale industries. It aids indigenization by helping the 'development of Kenyan entrepreneurship and technical skills' but this is not its sole objective and it is perhaps not the most important one. Its other objectives include job creation in rural areas, the promotion of industries using local raw materials and the promotion of rural economic development. This programme entails the establishment of centres at district headquarters in the country. The centres which are supposed to cost about K£90,000 contain such facilities as administrative blocks, classrooms for courses and repair workshops. The programme also has a revolving loan fund to help participating entrepreneurs to purchase tools, equipment and machinery. Up to the end of 1977, the Kenya Industrial Estates was an arm of ICDC but as of January 1978 it became an independent government body. It has taken over some of the roles of ICDC and the Investment Development Bank. The reorganized company is starting off with a loan of KSh.800 million from the World Bank. Some of this money is to be used for the financing of 190 workshops in different parts of the country and also the continuation of the Industrial Estates programme in Eldoret.

127. There are also other institutions and mechanisms dealing with indigenization in Kenya. One is trade licensing, which has been very effective in breaking the monopoly of expatriates over the retail trade and putting it largely into the hands of Kenyans. By the Trade Licensing Act of 1967, non-citizens were excluded from trade in rural areas and from the periphery of the urban centres. These restrictions were extended eventually to include most commodities.

128. The National Construction Company has also played an important role in the indigenization of Kenya. The Corporation which was founded in 1968 has aided the entry of Kenyans into the construction industry by giving loans, performance bonds as well as guarantees for Kenyan contractors. It also helps them by subcontracting and extending services such as accounting, estimating, planning and purchasing. Kenyanization has also benefited from the immigration control regulations, work permits, the Trade Licensing Act and the Import, Export and Essential Supplies Act. In addition, Kenyanization Bureau keeps a manpower register of citizens available for all kinds of jobs and advises the Government of the manpower that can be imported into the country and for how long. This Bureau has made an invaluable contribution to the indigenization of the public service.

4. Implementation and problems encountered

129. Before the effectiveness of Kenya's indigenization policies and institutions is discussed, it should be noted that for the Kenyan Government the overriding goal of economic policy has been to increase economic development. On this score Kenya has achieved a respectable record in comparison to the performance of most African countries with an average growth rate of 6 per cent per annum for the period 1964-1977. Kenyans are clearly participating in the economic expansion of the country as is evident by their inroads in the construction industry, the tourist industry, agriculture, tourism and retail trade. However, the extent of indigenization of personnel, ownership and control in the course of these increased opportunities for Kenyan participation in the process of economic development is not so apparent.

130. To begin with personnel, considerable progress has been made and in 1977 only 1.7 per cent (16,000 persons) of the total labour force in wage employment were non-citizens. However among the 16,000 persons involved, there were still large numbers in high-level and certain middle-level skilled occupations. The Government is unlikely to achieve its goal of complete Kenyanization of personnel by 1982. The following table indicates the manpower shortages:

Existing supply and projected additional demand for managers, 1972-1978

Table II

Occupational group	Number of managers 1972	Number of non-citizens 1972	Additional number of citizens required 1972-1978
General managers	1,214	894	1,800
Production managers	177	116	300
Specialized managers	254	150	450
Farm managers and supervisors	4,273	490	1,400
Managers n.e.s. and working proprietors	9,590	4,122	10,000
Clerical and other administrative supervisors	2,306	588	1,900
Production supervisors and general foremen	3,152	744	3,200
Total	20,966	7,104	19,050

Source: 1974-1978 Development plan, Part I (Nairobi: Government Printer, 1974), p. 106.

131. The picture with regard to the indigenization of ownership appears to be essentially the same as the picture of indigenization of personnel, with evident but modest progress being made.

132. Mention has already been made of some of the problems of indigenization in Kenya, particularly the problem of finance. Related to this problem is the problem of the limited scope of some of the indigenization schemes, for instance the relatively small number of people who have been able to benefit from the activities of the loan schemes and institutions such as the Kenya Industrial Estates and the Kenya National Properties Limited. Reference has also been made to the complex administrative problems of land settlement and land transfer problems which do not arise for most African countries. It would appear that the Kenyans who have advanced as businessmen or managers or administrators in the course of indigenization have performed well, as shown for instance in the rising productivity of the transferred European farms and the generally excellent performance of the public companies. What appears to be deficient is the supply of high-level manpower especially in the managerial areas. It would appear that there is need to increase the training institutions and facilities available for high-level management training and also to expand the facility of existing training institutions namely the Kenya Institute of Administration, the Management Training Advisory Centres, the National Industrial Vocational Training Centres, the Kenya Industrial Estates and the Kenya Institute of Management. The need to expand the facilities and ensure higher output is illustrated by the following statistics: the Management Training and Advisory Centre is estimated to have extended its services to only 6,000 people between 1966 when it was established and 1974. All the companies in Kenya spent roughly KSh.3 million to send their employees for management training in 1978.

133. Finally it should be mentioned that the Kenyan Government is understandably cautious in its indigenization policies. For this reason, the approach used to encourage indigenization of personnel is exhortation and incentives. It is indicative of the Government's caution that it rejected the suggestion of the ILO mission to introduce a tax on the employment of expatriates inspite of the complaint by the Central Organization of Trade Unions.

134. Two broader problems of indigenization in Kenya remain. The first is the natural tendency for indigenization policies to contribute initially to inequalities. The land settlement schemes and particularly the Million Acre Settlement Schemes appear to have had this effect by giving sizable and generally profitable farms to Kenyans who were usually already successful people. This happened partly because the Government was concerned about the economic consequences of subdividing the land too much and also because of the obvious attraction of giving land purchase loans to people who could provide good collateral as well as some evidence of entrepreneural success. Similar considerations affected the distribution of agricultural development loans as well as extension service. However there is evidence that this situation is now being rectified.

135. The indigenization of commerce and industry displays the same tendencies toward economic stratification. The bulk of the money spent to encourage Kenyan participation in commerce and industry went to those institutions, programmes and projects which largely benefited already successful Kenyans. For instance ICDC would not give loans of less than K£500 and its loans tend on the average to be about K£3,000. These loans were made on sound business principles. The Industrial Development Bank does not normally aid projects of less than K£50,000. Only Kenyans who are already fairly successful could operate on this scale. Equally, it was also already wealthy Kenyans who were co-opted as partners by foreign businesses under pressure of the popular demand for indigenization; they were also the ones who had the savings to benefit from the shares acquired by public corporations which were passed on to Kenyans. The other side of the coin is that those programmes and institutions which have more potential for diffusing the benefits of indigenization more widely have very limited capital so that their impact is quite limited. To illustrate, all the Small Loans Schemes approved a total of only 632 applications in 1975/1976 for a total value of KSh.42,861,080. The number of loan recipients was only 1,343 in 1971/1972.

136. The second problem is that of structural changes and the need to achieve a higher degree of self-reliance and self-sustaining growth with a view to achieving a higher level of economic independence. While there has been admirable progress already in this respect accelerated achievements are being planned for the future.

C. Nigeria

1. Background

137. Nigeria was preoccupied with indigenization even before independence. In 1958, some effort was made to indigenize commerce, especially produce marketing and the distribution trade. However these earlier efforts were of an ad hoc nature and more systematic thinking on indigenization did not emerge until the second national development plan for 1970-1974, which contained what was in fact the first national policy on indigenization. According to the plan, there are two aspects to indigenization. The first is Nigerianization of personnel. The Government argues that the Nigerianization of personnel will reduce the 'earnings leakage' which reduces the benefits of industrialization to Nigeria and also put an end to 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. The second aspect is 'indigenization of ownership and control'. According to the plan, experience has shown that political independence without economic independence is but an empty shell, and a truly independent nation can not allow its objectives and priorities to be distorted or frustrated by the manipulations of powerful foreign investors. Indigenization of the economy is to be realized as follows: the Government will seek to acquire by law, if necessary, equity participation in a number of strategic industries that will be specified from time to time. In order to ensure that the economic destiny of Nigeria is determined by Nigerians themselves, the Government will seek to widen and intensify its positive participation in industrial development. This could be done where necessary, by joint participation with private enterprises (foreign or indigenous); and, as occasion demands, through complete government control and exclusive public ownership of very strategic industries. It is quite clear that, with this approach, what is ultimately indigenized is not only ownership and personnel but also control.

2. Steps towards indigenization

138. The major impetus to the indigenization of the Nigerian economy was the Nigerian Enterprises Decree of 28 February 1972. This decree established a federal institution for promoting indigenization, known as the Nigerian Enterprises Promotion Board, with the power to advance and develop the promotion of enterprises in which citizens of Nigeria shall participate fully and play a dominant role. In addition to this central organ there was also established for each state a Nigerian Enterprises Promotion Committee whose function was to advise the Nigerian Enterprises Promotion Board on the implementation of the decree.

139. The decree divided enterprises into two schedules. All enterprises listed in the first schedule were reserved exclusively for Nigerians as from the date of the decree. There were 22 items in this schedule among which were bread-baking, candle manufacture, casinos and gaming centres, cinemas and other places of entertainment, clearing and forwarding agencies, road haulage, laundry and dry cleaning, newspaper publishing and printing, radio television, broadcasting, rice milling, singlet manufacturers, tyre retreading. Schedule II was a longer list of 33 enterprises including the following: departmental stores and supermarkets, estate agency, furniture making, manufacture of bicycles, manufacture of cement, paper conversion industries, poultry farming, printing books, shipping, travel agencies, cosmetics and perfumery manufacture, manufacture of soaps and detergents, fish and shrimp trawling and processing. Foreigners could participate in schedule II enterprises only if (a) the paid up share capital exceeded £200,000 or if the turnover exceeded £500,000, and (b) if there was indigenous equity participation of not less than 40 per cent.

140. Affected foreign enterprises were given strict time-limits to comply with the requirements of the decree, the deadline being 31 March 1974. The decree stipulated that any person found guilty of contravening any provision of the decree would be liable to fine and imprisonment; for all violations for which no specific penalities were prescribed, the offender was to pay a fine of £5,000 or five years in prison or both. Nigerians who "fronted" for foreigners for the purpose of defeating the ends of the decree were liable to a fine of £7,500 or five years in prison or both. To ensure compliance, the decree provided for the inspection of enterprises. The inspectors were empowered to enter business premises and demand any information and explanation they deemed necessary, and anyone who obstructed them in any way was liable to prosecution.

141. Restricting the scope of the participation of foreigners in commercial and industrial enterprises did not in itself ensure increased participation of Nigerians which was really the purpose of the decree. The Government decided to leave the means of securing increased indigenous participation to the market mechanism through the buying and selling of shares. As the Federal Commissioner for Industries stated the process of indigenization naturally called for intensive and extensive buying and selling and the Nigerian Enterprises Promotion Board issued an explanatory booklet entitled, Buying and Selling Under the Nigerian Enterprises Promotion Decree, 1972.

142. The policy of increasing indigenous participation by encouraging the equity participation of Nigerians led to the creation of a set of ancilliary institutions to supplement the indigenization decree. As far as the processing of the transactions connected with the sales of shares was concerned there were two important institutions: the Valuation Unit of the Nigerian Enterprises Promotions Board, which was set up to deal with the valuation of shares, and the institution known as the Capital Issues Commission set up by the Capital Issues Decree of 1973 to determine the prices at which all foreign enterprises affected by the decree were to be sold or transferred as well as other conditions pertaining to the sale or transfer, including the manner of the buyers or transferees or, where applicable, the manner of the allotment of the shares among the buyers or transferees.

143. In addition to all this, there was established a system of institutions to help Nigerians to acquire and operate foreign enterprises. The Nigerian Enterprises Development Board commissioned the Council for Management Education and Training to devise training schemes for Nigerian businessmen. The Council subsequently initiated courses on the acquisition of businesses under the Nigerian Enterprises Promotion Decree. The Centre for Management Development promoted and co-ordinated managerial training. A unit of the Centre called the Indigenous Advisory Service was particularly useful in educating Nigerians on the indigenization decree and in showing them how to take advantage of it. For instance until April 1974 there was a series of seminars on how to acquire foreign enterprises under the decree, followed by a series on how to run businesses and finally a series on how to manage money. Emphasis eventually shifted to courses for entrepreneurs in specific types of business and in training trainers in management development. The Industrial Training Fund which was established by the Industrial Training Fund Decree of October 1971 was also pressed into becoming an effective instrument for the promotion of indigenization. Finally there was an expansion of the Industrial Development Centres. These centres provided consultation and extension services as well as facilities for skill training for small businessmen.

144. Measures were also taken to deal with the problem of financing and the purchase of shares. In 1973, the Government followed up the decree by acquiring a 40 per cent share holding in the three large foreign banks which between them controlled approximately 70 per cent of the banking business. The percentage of the Government's share holding has since increased to 60 per cent. The banks were subsequently required by Central Bank guidelines to allocate 40 per cent of their loans to Nigerians. The Nigerian Bank for Commerce and Industry was established with authorized capital of ₦50 million to provide equity capital and funds in the form of loans for Nigerians to invest in industry and commerce. The government established the Agricultural Bank with an authorized capital of ₦12 million to provide financing for entrepreneurs going into the agricultural sector. The Nigerian Industrial Development Bank expanded the scope of its operations to help Nigerian businessmen in the acquisition of shares. At the same time an effort was made to increase the awareness of the opportunities available for obtaining capital from other sources such as the Lagos Stock Exchange, the Insurance Companies and financial institutions such as the Savannah Development Company and Kano Investment Company.

145. The original indigenization decree of 1972 has been progressively amended and up-dated in the light of changing realities, difficulties and criticisms of the indigenization process, by the Nigerian Enterprises Promotion (Amendment) Decree 1973, the Nigerian Enterprises Promotion (Amendment) Decree 1974, the Nigerian Enterprises Promotion (Amendment No. 2) Decree, 1974 and the Nigerian Enterprises Promotion Decree of 1976.

146. These amendments and decrees were however largely minor ones. The important amendment to the original indigenization policy is the Nigerian Enterprises Promotion Decree of 1977 which came in the wake of the report of the Industrial Enterprises Panel set up to review the indigenization process and to make recommendations on ways of facilitating further increases in indigenization.

147. The Nigerian Enterprises Promotion Decree of 1977 reclassified enterprises into three schedules instead of two. Enterprises in schedule I were reserved exclusively for Nigerians. Among the 40 enterprises in this schedule were advertising and public relations, blending and bottling of alcoholic drinks, candle manufacture, casinos and gaming centres, commercial transportation, department stores with an annual turnover of less than ₦2,000,000, estate agencies, garment manufacture, poultry farming, printing and stationary, rice milling, tyre retreading and travel agencies. Schedule II contained a list of 57 enterprises, among which were boat building, beer brewing, clearing and forwarding agencies, construction industry, commercial, merchant and development banking, manufacture of cement, fertilizer production, manufacture of soap and detergents, paper conversion industries, mining and quarrying, insurance, and manufacture of metal containers. Foreigners could participate in the enterprises on this schedule only if the equity participation of Nigerian citizens or associations was not less than 60 per cent. Schedule III contained 39 enterprises including manufacture of drugs and medicines, manufacture of engines and turbines, manufacture of electrical appliances and houseware, ship building and repairing, manufacture of motor vehicles and motorcycles, manufacture of watches and clocks, manufacture of aircraft and textile manufacturing industries. Forty per cent Nigerian participation was required for the enterprises in this schedule. As compared to the decree of 1972, this decree widened the scope for indigenous ownership.

148. The decree of 1977 also made some notable improvements in the mechanism for implementation and enforcement. Penalties for the violation of the requirements of the decree increased in severity. The powers of the Nigerian Enterprises Promotion Board as well as that of the Capital Issues Commission were extended. This was clearly a response to the fact that one of the major deficiencies of previous indigenization effort was poor compliance. The problem of compliance was confirmed by the findings of the Industrial Enterprises Panel and acknowledged by the Government's reaction to the report. According to these sources, as many as 81 enterprises had been exempted from the decree of 1972, only 58 per cent of schedule I enterprises and 89 per cent of schedule II enterprises had complied provisionally with the original decree of 1972 by 30 June 1975. It was further found that as of 30 June 1975 only 314 out of 950 enterprises affected by the original decree (excluding exemptions) or only 33 per cent had in fact complied. What is more, two years after the deadline for compliance defaulters had not been brought to book.

149. The third major difference in the decree of 1977 was the step taken to limit the concentration of wealth in a few hands and ensure that the benefits of indigenization were spread out to as many Nigerians as possible. The decree stipulates that in no case will one person have control of more than one enterprise affected by the decree. Also, schedule II and III enterprises were obliged to reserve 10 per cent of the total equity shares or of the fraction of shares to be sold in affected enterprises for their workers. Not less than 50 per cent of this 10 per cent was to be reserved for non-managerial staff. With the exception of owner-managers, the maximum interest that any Nigerian or association of Nigerians could acquire in any enterprise was limited to ₦50,000 or 5 per cent of equity, whichever was higher.

3. Implementation and problems encountered

150. The Nigerian approach to promoting indigenization by increasing the equity participation of Nigerians in foreign enterprises is apt to make a heavy demand on financial resources. There was indeed widespread fear that there might not be enough money to carry through the implementation of the decree of 1972. However the fears were not really justified particularly after the substantial increase in oil revenue in 1974.

151. Following the promulgation of the Nigerian Enterprises Promotion Decree in 1972, the Nigerian Enterprises Board started an exercise to determine the capital requirements for implementing the decree. From the data collected, the Board estimated that ₦88 million would be required to pay for the affected businesses in schedule I as well as to acquire the 40 per cent equity participation in regard to schedule II enterprises. But by 1975 Nigerians had already invested ₦122 million in equity participation to take advantage of the indigenization decree. To date, Nigeria does not appear to have had serious problems with the financing of indigenization. The demand for shares has been generally more than the supply and share offerings have tended to be greatly oversubscribed.

152. It helped a great deal that the Nigerian Government had anticipated the problem of financing and taken measures to deal with it. Of particular note among these measures was the acquisition of majority equity participation in foreign-owned banks to influence their policies and central bank directives obliging banks to give a higher proportion of their loans to Nigerians. Even more important was the use of financial institutions such as the Nigerian Bank of Commerce and Industry, the Nigerian Industrial Development Bank and the Nigerian Agricultural Bank. According to the 1977 annual report of the Nigerian Investment and Development Bank, the Bank sanctioned projects to the value of ₦74 million of which ₦4.4 million was in equity participation and ₦69.9 million in direct loans. Of the 27 projects sanctioned in 1977, 24 were wholly owned by Nigerians and these accounted for over 91 per cent of the total value of sanctioned projects. The Nigerian Bank for Commerce and Industry helped Nigerians to purchase foreign businesses affected by indigenization. From May 1973, when it was established, to December 1975, the Bank had approved loans to the total of ₦54.9 million and made a total equity subscription of ₦4.8 million. Between April 1973 when it became effectively operational and 31 March 1977 the Nigerian Agricultural Bank had approved loans to a total value of ₦265 million.

153. To gain the proper perspective, note should also be taken of the tremendous growth of financial institutions, particularly commercial banking, just before and during Nigeria's drive for indigenization. Between December 1969 and December 1976, the number of commercial banks had grown from 13 with 228 branches to 18 with 463 branches. A clearer idea of the tremendous increase in the availability of bank credit can be gleaned from the following statistics. In December 1969 the loans and advances of the commercial banks amounted only ₦242.7 million. By June 1977 loans and advances rose to ₦2,534.3 million.

154. That is not to say that financing poses no problems at all to indigenization. There are indeed difficulties which have reduced the usefulness of the financial institutions supposed to facilitate indigenization. The Lagos Stock Exchange lacks depth; in January 1972 only 22 companies were listed in the exchange; only 13 more companies were quoted by September 1974. Nigerians do not appear to be interested in speculation in stocks and the exchange remains very dull. Borrowing money from the financial institutions remains a rather tedious process owing partly to the distrust of these institutions and the stringent conditions they impose. The Nigerian Industrial Development Bank and the Nigerian Bank for Commerce and Industry insist on the prerogative of appointing a director to the Board of the enterprise to which they lend a substantial sum of money. Availability of credit for indigenization is limited by Central Bank guidelines on the basis of a percentage of liquid assets to be maintained in the form of treasury bills and certificates and cash reserves for current operations. Finally, account should also be taken of the opportunity cost of the capital put into indigenization.

155. It would appear that indigenization has not suffered from lack of entrepreneural and managerial skills as might have been expected. Part of the reason for this was the continued concentration of activities in larger businesses. The financial institutions set up to facilitate indigenization preferred to make their larger loans to businessmen with established credentials. Thus the Nigerian Bank of Commerce and Industry worked on the assumption that loans under ₦20,000 would not normally be considered, so that the question of foreign enterprises falling into incompetent hands as well as the question of decline of productivity became somewhat irrelevant.

156. Even then, it helped greatly that considerable effort was made to inculcate the relevant managerial skills, to diffuse information and to provide services which would help Nigerian businessmen to overcome their entrepreneural and managerial deficiencies. The role of some of the institutions such as the Council for Management Education and Training, the Centre for Management Development, the Industrial Training Fund and the Indigenous Businessmen Advisory Centres was important on this score. On the whole, these institutions made a serious effort to serve the course of indigenization. The Industrial Training Fund has been particularly vigorous and has now moved from dealing with how to acquire foreign business to providing the development of specific skills for specific business needs. More importantly the Industrial Training Fund is now trying to create a multiplier effect in the diffusion of business skills by a programme of training trainers. For instance its manpower training and development programme for February to July 1978 offers courses and seminars such as 'Train the Trainer Workshop', 'Salesmen Trainers Course', 'Industrial Vocational Training Systems' 'Preparation and use of Training Aids', etc.

In addition to this, the Nigerian Government made an effort to sentisize the business community to the opportunities which are available at Yaba College of Technology, the Institute of Management and Technology at Enugu, the Nigerian Institute of Management in Lagos, etc.

157. There are several other factors which must be taken into account in considering the implications of available indigenous managerial and entrepreneural skills with regard to indigenization. The enterprises which call for a great deal of capital, complex organization and exceptional managerial talents are in schedule III of the decree of 1977. The indigenization requirement here is a 40 per cent indigenous equity participation which is easily met with nominal indigenous managerial participation. Indeed this is true also of the enterprises in schedule II although to a lesser extent. When the requisite local equity participation is met, there is usually some increase of indigenous representation of the Board of Directors and also at top-level management. In the case of the government-controlled enterprises such as banking and petroleum, the government representatives on the Board of Directors sometimes tend to be prominent public figures appointed for reasons other than their managerial abilities, senior bureaucrats such as permanent secretaries - busy men who can at best ensure that the general policy guidelines of the Government are being followed. In the case of the private companies which are now predominantly Nigerian-owned as a result of indigenization, the new Nigerian owners are naturally more concerned with making the business profitable than in the Nigerianization of management as an end in itself. Even if the problems of the Nigerianization of management are solved, there would still be the formidable problem of technological dependence to contend with. What has in effect emerged from a study by Remlinger and Streblau entitled, "Indigenization and management in Nigeria (1973)" is a division of labour on the managerial front. The Nigerian managers tend to be staff management specialists such as personnel managers, legal advisers, company secretaries and public relations specialists while the expatriate managerial staff tend to be concentrated on line management - which means that they deal with the really critical areas such as finance, management, production and engineering.

158. There is general concern especially among officials in Africa about the effects of indigenization on the flow of direct private investment and capital movements. Central bank data show that indigenization might have had some adverse effect on the value of direct foreign private investment in Nigeria. Direct foreign investment which stood at ₦327.8 million in 1972 declined to ₦243.5 million in 1973, but this appears to have been a short-run effect because the flow of direct foreign investment started to rise very modestly in 1974 to ₦281.7 million and then rapidly to over ₦350 million in 1975. A further indication of the investment climate may be inferred from the fact that as many as six new commercial banks were established in Nigeria between the end of 1973 to the end of 1974. Thus the expectations of a massive flight of capital in the wake of indigenization were unfounded, but this fact is not in itself very indicative of the reaction of foreign capital to indigenization in Nigeria.

159. The degree to which indigenization is succeeding in Africa should be assessed in the light of the objective set for indigenization. According to the Nigerian Enterprises Promotion Board the aim is to encourage active indigenous participation in the commercial and industrial sectors of the economy. The official notion of what this encouragement of indigenous participation means in concrete terms is the increased Nigerianization of personnel and ownership of business enterprises. Clearly some progress has been made in the indigenization of personnel at least in the sense that the proportion of expatriates in the employment of most enterprises public or private has been declining gradually. The situation of the United Bank of Africa is not untypical. When the Bank was established in 1961, 55 or 17 per cent of its 329 employees were expatriates. In 1970, 44 or 6 per cent of its 715 employees were expatriate; by 1977, out of 2,591 employees, 46 or 1.8 per cent were expatriate and four out of 33 branch managers were expatriates. According to a 1973 study by Remlinger and Streblau entitled, "Indigenization and management development in Nigeria", expatriates constituted just less than 3 per cent of the people employed in the modern sector. Although their number appears to have been increasing in absolute terms (16,000) their share of employment in the modern sector appears to be diminishing.

160. It ought to be stressed that Nigeria is suffering from an acute shortage of high-level manpower to cope with the rapid economic development achieved during the 1970s and planned for the 1980s. The fact that the indigenized enterprises appear not to have suffered from the deficiency of managerial and entrepreneural skills should not be construed to mean that the supply of high-level manpower is anywhere near adequate. If the present indications of the extent of the high-level manpower deficiency are any guide, then it is likely that Nigeria might be regressing in manpower sufficiency, partly because of the policy of accelerated growth and development. To illustrate the extent of the shortage, a survey by the National Manpower Secretariat showed that in April 1976 the vacancy rate in the federal civil service in respect of senior administrative staff, including accountants, was 55 per cent. For senior professional staff such as engineers and quantity surveyors it was as much as 64 per cent. The situation in the public corporations was similar. The survey found that the vacancy rate in respect of senior administrative and managerial staff was 45 per cent while for senior professional technical staff it was 60 per cent. The shortage is serious enough therefore to constitute a constraint to the pursuit of indigenization, as indicated by the necessity of increasing expatriate quotas. An analysis of expatriate quota returns shows a rise of 58 per cent in the total expatriate quota allocation between the last quarter of 1974 and the first quarter of 1976. There are also indications in the case of individual enterprises of expatriates continuing to hold a significant proportion of key posts.

161. In terms of progress in the indigenization of ownership, the increase in Nigerian ownership will be roughly equivalent to the extent to which the equity participation of Nigerians in the indigenization decree is enforced. The enforcement of the 1972 decree has now reached roughly 80 per cent. The decree of 1977 ensures that ownership of enterprises and productive assets is predominantly Nigerian. There will be Nigerian equity participation in all enterprises varying from 100 per cent to 40 per cent. In all the critical enterprises such as petroleum and banking 60 per cent Nigerian ownership is obligatory. The deadline for compliance is 31 December 1978, but as of 16 March 1978, there were still over 900 affected enterprises which had not complied with the decree. However the indications are that the Government is quite determined to enforce compliance and that at least 90 per cent compliance will be achieved within the year.

162. Thus progress is decidedly being achieved in the indigenization of ownership. The indigenization of the control of an economy is of course an infinitely more complex problem and it does not appear that the complexity is fully grasped in a number of countries because of the tendency to confuse the indigenization of ownership with the indigenization of control. For instance, a country can not achieve much by the way of indigenizing control as long as it remains technologically dependent. Progress towards technological independence will require much more time and effort than the legislative fiat which Nigeria has used to increase the indigenization of ownership. When the Nigerian Government took over the majority shares in banking, petroleum and insurance, it assured everyone it had no intention of interfering with the management of these companies. Apart from appointing a few non-executive directors, the Government has largely kept its promise of not interfering in the management of the companies. This is not necessarily an abdication of control of management as much as a manifestation of the Government's desire to ensure that the companies continue to operate efficiently. Many Nigerians who have acquired shares in foreign companies affected by the indigenization decree prefer not to interfere with the management of these companies. Presumably they believe that such interference in management will jeopardize the profitability of the enterprises. However, it should be noted that the share ownership of Nigerians in the companies jointly owned by Nigerians and foreigners tends to be very widespread while the shares of the foreign owners (usually the original owners of the company) tend to be highly concentrated. The result is that it is quite easy for the minority foreign interests to prevail at shareholders' meetings. The Nigerian Government has occasionally found itself in the awkward position of threatening punitive actions against a company in which it is the majority shareholder.

163. Indigenization of ownership in Nigeria has gone hand in hand with some concentration of economic power. To begin with, the federal and state Governments used indigenization to go into business in a big way, through equity participation. Indeed in the cases of the commercial and industrial activities such as oil and banking which have been designated as critical for the national interest, it is mandatory for the State to be the majority shareholder. The participation of the federal and state Governments in business in the course of the indigenization process has increased to the point when it is now a matter of serious concern to Nigerian businessmen. There has been an enormous expansion of the regulatory power of the Government and of its business interests associated with the indigenization process. In this sense indigenization is contributing to the inequality of access to resources.

164. In the private sector indigenization has increased the concentration of wealth. When indigenization was launched by the decree of 1972 there was no concern whatever over the distributive effects of indigenization. It was all too easy for a relatively few Nigerians to avail themselves of the opportunities provided by indigenization. It was the more successful businessmen who were able to mobilize the capital needed to buy out foreign businesses especially because of the stringent requirements of the lending financial institutions and because the lending institutions such as the Nigerian Bank for Commerce and Industry, discourage small loans owing to their high administrative costs. In these circumstances the growth of economic inequality in the course of the indigenization process was automatic. The indigenization decree

of 1977 gave some recognition to this problem. Thus the decree states that no individual can have equity interests of more than ₦50,000 in any one enterprise and also that not less than 10 per cent of the total equity shares of any schedule II or III enterprise or, where only a fraction is being sold, not less than 10 per cent of the amount of sale is reserved for the employees of the enterprise concerned, and of the 10 per cent not less than one half shall be reserved for the non-managerial staff. At a seminar on Nigeria's indigenization policy, the Secretary of the Nigerian Enterprises Promotion Board declared that the problem of creating opportunity for a handful Nigerians to enrich themselves at the expense of the masses is more of a social than an economic problem. Although the Board recognized the existence of the problem, it nevertheless considered that its task, first and foremost, was to ensure the smooth take-over of businesses affected by the Decree by Nigerians no matter their states of origin and their numerical strength. It was the considered view of the Board that that situation would be eliminated as Nigeria became more and more industrialized and the scope and size of businesses grew beyond the competence and capability of the family clan. The truth had begun to dawn on such indigenous proprietors that to ensure the successful operation of their businesses, the selection of participants should be based more and more on competence rather than on family affinity.

165. The significance of the problem of growing inequality should be stressed for it goes far beyond a moralistic concern for fairness or for democracy. First, the enlargement of the economic role of the State and the business partnership of the State with local and foreign capital may limit its ability to play adequately the traditional role of moderating sectional interests. Secondly, the economic stratification of Nigerian society may reinforce growth without development and may constrain the drive for the structural transformation of the Nigerian economy.

D. United Republic of Tanzania

1. Background

166. In the United Republic of Tanzania indigenization is rightly conceived in terms of self-reliance. The Tanzanian Government is very clear why self-reliance is necessary. It has argued that self-reliance gives the correct and effective orientation to development strategy by emphasizing that the development of a people is brought about by the energy of the people and not by money. Second, it has argued that a country can not be independent unless it is also self-reliant. What is unique about the United Republic of Tanzania's use of these arguments is the link with the necessity for socialist development. In a pamphlet written to explain the Arusha Declaration entitled "The Arusha Declaration Teach-in", the link between socialism and self-reliance is expressed as follows:

> 'Self-reliance in development is merely an application of something we knew in 1954 - that only Tanzanians are sufficiently interested to develop Tanzania in the interests of Tanzanians, and only Tanzanians can say what those interests are. And socialism is an application to economic and social life of the doctrine of human equality which we appealed to when we rejected the right of any other nation to govern us.'

167. There were also practical considerations underlying the country's quest for self-reliance and the decision to undertake that quest in a socialist context which related to the serious economic difficulties which confronted the United Republic of Tanzania in the first few years of independence. The problems were due mainly to serious drought conditions in 1965 and the low price of primary commodities. The drought had a particularly devastating effect on the production of groundnuts, cocoa, beans maize, pulses, tea and sisal. The decline of prices in this period was also very serious. For instance, the average price of sisal fell from £105 per ton in 1964 to £68 per ton in 1965, a decline of 35 per cent. The price index of cotton stood at 83 in 1966 while that of sisal was 83 and that of castor seed 85. The country's economic problems were compounded by the fact that the expected level of external funding of development expenditure could not be achieved. According to the development plan for 1964 to 1969, it had been expected that Sh.1,590 million out of Sh.2,040 million or 78 per cent of development expenditure would come from abroad, but the levels of external funding fell well below expectation. At the midpoint of the plan period, external contributions to development expenditure amounted to only Sh.236 million. In addition, the United Republic of Tanzania had difficulties with the supply of high-level manpower which fell well below the requirements for the implementation of the plan. For instance at the beginning of 1966, 226 high-level positions were scheduled to be filled by overseas recruitment. But because of the failure of the recruitment effort and because of rising demand for manpower, the year ended with the overseas recruitment of 300 persons required.

168. In the face of such difficulties the United Republic of Tanzania proclaimed the Arusha Declaration, which articulated the commitment to socialism and self-reliance.

169. The Arusha Declaration was more than a proclamation of the adoption of the ideals of socialism and self-reliance. It was also a preliminary outline of a new development strategy, a strategy by which socialism and self-reliance and development could be simultaneously achieved. The Arusha Declaration held that the old approach to development which relied heavily on capital and industrialization was inadequate, leading neither to development nor to self-reliance. It argued that money and wealth were the effect and not the basis of development. The Arusha Declaration held that the country's development strategy should place emphasis on the land and agriculture, the people, good policies and good leadership. Development (by the application of the energy of the people to the land) was to be carried on in a manner compatible with respect for human dignity and hence the need for the policies of self-reliance and socialism. These ideas were developed in a number of government publications and policy statements particularly, The Arusha Declaration Teach-in; Socialism and rural development: The development plan, 1969-1974, and Education for self-reliance.

2. Indigenization in the agricultural and rural sectors

170. The pursuit of rural and agricultural development in a manner conducive to the simultaneous maximization of development, self-reliance and socialism in the United Republic of Tanzania is carried out largely through a system of village communities engaged in group work. Such an arrangement is thought to protect human dignity because production would be appreciably socialized and major productive assets would be commonly owned. The arrangement would also aid development and self-reliance by

increasing the productivity of the members of the group. According to Socialism and rural development, group work would almost certainly allow for greater production and greater services in the community, with a consequent benefit to all members. It would be possible to acquire some modern tools if the members were willing to invest in them; some degree of specialization would be possible, with one member being, for example, a carpenter who makes the tables, chairs, doors and other things needed by the community, and works on the land only during times of greatest pressure, like the harvest. Another member could be responsible for building work. By such a division of labour arranged by the members according to their own aptitudes, the villagers could make their whole lives more fruitful and pleasant.

171. The United Republic of Tanzania tried to transform the rural sector according to these principles and the major vehicle for this transformation was the resettlement of rural population into communal villages called Ujamaa villages. The 1969-1974 development plan explains the programme as follows: "The objective is to farm the village land collectively with modern techniques of production and share the proceeds according to the work contributed. People who are farming together can obtain the economic advantages of large-scale farming, in the better utilization of machinery, purchases of supplies, marketing of crops, etc. It becomes easier to supply technical advice through agricultural extension officers who can teach a group more easily in one place, rather than travelling from one small shamba to another. It is also easier to provide social facilities like water supplies, medical and educational services, to farmers who live in groups rather than in scattered holdings. The Ministry of Agriculture, Food and Co-operatives was to help the Ujamaa villages to accomplish these aims by providing technical services and generally ensure that they were given all the services and guidance which would make them an effective instrument for the modernization of agriculture through large-scale production. In addition the villages were to receive commercial advice from the Co-operative Development Division of the Ministry of Agriculture and irrigation services from the Water Development Division. To facilitate the realization of self-reliance in the Ujamaa villages in the country at large, high-level technology and mechanization were to be avoided and emphasis was to be placed on labour-intensity and the development of simple tools.

172. Tanzanian leaders thought that the system of Ujamaa villages alone would not be sufficient to develop agriculture and to achieve the goal of making the country self-sufficient in food production. Accordingly the Ujamaa movement was to be supplemented by a system of State farms. It was thought that such farms were necessary because certain lines of production needed more complex organization, larger farms, and more mechanization than the Ujamaa villages could offer or cope with. This was particularly true of wheat and dairy products. The State farms would, in addition, serve as models for the diffusion of innovation, experiments and training. The 1969-1974 development plan called for the establishment of 250,000 acres of new State farms over the plan period. These were to include 10 State farms for wheat farming covering 100,000 acres, four for rice production, two for dairy products and nine for ranches. The development of the Co-operative

movement in the rural areas was also to be encouraged in the attempt to promote development and self-reliance. This is not surprising given the similarities between the principle of rural co-operatives and Ujamaa villages. Co-operatives grew rapidly, from 172 in 1952 to 857 in 1961 and 1,696 in 1968. To make co-operatives more suitable for the purposes of promoting development and self-reliance they were encouraged to be multipurpose and more involved in production.

173. So far this rural strategy has achieved very limited success mainly because of problems of implementation. To begin with the process of villagization was hastily planned and carried out. It would appear that some Government officials and party functionaries became more interested in the quantitative increase in Ujamaa villages and neglected the purposes for which villagization was being undertaken in the first place. The resulting disorganization, inconvenience and inevitable hostility on the part of the peasants diminished the potential of the Ujamaa villages for realizing their original aims and particularly the objective of increasing productivity.

174. The villagization was accompanied by emphasis on cash crops (as opposed to food crops) which led to inadequacies in food supply. The problem was compounded by poor weather conditions and crop failure. Unfortunately, the Ujamaa villages were largely blamed for the food shortages by peasants and those who opposed villagization. Consequently, commitment was weakened so that it became even more difficult for the system to accomplish its purposes. The serious inadequacy in the supply of foods necessitated massive food imports.

175. It seems that these difficulties might have led the Government's decision to subsidize the Ujamaa villages. The Government tried to provide free rations for one or two years, salaries comparable to urban wages for work on the collective fields, liberal dividends for settler families, pocket money of up Sh.30 a month, etc. Despite the value of these incentives, they constituted an immense financial burden on the Government. In some of the settlements such as Upper Kitete, it has been calculated that the Government allocated as much as Sh.30,000 per settler family for subsidies and capital. Unfortunately the opportunities to make such investments pay off and become indirectly productive were largely unexploited so that the heavy investment in the subsidies for Ujamaa villages remained largely unproductive and diminished the effectiveness of the villagization policy.

176. Another error which occurred in the implementation of Ujamaa villages was over-mechanization. The original idea of villagization had stressed that one of the ways in which they would help to achieve self-reliance would be to avoid mechanization and concentrate on the use of labour and simple tools. The same idea had also been stressed in the elaboration of the United Republic of Tanzania's development strategy. The fact is that however some of the settlements were more heavily mechanized than would have been reasonably expected, and in particular there was too much expenditure on tractors. The report of Professor Rene Dumont, entitled "Tanzanian Agriculture after the Arusha Declaration" points out how the settlement at Upper Kitete was over-equipped, with its 10 tractors for 1,600 acres of corn. Such mechanization could hardly have helped the objective of more labour intensity and wider employment opportunities.

177. Several other problems and difficulties were encountered including the ineptitude of officials. For instance when the Government insisted on having rural areas villagized by 1976, officials, conscious of the career implications of showing results, began to villagize too hastily and to see Ujamaa villages somewhat too ubiquitously. One student of Tanzania, James Finucane notes in "Rural Development and Bureaucracy in Tanzania" how officials in the Mwanza region reported one village in the region in 1969 and 10 villages only a year later. As it turned out seven of the villages were groups of farmers who were co-operating in a limited way on communal farms. In an attempt to make villagization look more attractive, manpower and capital were misallocated and the initiative of peasants inadvertently stifled. Finucane describes how 40 per cent of the agricultural extension field staff for Mwanza were serving only four 'existing' villages and seven 'planned' villages. The total population of the 'existing' villages was 155 while that of the seven 'planned' villages was 2,800. Since the rural population of Mwanza is 260,000 40 per cent of the field staff would have served the 11 villages with a total population of less than 3,000.

178. In short, the implementation of Ujamaa villages faced some difficulties. The programme promoted collective living and group work but during the implementation stages achieved limited success in the way of productivity and self-reliance. The programme did not even achieve the modest aim of stemming the tide of reliance on the importation of food or of giving a boost to the production of export crops as the following table shows:

United Republic of Tanzania: Agricultural output and livestock holdings, 1970-1975

Table III

Crop production (in '000 tons)	1970	1971	1972	1973	1974	1975
Coffee	49.7	45.8	51.4	54.9	44.7	62.4
Lint cotton	76.4	65.4	76.9	65.1	71.5	45.4
Sisal	202.2	181.1	156.8	155.4	143.4	127.8
Tea	8.5	10.5	12.7	12.7	13.0	13.7
Cashew nuts	111.2	114.9	109.2	134.1	123.4	85.6
Sugar	87.3	95.8	88.5	105.1	96.2	103.2
Tobacco	11.1	11.9	14.2	13.0	18.2	18.1
Pyrethrum	2.3	3.7	4.3	3.5	3.3	4.6
Maize	767.1	729.7	880.8	831.9	584.8	...
Rice Paddy	185.0	193.9	170.1	211.5	114.1	...
Cattle herds (million)	12.85	13.42	14.03	14.66	15.32	16.01
Sheep and goats (million)	7.28	7.33	7.39	7.46	7.53	7.61

Source: United Republic of Tanzania, Economic Survey 1975/1976. (See E/CN.14/654 (part II A) February 1977, p. 184).

179. The United Republic of Tanzania's dependence on food imports remains a cause for concern. In 1974 alone it spent Sh.800 million on food imports. In more recent years food imports have contributed in no small way to the countries balance-of-payments problems. So far this decade, the agricultural sector has grown by less than 2 per cent per year, which is a low rate considering that the population is growing at the rate of about 2.7 per cent.

3. The industrial and commercial sectors

180. As in the case of agriculture, the United Republic of Tanzania's policy in industry and commerce is dominated by the principles of the Arusha Declaration. The United Republic of Tanzania wants to maximize self-reliance and development at the same time in a manner compatible with respect for the dignity of man. In so far as these ideas have been translated into a practical industrial strategy the clearest thrust of policy which has emerged so far is the expansion of the public sector. The reason for this is similar to the reasons given for the policy of Ujamaa villages. It is felt that nationalization and socialization of production will help to eliminate exploitation both by indigenes and foreigners as well as enhance the country's effectiveness in utilizing its own resources and in increasing production. The 1969-1974 development plan argues that the expansion of public ownership of productive assets is necessary for the following reasons: (a) it will be possible to create a genuine Tanzanian industrial know-how faster than under conditions of unrestricted private investment; (b) it will be possible to pursue a more effective industrial strategy than that possible under private enterprise; and (c) the profits made in industry will be re-invested in the country.

181. The expansion of public ownership was to be carried out with some discrimination. The 1969-1974 development plan divided the ownership structure of industrial enterprises into four categories: (a) those wholly owned by the Government or parastatals would be the strategic industries such as banking, armaments, and petroleum exploration; (b) the Government was to control "basic industries", in which it would have majority equity participation; (c) in joint ventures the Government or an appointed agent would play an active role without necessarily holding controlling interests; and (d) open industries would exist in which anyone, the Government, co-operatives, or local or foreign investors could participate.

182. The key instrument for pursuing self-reliance and development and socialism in industry and commerce is the parastatal system. Parastatals are enterprises run on a commercial basis in which the Government owns no less than majority equity participation and whose accounts are not integrated into the government budget. This is the definition that the Tanzanian Bureau of Statistics uses for the purposes of preparing its publications series, Analysis of accounts of parastatals. As is to be expected the parastatal system developed in the wake of the promulgation of the Arusha Declaration. Before the Arusha Declaration was proclaimed in February 1967, there were only about 43 parastatals in the country. Within a year of the Arusha Declaration the number had risen to 73, and it has continued to increase rapidly.

183. The United Republic of Tanzania now has about 120 parastatals which cover every sector of the economy. There are over 40 parastatals in manufacturing alone which include, Friendship textiles, National Cigarette Company, Tanzania Tobacco Processing Company, Tanzania Breweries, Tanzania Tanneries, Ubungo Farm Implements, National Bicycles and Tabora Msitu Products. There is another large group of parastatals in commerce which include, Natex, Household Suppliers, Agricultural and Industrial Suppliers, National Distributors, Tanganyika Tea Authority and National Pharmaceuticals. Parastatals in finance include the Bank of Tanzania, Tanzania Housing Bank, Tanzania Investment Bank and Tanzania Rural Development Bank. Agriculture has its system of parastatals among which are Ralli Estates, National Agricultural Company, Dindira Tea Estates and Arusha Plantations. There are parastatals for real estate, construction, electricity, transport, business services, fishing and mining. More important than the number is the growing dominance of the parastatals in the economy. Parastatal investment rose from Sh.91.4 million in 1966 to Sh.595.3 million in 1974, while the number of people employed by the parastatals rose from 18,601 in 1966 to 75,180 in 1974.

184. The system of parastatals was preferred over direct administration of enterprises, government ministries and departments. The parastatals hold a better promise of being efficient and flexible. It is also clear that in a general way the parastatal system has considerable potential for promoting self-reliance and development, for instance by facilitating State intervention to ensure that vital projects are not neglected and to allow the restructuring of the economy in a manner more conducive to self-sustaining growth. However the concept of the modus operandi and activities of the parastatals in the field of commerce and industry has been somewhat vague. Sometimes, it is tempting to conclude that nationalization of productive assets or formal public ownership is confused with the localization of control and subsequently with the achievement of self-reliance.

185. The 1969-1974 development plan gives some indication of the specific character of the type of the industrial strategy which the United Republic of Tanzania considers desirable and this helps to clarify the role and the performance of the parastatals. In the section on industry, the plan argues that the Tanzanian economy will need structural change and then indicates that the type of structural change required is one which (a) expands the range of products manufactured and lessens dependence on foreign sources of supply, both for essential consumer goods and for capital goods; (b) increases the manufactured element in exports; (c) shifts trade dependence away from overseas towards internal and African markets and sources of supply; and (d) develops managerial and technical expertise in the operation of industry and introduction of modern technology. Structural change along these lines will indeed go a long way towards the achievement of development and self-reliance. The problem is how to bring about such structural change. This is a complex problem especially when account is taken of the need to change in all four dimensions at once. The United Republic of Tanzania has pursued a policy of enormous expansion of the public sector and its role in development and it has also pursued the types of policies which other African countries have followed such as import substitution. Yet its success in expanding manufacturing or in increasing the contribution of manufacturing to GDP has been modest and so have been its achievements in self-reliance.

186. During the five year period (1967-1972) the number of manufacturing industries rose from 431 to 484, an increase of 12.3 per cent. The number of personnel employed in these industries rose from 31,271 to 58,768, an increase of 87.9 per cent.

187. The modest performance may reflect on the parastatals which have spearheaded the industrial strategy. There is an interesting analysis of the deficiencies of the parastatals in the budget speech for 1976/77. The analysis deserves attention because it takes into account the findings of a study made in 1974 of 24 parastatals which, at the end of 1973, had lost Sh.178 million or 92 per cent of the total capital allocated to them. The budget speech identified the following causes of the failure of the parastatals. First, it was claimed that things had gone seriously wrong in the cases where there had been great haste in bringing in inexperienced management. Where an enterprise had been established over a period of time and had subsequently been nationalized, as a rule, it had been possible to operate it economically. Second, there had been too much government interference with what was called normal business operations. Third, there had been poor planning, management and inadequate organizational framework. Fourth, it was stated that parastatals had tended to fail where complex untried technology had been selected with little national capacity to cope with it, such as the case of the Tanga Fertilizer Factory, the Nyanza Salt Mines and Diamond Cutting Factory. Fifth, the skills of the personnel had been inadequate.

4. Implementation and problems encountered

188. In the indigenization of personnel the United Republic of Tanzania has made an intensive effort to train personnel. New facilities for manpower training are steadily increasing and existing ones are being expanded and used more intensively. The institutions which have been particularly helpful in providing the country's manpower requirements are the University of Dar-es-Salaam, the National Institute for Productivity, the Small Scale Industries Organization, the Tabora Book-Keeping Training Centre, the Industrial Training Institute in Moshi, the Institute of Development Management, Mzumbe, and the Institute of Finance Management Dar-es-Salaam. As is to be expected most progress in indigenization of personnel has been made in the civil service. Effort in the indigenization of personnel have produced the following results:

Progress achieved since independence in localization of the civil service

	Officers serving in senior- and middle-grade posts on permanent terms			
Period ending	Citizens	Others	Total	Citizens (percentage)
December 1961	1,170	3,282	4,452	26.28
" 1964	3,083	2,306	5,389	57.20
" 1967	4,937	1,817	6,754	73.09
" 1970	8,042	1,377	9,419	85.38
June 1975	16,050	1,018	17,068	94.04

Source: Ministry of Manpower Development, Annual Manpower Report to the President, 1975, p. 119.

189. Unfortunately no table is available for the parastatals sector but the indications are that it is considerably less indigenized than the civil service. An analysis in the 1969-1974 development plan indicates that the United Republic of Tanzania is doing well in the supply of high-level manpower for all sectors but it does not expect that full indigenization of manpower can be achieved by 1980 as planned.

190. In the indigenization of ownership the United Republic of Tanzania has also done quite well. Since the Arusha Declaration the public sector - and by implication public ownership - has been expanding rapidly. Some idea of the dominance of the public sector could be acquired from the fact that in 1973 public sector capital stock had risen to Sh.2,077 million or 70.7 per cent of the national capital stock, while the public sector's share of wage employment had risen to 64 per cent of total wage employment. This expansion of the public sector has meant a radical change in the distribution of ownership in favour of localization. However it should be noted that the statistics on the expansion of the public sector will exaggerate the extent of public ownership. This is because the Government does not have 100 per cent shareholding of all public enterprises. For instance, the Government holds through the National Development Corporation, 60 per cent equity in the Tanzania Fertilizer Company, 70 per cent in Tanzania Hides and Skins Limited, 86.7 per cent in Tanzania Tanneries Limited, and 86.7 per cent in Steel Rolling Mills Limited.

191. With regard to the all important question of the extent of the indigenization of control, like most African countries seeking indigenization, the United Republic of Tanzania has made progress towards localizing control of its economy and impressive gains in the indigenization of ownership. In terms of the associated objective of increased productivity, as the preceding pages show, the Tanzanian development strategy has so far achieved some rise in productivity. A steep rise in productivity is however necessary to achieve self-reliance because, in the final analysis, countries become economically dependent mainly because they are not able to produce enough of what they need by themselves. This is a truism that is too easily forgotten in many African developing countries. Further, many countries have not yet started to effect those structural changes in their economies which will enable them to be economically independent such as diversification, reduction of reliance on primary products for exports, the eradication of dualism, increase in the share of manufacturing in GDP. Because such changes have not yet occurred, it may be assumed that such developing African countries have not made much headway towards self-reliance or the indigenization of control of their economy. This can perhaps be inferred from the high dependence on foreign aid and the large budgetary subsidies and transfers to parastatals.

192. The institutions which represent the expanding State ownership and control of the Tanzanian economy, namely the parastatals, are partly dependent on foreign funds and partly on local funds.

193. Even a sizable portion of the local borrowings of the parastatals comes from the investment banks which receive a large percentage of their finances from abroad. When the accounts of some of the parastatals are analyzed it is found that the central Government might be controlling, net, as little as 15 per cent of parastatal finance. This hardly puts it in a firm position to control or direct. Local control is sometimes also curtailed by dependence on foreign management. The use of management consultancies reflects in part manpower shortages or the kinds of management problems of the parastatals discussed in the budget speech of 1976/77. It also reflects commitment to profitability and foreign exchange effects which are two of the three primary investment criteria of the parastatals.

194. To sum up the Tanzanian experience in the pursuit of indigenization, the country is seeking indigenization and development in an ideological and theoretical framework which inspires sound, original and effective policies. However, the policies it practices follow the logic of its ideological and theoretical framework to an extent compatible with problems of practical application. On the whole, the United Republic of Tanzania has an edge over many African countries because its ideas are promising.

V. SUMMARY AND CONCLUSIONS

195. Indigenization is not an end by itself. Rather, it is a means for achieving self-reliance and self-sustained growth. These important objectives of indigenization seem to be somewhat overlooked perhaps because of the fact that they are long-term processes requiring as they do more policy instruments than mere indigenization. The success of indigenization policies requires, inter alia not only competent managers but also changes in the attitudes, beliefs and traditions of people as well as institutions. A successful and carefully thought-out indigenization programme would among other things entail the fullest participation of the people concerned in the development process.

196. An effective indigenization strategy should be preceded by indepth capacitation and imaginative studies of existing and future political, economic and social problems and their anticipated spread effects. This is essential because too great a sacrifice in efficiency and productivity may render indigenization ineffective and could retard the achievement of self-reliance and self-sustained growth. The idea here is to minimize the cost since indigenization is unavoidable not only for concentrating decision making in the hands of nationals but also for training them to run their own country in an optimal fashion. Training on the job is the best way to learn how to do it.

197. An essential objective of indigenization must be a strenuous drive to increase productivity. The more a country is able to improve the quantity and quality of its output from existing and potential factor mix, the more economic independence and self-reliance it is able to achieve.

198. Although indigenization has common features, problems, objectives and benefits, it is difficult to suggest a general approach for the simple reason that countries have different structures of resource endowment, availability of indigenous management, technical expertise, political commitments and financial resources. Consequently, in the initial stages of the formulation of an indigenization policy, countries should ask themselves to what extent they want to indigenize in the light of their existing and potential financial and human resources endowments. More specifically, it is necessary to avoid thinking of indigenization in a static fashion and in isolation from the economic structures and development strategies. Indigenization must be, first and foremost, part of a process of restructuring the economy to ensure sectoral integration, appropriate linkages, participative development, regional integration and more inward orientation in order to achieve self-sustained growth and economic independence.

199. It should also be stressed that the indigenization of an economy does not necessarily bring about a redistribution of income and wealth by itself, hence consideration should be given to the redistributional aspect of the indigenization process either by direct or indirect measures including wealth distribution and taxation policies.

200. The distinct types of indigenization which have been identified include that of personnel, ownership and control, including technology.

201. Manpower indigenization aims at developing indigenous competence in modern agricultural, industrial and commercial operations and management. The indigenization of ownership aims at giving the indigenes of a country an ownership stake in the economic establishments in their own country. This can be accomplished either through public or private ownership or through a combination of both. The third type, that of control, including technology, enables the indigenes to exercise control, through the Board of Directors, on the policies of the enterprises, with object of achieving self-reliance and self-sustained growth through increased productivity and development of appropriate local technology.

202. For the indigenization of technology three phases are identified. First is the acquisition of technology from the highly industrialized countries, the second involves a process of selection and adaptation while the third phase would have the major commitment to depend increasingly on technology which has been indigenously developed and which is suited to local needs and predicaments and domestic natural resources.

203. Indigenization can be total or virtually so as in the case of Uganda, or partial and selective as in the case of Nigeria or pragmatic as in the case in Kenya. 4/ It can be *ad hoc* and unplanned and it can be well planned in advance of implementation and preceded by detailed capacitation studies of possible practical problems of implementation. The partial, selective, pragmatic and well-planned approach is

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4/ Adebayo Adedeji, ''Indigenization as a factor of rapid economic development'', in *The Fourteenth Inter-African Public Administration and Management Seminar* organized by the African Association for Public Administration and Management (AAPAM) held at Maseru, Lesotho, 27 October to 3 November 1975, pp. 65-70.

essential to minimize costs and maximize benefits. It is often dictated by the need to build up the financial and training institutions required for implementation in order to train the personnel for running the newly acquired properties and to assist them in financing and educating them on available opportunities. Indigenization can be centered on existing foreign enterprises and can also be forward looking to participation by indigenes in future enterprises. Indigenization requires well thought-out legislation that may be revised in light of progress made in order to avoid the loopholes to be identified. However, too frequent revision might lead to uncertainties in the business communities and thus it is better to be clear from the very beginning about the short- and long-term objectives and policies.

204. Legislation should clearly state which activities are reserved for indigenes and what type of foreign participation are welcomed in clear, quantitative and qualitative terms with phasing periods being identified.

205. It should also cover in clear terms the objectives and policy instruments including the institutions needed to assist in implementing every aspect of the indigenization process namely, manpower, ownership and control including technology dynamically defined as suggested above. Training institutions should be established or curricula in existing institutions revised to fit precisely the type of expertise needed at all levels including incentives for vocational training on the job.

206. Financing indigenization policies represents a problem that should be realistically assessed in both quantitative and qualitative fashion by either building new financial institutions or adapting the activities of existing ones. Here finance should not be confined to the capital needed to acquire foreign properties but also extend to the future working capital including future requirements for bank loans and other types of credit.

207. The follow up of the activities of newly acquired enterprises by indigenes is essential so that solutions can be found immediately for emerging problems.

208. Another important instrument of indigenization is nationalization of foreign property and its incorporation in the form of parastatals. Here supervision and criteria including those for pricing policies are needed for the parastatals just as they are for private enterprises. Ultimately the success or failure of indigenization policies will depend on the building of expertise to run such enterprises as they also depend on the economic management of the economy as a whole. The running of parastatals and private enterprises is often severely affected by Government policies in the field of economic development and management as a whole, i.e. fiscal, monetary balance of payments policies, etc.

209. In all the four case studies (Ghana, Kenya, Nigeria and the United Republic of Tanzania) the objectives of indigenization have been clearly spelled out in official documents. For instance, in the Ghanaian context the term indigenization connotes not only the quest for self-reliance but also the achievement of economic independence. Be that as it may, the substantive concern of indigenization in Ghana appears to be the Ghanaization of personnel and ownership of enterprises.

210. In Nigeria, the second national development plan identifies two aspects of the indigenization exercise. The first is the Nigerianization of personnel aiming at reducing 'earning leakages' and the second is the indigenization of ownership and control. The plan lays particular emphasis in the latter aspect of the indigenization process because political independence without economic independence is but an empty shell.

211. The Kenyan Government's conception of indigenization is clearly articulated in the development plan of 1970-1974. The Government conceives indigenization to encompass personnel, ownership and control. However, Kenya's desire to transfer productive assets to Kenyans is matched by an equally great concern to refrain from alienating foreign capital and reducing foreign investment and technical assistance. Thus, the unique feature of the indigenization exercise in Kenya is the preference given to increase indigenous economic participation in new development activities to the displacement of aliens in existing enterprises.

212. The United Republic of Tanzania's conception of indigenization is even more broadly defined. According to the Arusha Declaration, it connotes a development strategy by which socialism, development and self-reliance are to be achieved simultaneously. The concept of indigenization is also broader in another sense too. Unlike the experience of many developing African countries where the process of indigenization is seen as the gradual take-over of the commercial and industrial sectors by the indigenes of a country, the quest for self-reliance in the United Republic of Tanzania has been extended to encompass not only the commercial and industrial sectors but also the agricultural sector.

213. In countries such as Ghana and Nigeria the indigenization exercise was carried out through the promulgation of a series of indigenization decrees. The relevant decree welcomes private foreign investment but delimits the areas in which foreign private investors are allowed to operate. Certain lines of business activities are exclusively reserved for the nationals. On the other hand, in enterprises that are of strategic importance but that require capital, highly skilled manpower and sophisticated technology some degree of equity participation by nationals is allowed.

214. Some of the defects noticed in enforcing such indigenization decrees has been the inadequate machinery for implementing them. For instance, in Ghana the expatriates affected by the Ghanaian Business Promotion Act of 1970 were unable to dispose of their enterprises according to schedule because Ghanaian buyers could not raise the funds required to finalize the transactions. Despite encouragement from the Government, the banking system was not ready to soften its stringent conditions for lending. Furthermore, since the Act had neglected to specify how foreign businesses should be transferred to Ghanaians some of the expatriates preferred private, often secret, deals and demanded exhorbitant prices for the enterprise they were setting.

215. The failure of the legislation to clarify the status of employees in affected enterprises also resulted in the displacement of a considerable number of people. Moreover, the affected enterprises immediately stopped replenishing their stocks, and this resulted in a shortage of essential commodities. 'Fronting' that is entering into collusion with foreigners to hold legal ownership while the expatriates retained effective ownership was rampant and Ghanaians were not sufficiently trained to run the foreign enterprises.

216. The deficiencies of the Act of 1970 were to some extent remedied by the Investment Policy Decree of 1975, which called for more stringent penalties for non-compliance and the establishment of a set of auxilliary institutions to provide financial, technical and managerial assistance.

217. Unlike the initial experience of Ghana, Nigeria established a priori a set of ancilliary institutions to supplement the indigenization decree. For instance, the Capital Issues Decree of 1973 set up the institution known as the Capital Issues Commission to determine the prices at which all alien enterprises affected by the Decree were to be sold or transferred. A unit of the Centre for Management and Development called the Indigenous Advisory Service was particularly useful in educating Nigerians on the indigenization decree and in showing them how to take advantage of it.

218. In both Ghana and Nigeria where a gradualistic approach to indigenization was pursued, the process of indigenization has unintentionally given rise to the concentration of economic power in the hands of a few entrepreneurs. In recent years, however, the indigenization legislations in both countries has limited the concentration of wealth in very few hands. For instance, the Nigerian Indigenization Decree of 1977 stipulates that under no circumstance can one person have control of more than one enterprise affected by the decree. Schedule II and III enterprises are obliged to reserve 10 per cent of the total equity shares or the fractions of the shares in affected enterprises to be sold to their workers. In Ghana, the Enterprises Development Decree empowers the Ghanaian Enterprises Commission to reserve a proportion of the shares scheduled for indigenization for the workers of enterprises.

219. In order to enforce the implementation of the indigenization decree, Nigeria instituted rigorous penalities for poor compliance.

220. Furthermore, other mechanisms were effectively pursued to facilitate the process of indigenization. In Ghana, a system of 'pairing' under which two or more Ghanaian entrepreneurs joined hands to take over a foreign business which they could not have done individually was introduced. In Kenya, a system of trade licensing under which non-citizens were excluded from trade in rural or urban centres was introduced as far back as 1967. The system proved to be very effective in breaking the monopoly of foreigners in retail trade and putting it largely into the hands of Kenyans.

221. Unlike the experience of Ghana and Nigeria where a legislative fiat was used to increase the indigenization of ownership, Kenya made a deliberate attempt to emphasize the Kenyanization of new enterprises to avoid the necessity of paying out too large an amount in compensation for the take-over of existing enterprises.