

ETHICAL ISSUES IN THE WESTERN NIGERIA DEVELOPMENT CORPORATION AND ITS ISRAELI PARTNERS, 1958-1966

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ABSTRACT

The Nigersol Construction Company (NCC) and the Nigerian Water Resources Development Company (NWRDC) were formed by the Western Nigeria government through its Western Nigeria Development Corporation (WNDC) and Solel Boneh; an Israeli company. While WNDC held the controlling shares and interest of 60 per cent, Solel Boneh held 40 per cent equity, in both the NCC and NWRDC respectively. While the NCC was a civil engineering consortium, the NWRDC was chartered for water drilling and distribution. The companies operated at two levels; firstly, within the confines of their clearly publicized objectives and secondly, clandestinely, a caucus within a political party, the Action Group of Nigeria (AGN), which formed the government of the Western Nigeria used them to launder public funds. In line with the charters of the companies, the companies excelled in road construction, house building and water engineering. This essay is a study on ethical underpinnings in the two companies. We conclude that the ruling class in AGN demonstrated its earnest determination to provide social infrastructure through the two companies and at same time undermined its integrity by using the companies to expropriate public funds. The sources of the data are mainly the National Archive, Ibadan in Nigeria, government publications and newspapers. The data was analyzed using the quantitative and qualitative political economic approach.

INTRODUCTION

The traditional role of a government in modern times is to provide infrastructures, make legislations and regulate the affairs of companies to enable them thrive. When a government becomes a part owner of a going concern, the affairs of such an organization can be best assessed with the application of political economy. This is not only applicable in socialist economies but also in capitalist ones. L. Albakin, et al (1983), T. Forest (1993), John Keynes (1964), A.H. Hanson (1959) and others provides convincing reasons for direct government involvement in the economic activities. Notwithstanding the collapse of Soviet Union's socialism between 1988 and 1992, for developing countries, the public-private partnership remains a veritable option for provision of goods and services for their citizens. This is because indigenous entrepreneurs, when they do not lack adequate capital, are few and without needed

technical and managerial skills to make significant impact within a short period.

The colonial government was not prepared to embark on extensive construction projects because of unavailability of adequate technical and skilled labour, not for lack of capital. Consequently, there was slow pace in road construction and provision of water in Western Nigeria prior to 1959. By the end of 1953, the Colonial Development Corporation was able to construct only 167 miles of roads in Western Nigeria. The slow pace of road construction was extremely slow to the nationalist government. By 1954, only a few cities and households in the Western Nigeria had access to hygienic water supply when it was critical to check the menace of cholera, smallpox and communicable diseases that were ravaging the region. Towards the end of 1954, Western Region Development Board engaged the services of construction companies.

One of the handicaps that the colonial administration claimed to have hampered its

progress in water supply projects was the dearth of water engineers in Nigeria. A team of four water engineers that included Messrs Binnie, Dean and Gourtley were invited to work in the region by the Western Region government but they did not achieve much. The situation did not improve appreciatively well even when Nigerians were virtually and fully in charge of the Ministry of Works and Transport for the construction of social infrastructures with Obafemi Awolowo as the regional Premier.

By 1955, about 240 miles of Trunk B road had been constructed and tarred by the government agencies. The maintenance of district roads was the responsibility of the district and local government councils. The local councils received grants from the regional government for maintenance of their roads. There was a convergence of perception among the private construction companies, Ministry of Works and Transport, ruling political class, general public and other stakeholders in civil engineering works that if the construction sector would improve, the momentum could only be generated from organizations or companies outside the region.

The Making of the NWRDC and the NCC

Initially, the Western Regional government floated the idea of forming an engineering construction consortium that would comprise the indigenous contractors, an Israeli firm and itself in the early 1959. The indigenous contractors suggested to the government that they would contribute as equity shares to the consortium, 20 percent, if formed. They opined that a reputable and internationally acknowledged Israeli construction firm that could be wooed into a partnership consortium on participatory equity contribution of 40 percent from the foreign company, 40 percent from the Western Nigeria government and 20 percent from the indigenous contractors. They suggested that the Western Region Finance Corporation (WRFC) should assist indigenous contractors with loans to pay for their shares in the partnership. The contractors also suggested that after five years of operation by the new company, the Israeli firm should be persuaded to sell its shares so that it would be fully owned by Nigerians as the firm had previously reached similar arrangement with the governments of Eastern Nigeria and Ghana. The local contractors emphasized that as a necessity; the Israeli company should provide the partnership with technical staff and train Nigerians

both in Nigeria and abroad in technical and skill acquisition. The contractors recommended that similar partnership set up by Solel Boneh of Israel and Ghanaian government should be studied by the Western Region government to find the modalities of the company and to the extent it was successful. In the Eastern Region of Nigeria, the Eastern Nigeria Development Corporation (ENDC) was already in partnership with the Solel Boneh operating with equity capital of £100,000; Solel Boneh held 49 percent shares while the ENDC secured 51 per cent shares. Out of five directors, the Eastern Region government nominated 3 including the chairman, G.C.Mbanuju. The object of the ENDC included improving the standard of skills and techniques in furniture, joinery and construction fields in Nigeria so that the country's dependence in imported furniture would be progressively lessened. These findings spurred the Western Nigerian government to consider engaging the Solel Boneh because it had to solve similar challenges faced by the Ghanaian and the Eastern Region governments.

Akin Debo, the Director of Food and Agricultural Organization of the United Nations, resident in Accra, Ghana, who was the Minister of Agriculture and Natural Resources in Western Region of Nigeria from 1956 to 1962 stirred the interest later in the Solel Boneh. While in the service of the Western Region of Nigeria, he was critical of the high cost of construction work at public expense. He criticized the government for constructing a mile of road at a cost of £5,006 while the same distance was constructed between £3,000 and £4,000 some years ago by the same government. In 1958, he and C.D. Oba Akran, the Minister of Economic Development embarked on an economic mission to Israel on behalf of the Western Nigerian government. While in Israel, they came in contact with Solel Boneh and Water Resources (International) whose standard of works was impressive in the area of water development, civil engineering and civil works. They found that the two companies were already in partnership with a Ghanaian outfit that metamorphosed to Ghana National Construction Company. They recommended that in collaboration with Solel Boneh and Water Resources International, the Western Region government should form a national building construction organization whose efficiency and capability would be put in place to reduce Nigeria's dependence on foreign contractors. They further recommended that the companies

when formed should train Nigerians in building, construction, and water engineering works. Their views were accepted by the government.

On favourable consideration of the report submitted by the economic commission, Obafemi Awolowo's government endorsed a memorandum of understanding with Solel Boneh, to set up two construction companies. The memorandum of understanding was executed on January 14, 1959. After series of negotiations, the Water Resources International Corporation and Solel Boneh on one side and the Western Region government represented by the Ministry of Trade and Industry on other side formed the Nigersol Construction Company and the Nigeria Water Resources Development Corporation. While the Nigeria Water Resources Development Corporation (NWRDC) was enacted into law on July 23, 1959, Nigersol Construction Company (NCC) was incorporated on September 29, 1959. The NCC was established to reduce the dependency of the Regional government on foreign firms for construction work in the region. Its main objects were to construct roads and bridges, but it enlarged its activities to building of public and private houses and factories. The Israeli partners provided technical directions for the two companies. The board of directors of each of the companies comprised of three Nigerians and two Israelis. The chairman was a Nigerian while the position of the Managing Director was reserved for the Israeli partners. Alfred Rewane, the chairman of the Western Nigerian Development Corporation, NWRDC, the Political Secretary of Obafemi Awolowo, the Federal President of the Action Group of Nigeria, a director of the National Investment and Properties Company owned by the Action Group of Nigeria, was also the chairman of the NCC. Other Nigerian directors were Ayo Akinsanya and Samuel Lanlehin, the Managing Director, an Israeli was W.B. Mayerhof. Other Israeli directors were M. Golan and J. Shur. By the end of December 1961, for the NWRDC, the chairman was Alfred Rewane, the directors were Samule Eytayo, Ezekial Bamiro, Benedict Olusola, Simla Golan, Jacob Shur and Walter Mayerhoff. The two General Managers, one for each of the companies, were appointees of the WNDC.

Part of the Memorandum of Association stated that the Israel interest had a five years life span in the two partnerships, which would terminate on March 13, 1963. The Israelis were to sell their equity capital and any other interest they have in the companies to the Western Nigerian government after 5 years of operation in the

region. It was resolved that the value of the interest of the Israeli partners would be mutually determined by all the parties in the partnerships and paid them by the Western Region government sequel to the severance of the relationship. The two parties, for the purpose of amicable dissolution of the two partnerships could resort to an arbitrator, if the need should arise.

The object of the WRWDC included carrying out preliminary geological and hydrological investigations and prospecting, engineering, evaluating, planning, designing of bore holes, water, works, drainage, damming and irrigation schemes. Drilling of water, and installing a network of water distribution were the main objects of the WRWC. On the demand of the NCC and the WRDC, the Western Nigeria Development Corporation (WNDC) obtained a letter of intent from the government to award contracts on non-competitive basis to NCC and NWRDC. The WRWC and NCC on February 9, 1960, extracted from the WNDC and government of a guaranteed contract of £30m on the 1960-65 development plan. The Nigersol Construction Company was allocated £20m while the NWRDC was allotted £10m. In effect, the government would provide majority of water development works not undertaken directly by the government to the companies without them going through competitive bidding process of the tender board.

In the first year of the operation of the companies, they were to be assigned contracts only by negotiation with the Western Region government. The Western Region government and the agent of the Israeli firm reached an agreement that government would assign works by negotiation to the company. The government guaranteed and mandated the NCC to obtain construction materials from Crown agents on credit to avoid delay in execution of its contracts. The NCC had a well-equipped workshop for repair of its vehicles and equipment. It also had a fully equipped carpentry and joinery workshop. Prior to the inception of the NCC, the Public Works Department in collaboration with the Western Region Development Board carried out road building, and bridge construction.

On distribution of return on investment, the expatriate co-owners of the NCC and NWRDC were entitled to 8 percent profit made from operations of the companies before taxation. The dividend after taxation was agreed to be shared according to each partner's equity in each of the companies. The long term plan of the regional government was that by 1983, a total of £25,450,000 would have been spent on water

project for provision of 122m tons of water per year. The equity capital of the NWRDC was £100,000. The share capital of the Western Region government in the NWRDC was £60,000 or 60 percent of its total equity capital. By August 10, 1959, the WNDC had invested into the NCC, the sum of £120,000 when the Israeli partners, the Solel Boneh of Haifa, Israel had not made good of their equity shares of £80,000 or 40 percent of the capitalization fund. In 1960, they paid up.

Around January 1962, the Nigerian Society of Master Builders and the Western Region Contractors Union sent a memorandum to the Premier of the Western Region of Nigeria, Samuel Akintola, and requesting dissolution of the two companies. They averred that the operations of the companies were adversely affecting them. They pointed out that participation of indigenous contractors and the Public Works Department in execution of government contracts has been reduced drastically with the establishment of the NCC and NWRDC. They alleged that government had lost over £2.6m by patronizing the two companies. From September 1959 to 1962, the Western Region government awarded contracts valued at £3.5m to the NCC for road construction while indigenous contractors got contracts worth £840,000, during the same period. In building of houses, the NCC was given £3.67m against £25,000 worth of contracts given to indigenous firms. On water projects, the NCC and NWRDC were awarded contracts of £6.5m while none was given to indigenous firms. Obviously, the government did not create conditions of fair competition between the indigenous firm and the two companies. It did not take any significant measure to protect indigenous firms and encourage them to grow in the construction industry as they had expected. Ironically, it should be recalled that one of the objectives for chartering the WNDC was to encourage establishment and growth of indigenous enterprises.

The workers of the NCC and NWRDC were paid higher wages than their counterparts in the construction and engineering sector. The Federation of Building and Civil Engineering Contractors of Nigeria refused to register the NWRDC and NCC to avoid exposing the workers its member companies to the better conditions of service in the two companies, a measure that could spur agitation for higher wage by workers. The senior public servants in the Public Works Department expressed their dislike over the redundancy of the department following what they

saw as award of virtually all government contracts to the NCC and NWRDC. The indigenous contractors accused the government to have sold the region to foreign companies, NCC and NWRDC. It should be noted that from 1952 when Obafemi Awolowo became the Western Region Head of Government, it became the government policy to encourage and assist indigenous contractors from the region by giving them contracts. From 1952 to 1958, indigenous contractors got virtually all the contracts except works handled directly by the Ministry of Works. In 1958/59, indigenous private contracting firms got all the £775,862 valued capital projects of the regional government. As at May 25, 1959, the government was still resolute on its policy to support the growth of indigenous contracting firms but not without a favourable disposition to the two companies. In 1959/60, out of capital projects of £2,660,364, indigenous contractors were awarded jobs valued at £747,577, expatriate contractors got contracts worth £2,072,772. In 1960/61, the value of contracts to indigenous contractors decreased to £639,990, expatriate contractors also came down to £258,589 while NCC and WNWDC got £3,172,707 or 74.3 percent of the total capital project value. Out of 600 miles of road earmarked for construction and tarring, only 50 miles was allotted to Nigersol, a greater percentage went to indigenous firms and the Ministry of Works. In 1961/60, the NCC and NWRDC got 43.7 percent of all government capital expenditure projects. The Federal Minister of Finance criticized the arrangement of the Western Nigerian government on the award of huge contracts to NCC and WNWDC. The Minister alleged that the Western Nigerian government had entered into partnership with the firms to siphon public funds to the Action Group of Nigeria through the companies. The Nigerian Master Builders Association also criticized the government for almost excluding it from contracts paid from public treasury.

Alfred Rewane, whose responsibility it was to secure jobs for the two companies as the chairman of the WNDC, the NCC and NWRDC, approached the Premier and protested the aggression of the PWD officials towards the two companies. He also observed that the officials of the Ministry of Works and Transport were taking advantage of writing the minutes of meetings of the Ministry and the two companies to include issues not as resolved by all parties concerned. He advised that if they have anything against the companies, they should say so in the open. Following the disaffection between staff of the

Ministry of Works and Transport and NCC and NWRDC, the Premier called a meeting of the representatives of the companies and the Public Works Department. At that forum the Public Works officials accused engineers of the two partnerships of incompetence. The representatives of the partnerships denied that they were incompetent, but insisted their Public Works counterparts were inefficient. There was really a correlation between the position of two companies on the inefficiency of the Public Works jobs and high cost on execution of its projects argued by Akin Debo earlier in this essay. The Officials of the Public Works Department raised another issue that they should supervise the works of the companies. The representatives of the companies questioned the right of the officials to supervise them; claiming that they had qualified several years as engineers before the Public Works officials and had global exposure and experience, having handled projects in different parts of the world. For the fact that more issues on technical competence of the parties were raised in addition to human relational squabbles, the Western Region Premier, Samuel Akintola proffered that a panel of inquiry should be set up to look into the matters arising in execution of government works since the establishment of the NCC NWRDC.

The government set up a Working Committee as a panel of inquiry to enquire into the allegations of inefficiency and non-cooperation against the NCC and the NWRDC. Its members were the Permanent Secretary to the Ministry of Economic Planning, I.O. Dina, the chairman of the WRMB, Samuel Durosaro and the Principal Agricultural Officer, H.A. Ejueritchi. The Working Party was charged to ascertain the reasons for allegations of non co-operation made against the two companies by the Ministry of Works and Transport and its Public Works Department. Furthermore, it was asked to ascertain the allegation of inefficiency leveled against the two partnerships. It was made the duty of the panel of inquiry to find out whether the undertakings between the government, the NCC and NWRDC were being fully implemented, and to advise how the companies and the government could work for the mutual benefit of each other.

The report of the Working Party was signed by I.O. Dina, H.A. Ejueyitchie and Samuel Durosaro. The Working Party reported its findings to the Ministry of Works and Transport that set it up. It recommended that the government should fulfill its commitments to NCC and NWRDC to give them contracts. The companies were asked

not to solely rely on government contracts. It was also recommended that the companies should source their supplies of materials and equipment independent of the Ministry of Works and Transport.

The report of the Working Party was to the effect that government should honour all agreements entered into with the companies. It advised that a contract of £400,000 should be awarded to the company immediately to fulfill the agreement between the companies and the Controller of Works. The government was also advised not to put an open tender for jobs it guaranteed the companies. It was in view of this report that the government awarded contracts to the companies.

The most controversial term of the bilateral relationship was that the government would award to the NCC any contract it could not execute by direct labour. In 1959, while Alfred Rewane complained that government contracts awarded to the NCC and the NWRDC were not enough, the Premier, Obafemi Awolowo, expressed concern. He averred that government should encourage indigenous contractors, whose business would be adversely affected if the two companies were to get as much contracts as they expected. He admonished the companies to compete for awards of government contracts with other firms, as government had no intention to transform them into monopolies. On February 8, 1960, the government of Samuel Akintola confirmed to the two companies that they would be awarded contracts to the value of £30m. However, in 1960, about thirty days after the take-off of Samuel Akintola's government, Obafemi Awolowo reminded him that it was obligatory on the government to honour a guarantee of £30m contract to the two companies. The reason for Obafemi Awolowo's advice, to the effect that government should honour its agreement to the companies, may be explained on the ground that the AGN, whose President he was, was expecting to benefit financially from award of contracts to the companies.

Two fundamental changes were made in the original agreement between the government and the Israelis. One was the extension of the life span of the Israeli interest to 1965. Two, the government guaranteed the loan and reiterated its commitment to award £30m contracts to them as part of the Development Plan of 1960-1965. The loan was guaranteed on December 24, 1959 on the grounds that the NCC and NWRDC would be assigned mainly by negotiated contracts. In most cases, the government expected the companies

to design and execute the works concerned. Part of the memorandum of understanding between the Ministry of Works and Transport was that the companies would produce the plan, design of the projects and execute works as assigned to them satisfactorily. The Ministry of Works and Transport would assist the companies to procure materials from sources other than the Crown Agents when necessary to avoid delay in the execution of assigned contracts. Even the Coker Commission of Inquiry of 1962 came to the conclusion that the indigenous contractors had their fair share of contract allocation before and after the establishment of the two companies.

Western Region government budget for its capital programme in the 1961-65 development plan was £69.2m. Out of that fund, £39m was earmarked for capital expenditure. The £30m contract guaranteed the two firms was part of the budgeted capital expenditure. Glaringly only works worth £9m was left for the Ministry of Works and private contractors to compete on the capital expenditure schedule. Part of the agreement between the Western Region government, the NCC and the NWRDC was that if the government failed to make jobs available to the companies, whatever amount of loan given to the companies would be forfeited by the government. Meanwhile, the loan attracted was only 1 percent higher than the going rate in the Bank of England. The Israeli firms were to get the works by negotiation with the government rather than open tender. It appears that the Working Party merely rubber-stamped the government disposition on issuance of contracts to the NCC and NWRDC. A closer look at the formation of the two companies and their objects presupposed that the government should take adequate measures to protect public interest in them at all times, meanwhile, other parties were most concerned with immediate group aggrandizement.

The £3 million Loan

Alfred Rewane, in his application of February 10, 1960 for loan of £3m from the WRMB, as the chairman of the two companies, the NCC and NWRD, stated that it would be required for

“immediate surveying, designing, planning and operations, for securing the purchase of the proper equipment and materials so as to enable the company commence execution of the said

contracts immediately after the award thereof.”

Obafemi Awolowo met the chairman of the WRMB, Samuel Durosaro, and appealed to him to make the loan available. On the same day, February 12, 1960, the Western Region Marketing Board (WRMB) met and approved the application of the £3m loan to the WNDC. On February 12, 1960, the WRMB wrote the Ministry of Trade and Industry, under which operated for approval of the loan. On the same day, the Ministry of Trade and Industry informed the WNDC the latter that the loan of £3m for the NCC and NWRD has been approved. The agreement for the loan was prepared by the Attorney General of the Western Region government, Rotimi Williams who was paid five hundred guineas on the instruction of the Alfred Rewane. This underscores the involvement of the government and the ruling political party in the deal. Meanwhile the Permanent Secretary of the Ministry of Trade and Industry on February 15, 1960, had strongly objected to the loan application. The Ministry gave two conditions on which it would support the £3m loan application. It insisted that no loan would be approved for the two companies except the Israeli partners contribute proportionate funds in line with their equities. Again the Ministry said that pending the outcome of investigation on the needs of the companies and the resources of the WRMB, a loan of £600,000 could be approved for the companies, if the Israeli partners would provide £400,000. On February 16, 1960, the Executive Council of the Western Region government, in retrospect, gave its approval for £3m loan to the companies from the WRMB. The WNDC chairman met the Ministry of Trade and Industry, Adeyi and lobbied him on the necessity of the loan for the two companies, which were mainly to procure equipment and recruit personnel for the guaranteed £30m government works. The WRMB, on June 29, 1960, secured the approval of the supervisory agency, the Ministry of Trade and Industry, to disburse the loan. Two days after the approval for the loan was given, the boards of the two companies simultaneously met and passed a resolution to deposit the sum of £2,167,000 with the National Investment and Property Company (NIPC) as resolved by Alfred Rewane, Obafemi Awolowo, Samuel Akintola and the NIPC and other members of the AGN financial caucus. Alfred Rewane told the Coker Commission of Inquiry that himself, Obafemi Awolowo, Samuel Akintola and the directors of the NIPC that out of the loan to the company, £2m would be used to finance the AGN with the hope that WRMB would

give the NIPC loan to repay the companies before the affairs became a public issue that might cause the leadership of the party an embarrassment. One very decision taken by the directors of the two companies was that part of the loan that was not needed immediately should be as investment in financial institution on short term basis. Through the period of negotiation for the loan either at the boards of the WNDC, NWRDC or NCC was it mentioned that part of that loan would be deposited with the NIPC. Rather than procuring the equipment, the chairman of the two companies and that of the WNDC, Alfred Rewane, got other directors of the two companies to agree that £2.2m of the loan should be deposited through NBN branch in London into the NIPC's bank accounts in the same city at an interest of 2.5 percent for 30 days. He told the directors of the two companies, that he had completed an investigation for an appropriate financial house to invest part of the £3m. Two days in retrospect, the loan was granted to the companies, their boards passed a resolution to deposit £2,167,000 with the NIPC for 30 days. The NIPC enticed them that the companies would be paid a higher interest rate than the money could attract from Bank of England. This transaction had the approval of both Obafemi Awolowo and Samuel Akintola.

A year later, precisely on March 4, 1961, the two companies demanded their deposit from NIPC. Alfred Rewane, replied them on March 6, 1961, that they; the government and NIPC, had reason to believe that the deposit would remain with the NIPC for a considerable period of time and did not expect it would be recalled so soon and "did not provide for this eventuality"

In what appears to be a manifestation of crack in the government and AGN, Maja Akinola, S. O. Gbadamosi, S. O. Lanlehin wrote and endorsed a letter on behalf the WNDC as its directors, requesting the NCC to use its bankers to secure credit on its behalf to offset the £2.2m loan. It should be stated that since the ill-fated January 1961 Jos Conference of the AGN, the party had become polarized into two factions, one was in support of the Party President, Obafemi Awolowo, and the other allied with the Premier, Samuel Akintola. The polarization affected all facets of governance in the Western Region including boards of public enterprises like the WNDC. The Premier insisted on resignation of Alfred Rewane as the chairman of the WNDC board but was prevailed on by Obafemi Awolowo and the Oni of Ife, the Lieutenant- Governor of the Western Region.

While the squabbles between the AGN and its government were going on, the fortunes of the companies were becoming gloomy. As at March 31, 1961, the NWRDC was operating on overdraft account of £218,900 with the Apapa and Ibadan branches of the Bank of West Africa. The amount was £18,900 over £200,000 guaranteed the company by the WNDC. The corporation had also guaranteed £500,000 to the company at the Bank of America. Meanwhile, the NIPC had transferred part of the money to the AGN and utilized some for development of its properties. At this time the government had become aware that the information of the transaction had leaked to the opposition party in the Western Region House of Assembly and would not like the imminent scandal.

The boards of the NIPC, NCC and NWRDC mandated Alfred Rewane, J. Shur and G. Golan to negotiate an agreement on behalves of two companies and the NIPC with the Anglo-Israeli Bank in London on the payment of loan. The first option was for them to negotiate from the bank, a loan of the exact amount the NIPC owed the companies. To that effect, the NIPC would endorse an agreement to liquidate the debt on mutually accepted terms failure of which the bank could sue the company. This proposition was not accepted by the bank. Another option was for the Anglo-Israeli Bank to accept that it had given the NIPC a loan of £1.4m. The bank would determine the terms of the security that would be given to it by the NIPC. In furtherance to this arrangement, the bank would be empowered to place a charge on NIPC account with the bank and sign any document that would give effect to the security. The government of the Western Nigeria, the AGN and the directors of the Solel Boneh, NCC, NWRDC and the NIPC entered into an agreement with the officers of the Anglo-Israeli Bank. The arrangement was that the bank could, if required, assert that the NIPC had deposited the money loaned to the two companies with it. To this end, the bank accepted to open a fictitious account for NIPC. In reality, the bank would not pay the two companies, from time to time, more than the NIPC would deposit in a real account with it. However, the amount that the bank would make available to the two companies was to be whatever money the NIPC deposited in the bank for the liquidation of its indebtedness to the companies. As in March 1962 the companies had recovered £300,000 from the NIPC through this arrangement before political crisis upturned it. B. Olowofoyeku described the transaction as:

“...a mere book manipulation in the offices of the Anglo-Israeli Bank by which it appeared that the NIPC’s debt had been taken over by the said Anglo-Israeli Bank and merely guaranteed by the Nigersol and Water Resources”

The option of getting the NIPC to seek for loan from the Anglo-Israeli Bank was conceived on the grounds that the Israeli partners feared the possibility of recouping the loan from the NIPC if they sued it in a court of law. The government also was eager to avoid any action by the partners that could result in public scandal. Not only did the bubble burst in the Western House of Assembly, the attention of the Federal government was attracted to the spurious loan. The Federal government position was that investigation should be made on the circumstance leading to the loan granted to the companies with the intent of prosecuting Alfred Rewane for conspiracy to defraud. Ayotunde Rosiji, the National Secretary of the AGN and a member of the Federal House of Assembly asserted that it was the relationship between Nigersol, NWDC and NIPC, on one hand and the untidy manner that the Western Region government handled it that caused the Western Region political crisis in 1962.

Under the Samuel Akintlo’s government formed by the United Peoples Party (UPP), on January 1, 1963, the contract of the Ogbomoso Water Project soared from £722,000 to £929,000. Without passing through the Tenders Board, the contract was awarded. The senior government officials colluded with the ruling political class to appropriate some money for themselves. Akin Debo, the Minister of Agriculture and Natural Resources submitted a memo to the Minister of Finance that the cost of doing government contracts had become high because the senior government officials were demanding 10 percent from the contract’s fees. In another development, a contract of £3.7m was awarded to the NWRC for £3.4m in 1964 without adherence to the due process. C.D. Oba Akran’s justification for such action was that the approved contract fee was lower than the quoted cost of the project. In fact, by 1964, the procedure for award of contract and payment had become abused. The minister in charge of a project could approve for payment of a contract without certification by the Ministry of Works and Transport. The Accountant-General could affect payment of jobs budgeted even if they were not executed, not even senior civil servants

were spared of contravening the rules on award of government contracts.

Statement of Account and Testimonies

Between 1960 and March 1962, the NCC had executed 69 building projects valued at £5,931,970. As at March 31, 1961, the NCC made a profit of £128,000. The Samuel Akintola refused to pay the companies for the works they had already completed. The contractual fees rose from £532,000 as at March 31, 1961 to £1,575,000 as at February 28, 1962. In 1962, its profit rose to £228,921. In 1961/62 only, contracts valued at £852,948 were awarded to NCC. In 1961/62, out of the £5,703,114 value of contracts awarded by government on road and bridge constructions, NCC got contracts of £2,487,671.112. The NCC debt portfolio grew to £1,575,000 by February 28, 1962. There was a lull in the activities of the NCC and NWDC as a result of the conflict that erupted in the AGN, which was the ruling party in the region. In 1966/67, accounting year, the NCC made a marginal profit of £3,008 and had no major contract. The NWRDC also had a profit of £3,809 for its 1966 operations. Unpaid accumulated dividends between 1962 and 1964 amounted to £60,000.

Events that led to pauperization of the companies can be illustrated by several factors, corruption being the cardinal. For instance, apart from the affairs in the companies up to the end of 1962, Daniel Adeleke Ademiluyi who was the chairman of the WNDK from 1963 to 1966 colluded with Samuel Akintola, Oba Akran and A. Adeyi to put up a claim of £504,750 for payment to the NWRDC. The money ended up in Oba Akran personal house. He claimed to have given Samuel Akintola £200,000, paid A.G Leventis £212,000 for vehicles the UPP purchased from the company and the rest was given to A.A. Adeyi for the running of the party but the latter "swallowed" (sic) the portion he was given.

The companies made remarkable contributions to the overall development of the region. They created jobs for Nigerians. There were 12,000 workers in the employment of the companies in 1961. By the end of March 1962 when the government of Samuel Akintola had become lukewarm to award more contracts to the two companies following frosty upheavals in the AGN, the Nigersol had executed 69 contracts out of which 4 were from corporate organizations, 26 were houses for individuals. By the end of the

same year, due to mounting debt owned it by the government and lack of adequate new jobs backed with payment, the labour force was reduced to about 10,000. The government claimed that it was in a financial strait and there was no doubt that it was indeed so but it was also ensuring that the companies did not get enough money so as not to financially empower Alfred Rewane and the pro Obafemi Awolowo's AGN faction to successfully finance the struggle against him, his AGN faction and the Western Region government. Even when the Israeli partners of the companies suggested that they would accept deferred payment of contracts awarded, the government did not award them contracts. In 1964, out of 60 Israeli experts and 10,000 Nigerian employees in the companies, only 7 Israelis and 400 Nigerians remained in the service of the company. With recovery of a part of its debt and getting award of new contracts from the government, the companies increased their workforce to 13 Africans holding senior positions, 20 expatriates and 1,970 skilled workers in 1966.

Nigerian workers employed by the companies were trained in the University of Nigeria, Nsukka and Israel. The companies awarded scholarships to Nigerians, ranging from a few months to five years. The NCC constructed the Nigerian Textile Mills at Ikeja, Auxiliary Trading Centre, Ibadan, and the 25 storey Cocoa House, Dugbe in Ibadan, Agricultural Research Institute, Ibadan, and the High Court buildings in Ibadan. The 25 storey building was to commence on October 1, 1959 and completed on September 30, 1960 so that it would be celebrated as part of the achievements of Western Region government on October 1, 1960, the independence day. It was the credit of the nationalists that hundred miles of roads were constructed and bridges built, especially by the NCC. By mid-1966, the NWRDC had supplied over 2,000,000 people with water in several cities and urban areas in the region including Ogbomoso, Ibadan, Ijebu Ode, Benin, Shaki, Badagry, Okitipupa, Odugbolu, Ilaro, Igbara-Okerete and Ejigbo. However, they did not train personnel from Public Works Department to do the maintenance work after they had completed their own projects at the expiration of their five years contract.

According to the Premier, Samuel Akintola, the quality of work done by the Israeli water company was excellent. He further eulogized the NWRC:

"Even in the case of rural water supply, it is only seeing what they do in actual practice to appreciate

the value of the contribution that the Water Resources are making towards the country in rural areas especially in pathetic places, where one would think it was impossible to get water supply. They have a miraculous way of getting water out through these bore holes; they would get good water and in most places; the water would be of such quality that would require no further processing at all....they almost got water out of stone. The company was said to have been one that the government could not do without for a fairly long time to come."

In Ikeja Industrial Estate, the NWRDC discovered an underground lake that was claimed to have sufficient water reserve to serve Lagos Island, Ikeja and Mushin. In 1964, the Regional government awarded a £3m contract to NWRDC to drill water in the provinces of Ondo, Oyo and Ijebu. At that time the arrangement was that the company would source for 60 percent of the contract value while the government would provide the remaining 40 percent. In 1966, the total expenditure of the regional government on water drilling and supply had engulfed about £6m. The quality and cost of the works carried out for government was so high that they attracted patronage from individuals. Coker Commission of Inquiry said of them.

"...indeed we have no strictures to make with respect to the activities of the companies except with respect to which the companies have been used by the persons to whom we have referred for the achievement of their selfish and maybe criminal purposes....Indeed the witness Okunoren shared the view that there was no other engineering organisation in Nigeria that could do the same work as the Nigerian Water Resources Development Limited was doing."

CONCLUSION

The original intent of establishing the NCC and NWRDC were for development

purposes. There were no misdemeanours preferred against the foreign partners as they conducted themselves within the ambit of the memoranda of understanding and objects of the companies. They provided managerial and technical expertise necessary to attain the goals why they were brought into existence. Even then, the dexterity of the Nigeria directors and workers was commendable. The companies were able to attain a balance between profit making and provision of social services.

While efforts were being made to keep the momentum of operations by the companies, the ruling political class undermined its integrity by using the NCC and NWRDC to expropriate public funds in the WRMB deposited in the National Bank of Nigeria. Conflict ensued between Obafemi Awolowo and Samuel Akintola in whose Premiership enormous financial resources got siphoned from the two companies to feather class interest. The management of the funds of the NCC and NWRDC was one of the issues that aggravated the political crisis in the Western Region in the first half of the 1960s.

The failure of developing countries like Nigeria to adequately adapt corporate ethic in the management of their economy has remained one of the most critical problems of the public enterprises even those in partnership with the private sector. One of our the recommendations is that the equities owned by governments in the partnerships with the private setor should be reduced to the extent that the controlling equity is residual with the private partners. This measure would eliminate politicization of the public enterprises since the majority shareholders ordinarily would provide more directors as well as the president or chairman of any such partnership. We recommend also that the corporate legislations of the nations whose citizens and companies are involved in transnational partnerships should be strengthened to punish adequately the directors and others who undermine the integrity of the corporations they manage. For corporations whose ownerships involve nationals and entities of several nations, to ensure that the best practice is in vogue, all their institutions that are involved in over-seeing transnational corporations should be involved in annual auditing of the companies. This measure would help timely dictation of fraud like the one perpetuated in the NCC and NWRDC.

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