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**ANALYSIS OF MECHANISMS FOR PROMOTING LOCAL CONTENT TOWARDS NATIONAL DEVELOPMENT IN NIGERIA: A CASE STUDY OF NOGICD ACT, THE NIGERIAN CONTENT DEVELOPMENT AND MONITORING BOARD (NCDMB) AND ITS COMMUNITY CONTENT GUIDELINE (CCG)**

**Adewole Adeyeye<sup>1</sup>, Daniel O. Adekeye\*<sup>1</sup> & Ginah O. Ginah<sup>2</sup>**

<sup>1</sup> Department of General and Entrepreneurial Studies

Olusegun Agagu University of Science and Technology (OAUSTECH) Okitipupa, Ondo State  
Nigeria

<sup>2</sup> Nigerian Content Development and Monitoring Board (NCDMB),  
Yenagoa, Bayelsa State, Nigeria

\* Daniel O. Adekeye, E-mail: deenofem@yahoo.com

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**ABSTRACT:** *The quest for the growth of indigenous businesses and investments in the nation's economy and necessity to maximize participation of Nigerians in oil and gas activities have prompted the "indigenization" policy which was first articulated as a legal instrument in the Nigeria's Petroleum Act of 1969. The paper considers the situation where the region that produces the bulk of national wealth and contributes so much to global oil wealth, is at the same time, the region where local dwellers ravaged in extreme poverty as reason for the government to constantly review its approach and strategy towards achieving the intention for indigenization. The paper assesses the various initiatives set forth to position Nigerians to fully access the benefits and opportunities within the nation's oil and gas industry. It observes that the NOGIC Act 2010 which gives birth to the Nigerian Content Development and Monitoring Board (NCDMB) and the consequential Community Content Guideline (CCG) constitute a paradigm shift in the Nigerian oil and gas industry. The paper concludes that considering the current global economic order, the NOGIC Act provides a viable path to sustainable national economic development while the Community Content Guideline CCG is a veritable vehicle for fast tracking development in community context.*

**KEYWORDS:** CCG, indigenization, local content, national development, NCDMB, Nigeria.

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## **INTRODUCTION**

The need to attract and accommodate foreign and multinational business operators as an imperative to fast-track economic growth and sustainable national development as well as the need to activate mechanisms to restrain the inherent tendency of foreign monopoly (capital) to resist and hamper local industrialization has constituted the major concerns of most Third World countries and emerging economies such as Nigeria. Multinational Corporations possess unique strength and impetus for facilitating development worldwide across their areas of influence. Apart from engaging sizable number of people in their respective local areas of operations, Multinational Corporations (MNCs) have successfully leveraged on the growth and development of communities and societies across the globe particularly in developed countries [Adeyeye, Ginah & Adekeye, 2020:23].

However, the incapacitation and the slow growth of indigenous entrepreneurship have been severally blamed on the predatory posture and exploitative commercial activities of the stupendously rich Multinationals. The growth of indigenous businesses and investment is very significant to the economic progress, political stability and human capital development of any nation. It is so important because of its ability to eradicate house poverty and overdependence on government employment. The major economies of the world: USA, China, Japan, Germany, etc. are aggressively promoting SMSEs through investments and provision of conducive operational atmosphere. The challenge therefore is to articulate and implement a framework for indigenous nationals to optimize the economic fortune that is available around them.

### **Indigenization Policy in Nigeria**

In the 1950s, Nigeria operated an open economic and commercial policy which attempted to bring foreign business investors into the country. It was a level play- ground for foreign and local entrepreneurs. Due to the financial strength of the foreign corporations (some of which were sponsored by foreign governments), technological advancement and skills deposition, the Nigerian local business competitors could not match, thereby leaving the main stay of the Nigerian economic and commercial activities largely and entirely foreign.

But the roles of some of the foreign corporations at different stages of the Nigeria Civil War, the severe shortage of essential commodities and the extreme inflationary trend that followed the post war rehabilitation and reconstruction programs invoked the sense of urgency in Government's intervention in empowering indigenous entrepreneurs, investors and nationals and positioning them for significant participation in the Nigerian economy. Calls from politicians and series of agitations by the public in respect of prevalent economic hardship served as further impetus for Government to contemplate an economic framework that would enable indigenes of Nigeria and Government to take ownership of their economic fortune.

After decades of struggles, the Nigerian government decided to whittle down foreign dominance of the Nigerian economy and paved way for more indigenous participation in all the sectors of the national economy. On the 23<sup>rd</sup> of February, 1972, the military government promulgated the Nigeria Enterprise Promotion Decree No. 4, popularly known as the "Indigenization Decree". The Decree was meant to fulfill the following essential objectives namely:

1. To create opportunity for Nigerians.
2. To raise the proportion of indigenous firms and ownership of the productive sectors of the economy.
3. To maximize local retention of profits.
4. To involve more Nigerians in the management and decision making process of business enterprises. All in an effort to enhance indigenous growth of Nigerian firms. [ NEP, 1977]

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## History and Analysis of Indigenization Initiatives in the Nigerian Oil and Gas

### Industry

Since the commercial exploration of crude oil in Nigeria about five decades ago, oil and gas related businesses have been the main stay of the Nigerian economy. At a time, this sector accounted for about 35% of the nation's Gross Domestic Product (GDP). At the moment, the oil and gas industry constitutes over 90% of the nation's foreign earnings and up to 80% government revenue [IGF, 2018:1]. The relevance of the oil and gas industry in Nigeria is evidenced by its direct and indirect impacts on other sectors of the national economy. In fact, the national budgets and implementations over the years have largely depended on the government revenue from the oil and gas market. The pace of development in Nigeria has been largely dictated by the happenings in the oil and gas industry. To this effect, one cannot possibly talk about national development in Nigeria without recourse to this very important industry which is strategic to the Nigerian economy.

Despite its importance and impact on the economy, the sector has operated as a foreign cabal industry over the years. The government, in line with the indigenization consciousness, has responded through various initiatives to build indigenous capacity and reduce the excessive dominance of foreign operators in the industry. Some of these initiatives will be analyzed and assessed in the following part of this paper.

### *Nigeria's Petroleum Act of 1969*

This act in pursuance of the indigenization and nationalization programme, required that owners of oil drilling leases ensured that within 10 years, at least 75% Of the employees especially professionals, managers and supervisors in their organizations would be Nigerians. However, this could not be achieved because implementation or enforcement of these policies was weak [Balouga, 2010]. Moreover, the Act did not recognize other viable sources of empowering the indigenes to maximally leverage the abundant opportunities for personal and national development. Even if the operators had adhered to the provisions of the Act by ensuring that 75% of their managers, professionals and supervisors were Nigerians, the number of the employed Nigerians by these operators would be insignificant in the quest to end poverty.

### *Creation of Nigerian National Oil Corporation (NNOC) and Nigerian National Petroleum Corporation (NNPC)*

Nigeria's membership of OPEC in 1971 had immediate effect on the nation's oil policy as OPEC emboldens nationalization as a platform for global competitiveness. Consequently, the Nigerian National Oil Corporation (NNOC) was established for the purpose of promoting Nigeria's indigenization policy in the oil sector. At that time, government participation was considered necessary to play a large role in determining the extent of future economic gains from petroleum [Pearson, 1970]. However, the Nigerian government could not provide the requisite technology and capital which compelled NNOC to enter into various joint agreement ventures with the operating multinational oil companies. Bureaucratic hitches as well as over bearing influence of personalities in the Petroleum Ministry also led to the situation where Nigeria's oil resources were described as a "wasting asset" [FRN, 1976].

In 1977, the Nigerian government merged the NNOC and the Ministry of Petroleum to establish the Nigerian National Petroleum Corporation. The NNPC combined the functions of an oil company with the regulatory powers of a ministry until 1986 when the Ministry of Petroleum Resources was reestablished [IGF, 2018:2]. The NNPC became so powerful with the tall ambition of having sole control of the entire oil industry in Nigeria. Despite its increasing influence in the nation's oil and gas industry, the impacts of NNPC on human and infrastructure capacity building have been far below expectations. The NNPC, being a State owned corporation, was viewed and managed as an extension of a typical government Ministry or Agency, a perception that has adversely impacted the productivity of NNPC as a full Senior managers and politicians with influence on the corporation were quick to secure employment for relatives, allies and friends; resulting in overstaffing and recruitment of unqualified personnel. Moreover, the corporation, at different times, has been involved in corruption scandals which have made NNPC to be described as "hopelessly inept" and became entangled in allegations of massive fraud [Nwokeji, 2007, Frynas, 2000].

The NNPC as presently constituted and managed is encumbered with fundamental inhibiting issues which are responsible for the corporation's failure to make Nigerians and communities maximize the benefits of the huge revenues and opportunities that are potentially available in the nation's oil industry. Chief among the issues are its corporate governance, oversight and transparency. NNPC reporting to other government agencies and the public on oil sales is patchy and regularly contains contradictions. The corporation's own internal recordkeeping systems and processes are disorganized and secretive. The corporation lacks basic checks and balances – for example no published annual reports, weak audit functions and a board chaired by the petroleum minister [Aaron Sayne, Alexandra Gillies and Christina Katsouris, 2015]. The effects of all these include: widening of and perpetuating corruption channels; loss of revenues and resources; poor corporate and national image among others.

The creation of the NNOC and the NNPC has not been able to deliver the objectives of the indigenization policy of the Republic of Nigeria. The oil industry in Nigeria is not only controlled by the multinational foreign operators, supply of refined products for local consumption is largely sourced from overseas. The implication of this is that Nigerians are vulnerable to constant currency exchange fluctuations, which in most cases are against the local current (NGR naira). Not only are Nigerian households experiencing deeper level of poverty, the Nigerian Small and Medium Enterprises (SMEs) are constantly at risk of liquidation as a result of increasing cost of production. The operations of the NNPC have low impact on capacity building; the corporation does not have the capacity to position citizens, businesses and communities in Nigeria for maximum access to the wealth and opportunities that abound in the nation's oil and gas industry.

### **Nigerian Oil and Gas Industry Content Development (NOGICD) Act, Nigerian Content Development and Monitoring Board (NCDMB) and the Community Content Guideline (CCG)**

After several decades that the indigenization initiatives had existed, the scenario is such a paradox where the region that produces the bulk of national wealth and contributes so much to global oil wealth, is at the same time, the region where local dwellers ravaged in extreme poverty. The

magnitude and scope of social, economic, environmental, and cultural crises in the oil producing region of Nigeria has been registered and discussed at different levels and platforms. Scholars, politicians, public analysts, international groups among others have spoken at different times about the many ills and the devastating conditions that prevail in the region. From their reports, the oil producing region could be described as a distressed community [Adekeye, 2014: 62]. Distressed communities share common phenomena of absence or decay of basic physical infrastructure and socio-economic institutions [Aworuwa, 2005: 331].

The previous efforts by the Federal government of Nigeria to address the crises in the region, consequent upon non-violent (conferences, debates, public hearing, international interventions) and violent (militancy, insurrection) agitations, have also become part of our national history. The level of success achieved in engaging the militants and warlords and the subsequent improvement in the security of lives and property has been applauded by many observers. The commitment of the national government at upgrading the infrastructures to enhance the livelihood of the inhabitants has not been unnoticed. The creation of the Ministry of Niger Delta, the establishment of the Niger Delta Development Commission and the Presidential Amnesty Programmes are some of the visible deliverables in the bid to develop the region and to make life better for its people.

However, the fundamentals for achieving and sustaining the collective well-being of the region were not adequately addressed by these strategies. These fundamentals provide the bedrock for the definition of “community economic development” as proposed by the American Economic Development Council (AEDC). The AEDC defines community economic development as “the process of creating wealth through the mobilization of human, financial capital, and natural resources to generate marketable goods and services” [quoted in Adekeye, 2014:62]. Achieving success in the direction of the above definition involves the existence of efficient institutional and physical infrastructures essential for executing the economic development programmes. Meanwhile, these infrastructures will be altogether ineffective in the absence of certain basic requirements which include a legal framework for the system and a strategic process of development in the oil producing communities. Hence, this process of development must incorporate a system of accessible quality education and training for the children and youths. The outcome of these is the empowerment of the people in real terms

On the contrary, the oil and gas industry in Nigeria has been hitherto excessively dominated by foreign operators and business interests thereby resulting in major development gaps as mentioned earlier. For a long time, Nigerians and indigenes of host communities were shut out of the abundant entrepreneurial and commercial opportunities for human and community development in the industry despite the previous indigenization drives. In many instances, indigenes of host communities lack the requisite skills, funds, technologies and attitude to maximize their participation in the oil and gas enterprises. Without definite institutional intervention in the form of providing enabling framework (legal and economic), it would be impossible for the indigenous populations and local enterprises to compete with the Multinational operators, contractors and other service providers considering the huge financial resources at their disposal.

The move towards changing the narrative in the oil and gas industry in Nigeria and the condition of the oil producing community began with the realization of the need to increase the local participation in the oil and gas industry. Moreso, the enactment of the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010 and the establishment of the Nigerian Content Development and Monitoring Board (NCDMB) by the same Act are major landmarks in repositioning Nigerian businesses for maximum and gainful participation in the nation's oil and gas industry. The NOGICD Act 2010 has six major thrusts:

- i. Integrate oil and gas producing communities into the oil and gas value chain.
- ii. Maximize participation of Nigerians in oil and gas activities.
- iii. Maximize utilization of Nigerian resources that is, manpower, goods, services and assets.
- iv. Attract investments to the Nigeria oil and gas sector (service providers, equipment suppliers and any other investment relevant to the oil and gas industry).
- v. Link oil and gas sector to other sectors of the economy.
- vi. Foster institutional collaboration. [NCDMB, 2017:3]

The Nigerian Content Development and Monitoring Board (NCDMB) are saddled with the responsibility of enforcing the implementation of these laudable objectives and developing capacity of local supply-chain for effective and efficient service delivery to the oil and gas industry without compromising standards [NCDMB, 2017:3]. These two mandates are very important in order to escape the pitfalls of earlier initiatives which include: lack of human capacity development template and absence of a monitoring authority to enforce compliance.

To this effect, a major breakthrough by the Nigerian Content Development and Monitoring Board (NCDMB) that makes it tower above earlier initiatives such as the NNOC and the NNPC is the formulation of the Community Content Guideline (CCG) which could be taken as a document that has addressed fundamental issues relating to the operations and projects by the major operators in the oil and gas industry and creating space for developing entrepreneurial capacity of the host communities. Specifically, the intentions of the Board as stated in the CCG are articulated as follow:

- i. Structured engagement of youths in host Communities in productive endeavors including employment, training, services, supplies, manufacturing and contracts.
- ii. Establish critical infrastructure to stimulate development in host Communities.
- iii. Attract new businesses to strategic locations in host Communities.
- iv. Sustain growth of host Community entrepreneurs through funding and policy support [NCDMB, 2017:3].

The outcomes of this monumental institutional intervention on the host communities include but not limited to:

- ✓ Increased economic flow.
- ✓ Attraction of new businesses to strategic locations in host communities.
- ✓ Growth of local entrepreneurship through policy support, investment and funding.
- ✓ Populations in host communities are adequately engaged in productive endeavours such as employment, training, services, supplies, contracts and manufacturing.
- ✓ Appreciable decline in militancy, vandalism and other forms of aggression.

- ✓ Improved security within the host community.
- ✓ Attraction of infrastructural development.
- ✓ Increase in federal, state and local revenues.

## CONCLUSION

In the present global economic order, it is incumbent on every nation to formulate and operate efficient mechanisms and institutions to balance the extreme tendencies of globalization and nationalism for the purpose of achieving sustainable economic development. It could be precarious for any economy to close up its borders against multinational business and market operators. It could as well be problematic to watch local and indigenous market and entrepreneurship collapsed while foreign business interests take total control of the economy. As discussed in this paper, the Nigerian situation has been the struggle to achieve this balance, especially in the industry that drives her economy – oil and gas industry.

The analysis in this work reveals that previous mechanisms to drive the nation's indigenization policy have been largely inefficient and generally unproductive. However, the effects of the Nigeria Oil and Gas Industry Content Development (NOGICD) Act 2010 and its impact on the indigenous businesses and communities within a decade of operation have been enormous. The Nigeria Oil and Gas Industry Content Development (NOGICD) Act has successfully engendered development in national context. It has stimulated local capacities towards enhanced productivity, encourages backward integration, and reduces capital flight thereby making significant contributions to overall Nigerian growth and sustainable development. The Community Content Guideline (CCG) has been worthwhile and impressive. There has been remarkable improvement in the security and stability within and around operations/project sites and their host Communities. The CCG provides ample opportunity and unique platform for community stakeholders to be gainfully engaged, contribute meaningfully in Oil and Gas activities within their proximate environment. The ripple effect of this is that oil communities are able to catch on the development implications. The implication of this is that while the NOGICD Act provides much needed framework for national development using local content as a fulcrum, the NCDMB's Community Content Guideline helps to deepen and foster development at the communities in which Oil and gas companies operates in Nigeria.

As we continually underscore the importance of local content as a means of fostering economic growth and sustainable national development, more political will from government and sustained commitment to enforce compliance by the NCDMB are required to lead the nation to realizing her indigenization objectives for sustainable development.

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