NEAR EAST UNIVERSITY
GRADUATE SCHOOL OF SOCIAL SCIENCES
INTERNATIONAL RELATIONS PROGRAM

CURSE OF CRUDE OIL – RESOURCE GOVERNANCE IN NIGERIA

ADEMOLU ADEYINKA ADENIYI

MASTER'S THESIS

NICOSIA
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THESIS SUPERVISOR
ASSIST. PROF. DR. EMINE EMINEL SÜLÜN

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ACCEPTANCE/APPROVAL

We as the jury members certify the 'Curse of Crude Oil – Resource Governance in Nigeria' prepared by Ademolu Adeyinka Adeniyi defended on 17/06/2019 has been found satisfactory for the award of degree of Masters

JURY MEMBERS

....

Assist. Prof. Dr. Emine Eminel Sülün
(Supervisor)
Near East University
Faculty of Economics and Administrative Sciences, International Relations Department

....

Assoc. Prof. Dr. Sait Akşit
(Head of Jury)
Near East University
Faculty of Economics and Administrative Sciences, Political Science Department

....

Assist. Prof Dr Behiye Çavuşoğlu
Near East University
Faculty of Economics and Administrative Sciences, Economics Department

....

Prof. Dr. Mustafa Sağsan
Graduate School of Social Sciences
Director

DECLARATION

I, Ademolu Adeyinka Adeniyi, hereby declare that this dissertation entitled ‘Curse of Crude Oil – Resource Governance in Nigeria’ has been prepared myself under the guidance and supervision of ‘Assist. Prof. Dr. Emine Eminel Sülün in partial fulfillment of the Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach and Law of Copy rights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

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DEDICATION

This work is dedicated to Almighty Allah and my late father Alhaji Adesina ‘Yinka Ademolu who taught me about being independent, selfless, dedicated and hardworking.

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ABSTRACT

CURSE OF CRUDE OIL – RESOURCE GOVERNANCE IN NIGERIA

Nigeria is endowed with great oil reserves, but the country is seemingly in poverty. A top oil producing country is struggling to fuel its own economy. Nigerian economy has made drastic changes since the discovery of crude oil however corruption, monopolization, marginalization, wastage and government transitions led to the incessant lack of growth. The Global Development Institutions reported that Nigeria overtakes India as the poverty capital of the world; the CRI Index was compiled together by Development Finance International (DFI) & Oxfam which placed Nigeria as the 157/157 in the world. The resource abundance in Nigeria seems to promise an economic development for the country however it is more coupled with bad economic policies, conflicts, poverty, and underdevelopment**.** It's an obvious economic theory that revenue derived from natural endowments would spawn economic progress and massive development, with much evidence reverse is the case as resource-rich countries dwindle in extreme poverty suffering from 'resource curse'. One of the mechanisms undermining development is the condition wherein politics assumes a superior role than economic factors thus the extent to which domestic institutions can manage these resources. This research aims to provide an understanding on the impact of the dependency and effect of oil wealth on the Nigerian development from a multi-disciplinary perspective by analyzing the shortcomings of domestic institutions and the involvement of international institutions in natural resource management in Nigeria. It mainly problematizes the lack of institutional capacity in domestic political institutions and discusses the extent to which international institutions can provide assistance.

Keywords: Nigeria, Resources Governance, Government, Corruption, Oil, International, Organizations and Dependency

ÖZ

Petrolün Laneti-Nijerya'da Doğal Kaynakların Yönetimi

Nijerya birçok doğal kaynağa sahiptir. Özellikle de petrol açısından oldukça zengin bir ülkedir. Yine de fakirlikten kurtulamadığı görülmektedir. Kaynaklardan elde edilen yüksek gelirlere rağmen kendi ekonomisini arzu edilen noktaya taşıyamadığı görülmektedir. Geçmişe nazaran petrolün çıkartılmaya başlandığı zamandan bu yana ekonomi anlamında bir takım olumlu değişimler gözlemlenmiş olsa da, yozlaşmış kurumlar, tekelcilik, marjinalleşme ve kötü yönetim ekonomik büyümenin önünde duran başlıca engeller olarak karşımıza çıkmaktadırlar. The Global Development Institution'a göre Nijerya dünyanın en fakirleri arasında Hindistan'ı geçmiştir. Development Finance International ile Oxfam tarafından hazırlanan CRI Index'e göre de Nijerya en fakir ülke konumundadır (157/157). Doğal kaynakların varlığı Nijerya'nın ekonomisi açısından umut vadediyor olsa da, kaynaklar daha ziyade kötü ekonomik politikalar, uyuşmazlık, fakirlik, ve geri kalmışlık ile bağdaştırılmaktadır. Yaygın ekonomik anlayışa göre doğal kaynakların ekonomik büyüme sağlaması beklenmektedir. Ne var ki empirik çalışmalar göstermektedir ki doğal kaynaklar açısından zengin ülkelerin çoğu beklenenin aksine fakirlik ve geri kalmışlıkla mücadele eder durumdadırlar. Ekonomik gelişmenin önündeki en önemli engellerden bir tanesi ekonomik parametreler yerine politikanın doğal kaynakların geliştirilmesine yön verme durumudur. Bu anlamda yerel kurumların kendilerinden beklenen rolü yerine getiremedikleri görülmektedir. Bu çalışmanın esas amacı petrole bağımlı bir zenginliğin Nijerya ekonomisini nasıl etkilediğini anlamaktır. Multi-disipliner bir bakış açısı ile konuya yaklaşan çalışma yerel kurumların eksikliklerini ele almakta, aynı zamanda da uluslararası kurumların konuya ilişkin oynayabilecekleri rolleri ortaya koymaktadır. Çalışmanın ana problematiği Nijerya'da yer alan kurumların eksiklikleri neticesinde doğal kaynakların

yönetimi alanında yaşanan sıkıntılardır. Uluslararası kurumların bu anlamda ortaya koyabilecekleri yardım ele alınmaktadır.

Anahtar sözcükler: Nijerya, Doğal Kaynakların Yönetimi, Hükümetler, Yozlaşma, Petrol, Uluslararası Organizasyonlar, Bağımlılık

TABLE OF CONTENTS

CHAPTER 1

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

CHAPTER 2

RESOURCE GOVERNANCE IN NIGERIA……………………………27

CHAPTER 3

INTERNATIONAL AND REGIONAL ORGANIZATION ON RESOURCE GOVERNANCE

LIST OF IMAGES

LIST OF TABLES

ABBREVATIONS

AfDB	African Development Bank
BTI	Bertelsmann Transformation Index
CBN	Central Bank of Nigeria
ECA	Excess Crude Account
EFCC	Economic and Financial Crimes Commission
EIA	Environmental impact assessment
EITI	Extractive Industries Transparency Initiative
FCT	Federal Capital Territory
FEPA	Federal Environmental Protection Agency (Nigeria)
FMOH	Federal Ministry of Health
GEF	Global Environment Fund
GHG	Greenhouse Gas
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICC	International Criminal Court
IDA	International Development Association
IIAG	Ibrahim Index of African Governance
IMF	International Monetary Fund
IOC	International Oil Companies
KPMG	Klynveld Peat Marwick Goerdeler
LEA	Lagos Energy Academy
LEA	Lagos Energy Academy
MOH	Ministry of Health
N	Naira
NAMA	National Appropriate Mitigation Action
NDPC	Nigerian National Development Company
NEITI	Nigerian Extractive Industries Transparency Initiative
NERC	Nigeria Electricity Commission
NESREA	National Environmental Standards and Regulations Enforcement Agency

NLNG	Nigeria Liquefied Natural Gas Company
NNPC	Nigerian National Petroleum Corporation
NPDC	Nigerian Petroleum Development Company
NRC	Natural Resource Charter
NRCMF	Natural Resource Charter Benchmarking Framework
NRGI	Natural Resource Governance Institute
NSWG	National Stakeholder Working Group
OECD	Organisation for Economic Co-operation and Development
OEL	Oil Exploration License
OLS	Ordinary Least Squares
OML	Oil Mining Lease
OPEC	Organization of Petroleum Exporting Countries
PSC	Production Sharing Contract
REA	Rural Electrification Agency
RWI	Revenue Watch Institute
SAM	Severe and Acute Malnutrition
SDG	Sustainable Development Goals
SERAP	The Socio-economic Rights and Accountability Project
SHELL-BP	Shell British Petroleum
SOE	States Owned Enterprise
SSI	Safe Schools Initiative
TI	Transparency International
UN	United Nations
UNDP	United Nations Development Programme
USD	United States Dollar

INTRODUCTION

Background of the Study

Before the oil boom in 1970, agriculture assumed a critical role in the development of the country's economy, contributing not only to the economic growth but also the GDP of the country. Exports of primary products and varieties of cash crops were heavily relied on for its revenues and exports earnings. As at that time, agricultural exports were contributing over 60% to the GDP while oil was contributing less than 10%. The Nigerian economy was practically agricultural based and this was contributing enormously to the budget funding as well as the real GDP which was even ahead of countries like Thailand and Egypt among others (Sa'ad & Yau, 2016).

Subsequently, the oil boom of 1970 made a turnaround to the economic activities of Nigeria and politics. Since then oil assumes a major role in economic decisions. As the oil boom became much celebrated in Nigeria, crude oil turned into the prevailing assets in the mid-1970s as oil exploration represented about 65% of total production. Agriculture was replaced as the base of the economy and crude oil was widely embraced.

The consistent and continuous decline in focusing on the agricultural sector in Nigeria became severe leading to a major decline in agricultural exports declining by 64% from 42% of total exports in 1970. The agricultural sector had a loss of competitiveness which has been accelerated by an 80% decline in the price of agricultural goods compared to the oil exports from 1970 to 1980 (Nyatepe-Coo 1994).

As indicated by the Federal Bureau of Statistics in the Statistical Bulletin (1997:60), the agricultural based economy witnessed a core economic change in the GDP, agriculture which was a mainstay of the economy GDP dropped from 40% in the 1970s to 20% in the 1980's and in the 1990s which was an all-time low of 16%. Oil boom of the 1970s distracted Nigeria from the buoyant agricultural and manufacturing sectors to an overall dependence on crude oil.

The fortuitous richness generated during the 1970s oil boom coupled with diversion from agriculture to oil led to wasteful expenditures, distortion of revenue and higher increase in search for diminishing white collar jobs resulting in unemployment in Nigeria. Aminu et al. (2013) showed that despite Nigeria's plentiful human and natural resources, the economy has remained largely underdeveloped and stagnant, as a result of this the country is still confronting economic crisis like; low per capita income, high unemployment rates, continuous inflation, unpaid debts, payment deficits, socio-economic challenges. Gbaiye also reports that the oil sector became the cornerstone of the Nigerian economy with its high return on foreign exchange and decline began in the agricultural sector (Gbaiye, 2013). Oil and Gas exports in 2000 generated 98% of export earnings and accounted for 83% of the government revenue (Oladipo and Fabayo, 2012). Over time, agriculture has been totally over looked to the extent that Nigeria started importing previously exported agricultural products Oil companies and the government, on the other hand, also served to desolate, disrupt and disorientate millions of people living in oil production regions.

Next page illustrates the incessant decline in Agriculture.

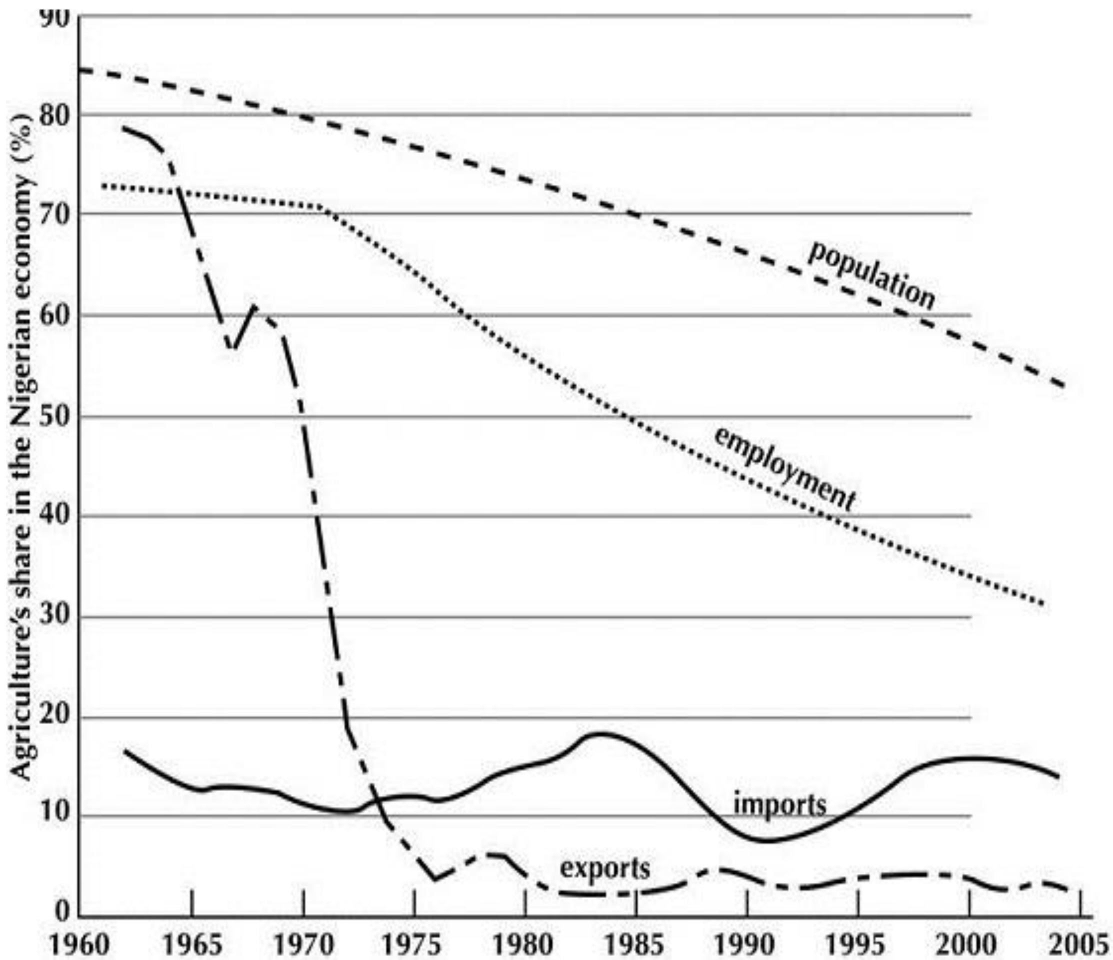

Image 1 - Decline in the economic share of the Nigerian Economy

Source: (Walkenhorst, 2007).

Besides, economic and social, it is also possible to talk about negative environmental effects of oil drilling in Nigeria. Nigeria flares at least 76% of the total natural gas derived from petroleum production. At temperatures of 1.300 to 1.400 degrees centigrade, the large number of flares in the Niger Delta heat up everything causing clamor contamination and creating SO2, Voe, Carbon dioxide and Nox. Ake (1996) contend that the flare emitted 35 million tons of carbon dioxide and 12 million tons of methane released annually, making Nigeria oil fields one of the major contributor to global warming than the rest of the world. The level of oil spillage and aimless transfer of oil industry waste and cuttings of the oil industry are a major cause of environment pollution.

The World Bank appraises that oil companies spill more than 2300m3 of oil annually in 300 major accidents in Rivers and Delta states. Shell said that between 1989 and 1994 they spilled an average of 7,350 barrel of oil annually and that a sum of 221 spills was caused by their operation. The incidence of oil spillage tends to be understated and the frequency of oil spillage could be ten times greater (Grevy, 1995).

Crude oil is perceived to create a major development in its entirety and stimulates economic growth due to its demand and high foreign exchange return. Nigeria is fortunate enough to have the resources, but recent study in the field has clarified otherwise that deprived oil economies are growing relatively quicker than oil dominated economies. Empirically, it has been established that economies with abundance of oil dispose the general perception of socio-economic weakness, high level of corruption, violence, high-level poverty, low rates, and uneven distribution of income (Gungor & Nyako, 2017). Significant oil producers in recent decades like Algeria, Angola, Iran, Saudi-Arabia and Venezuela have had a major decline in their per-capita income over the years. In Nigeria over 70% of the populations live on less than one USD daily, while the country has earned well over $600 billion in oil revenues since the 1970s.

Similar to these, the oil discovery in Nigeria and its full exploration resulted in a decline in economic activities in the non-oil economic sector especially in the agricultural and manufacturing industries. Ever since then there has been an increase in corruption, poverty, the collapse of infrastructure, agitations and regional conflicts. Transparency International (TI) and Corruption Perception Index (CPI) listed Nigeria as the 136th least corrupt nation out of a 175 compiled list nations (CPI, 2015). Transparency International stated that the former President of Nigeria Sani Abacha is reported to have embezzled well over $1.1 Billion with the aid of 60 security votes and left the Nigerian Military unequipped and under resourced during his tenure (Transparency International).

Femi Falana notably said that "The Nigerian government turned Nigeria into a mockery during the government take over which elected group of ex-convicts, substance addicts and corrupt incompetent people. Despite the restructuring of EFCC (Economic and Financial Crimes Commission), out of 179 nations the Transparency International ranked Nigeria into 148th place" (Femi Falana, 2010). Nigeria is still run by military men and the legacy still lingers. Reports suggested that there is a major tussle between consolidating democratic mechanism with improving rule of law and reducing corruption in turn creating a boost in governance (IRI, 2007). The resultant effect is that majority of Nigerians are increasingly experiencing a decline in their standard of living and increased abject poverty situation despite increasing oil export earnings. The over-dependence on oil has made Nigeria a consumption-based economy which transforms the country into a net importer nation and a mono-cultural economy (Titus & Hansi, 2013). The mono-cultural economy as vied by Titus and Hansi (2013) is clearly motivated by the neglect for other economic sector of the country. In the case of Nigeria who adopted the mono-cultural concept, "Oil discovery, in 1956 and its subsequent extraction, since 1958 in the past 50 years, has made Nigeria's economy essentially petroleum-based from an agricultural economy (Idemudia, 2012).

The basic infrastructures seem to be in disarray over the past 50 years of oil exploration and exploitation in Nigeria. Power supply is epileptic, and poverty has become the order of the day. Bad road networks, high rate of unemployment due to low investment, lack of infrastructure, hostile business environment as well as gas flaring can be seen as the negative consequences of oil revenue based in that sense.

There are also opposite examples in which high resource revenues are used for well-planned economic development. Norway is one of them. During the first phase of oil extraction, the Norwegians used the revenues to pay off their public debt. However, as oil extraction increased and Norway shifted from their debtor to a credit position, increased pressure was put on their currency. In 1990 the Norwegian government established the Norwegian Petroleum Fund. This was established in 1990 in a view to invest the surplus revenues from oil produce and subsequently over the years has over USD$1 trillion in assets including 1.3% global stocks and shares. In order to invest surplus revenues from the petroleum products, it was established in 1990 and, over the years, has more than USD 1 trillion in assets with global shares and stocks in the tune of 1.3%. This approach was mandated to forecast the possibility of oil running out and saving for the future Norwegian generations. With the proper use of the discovery of oil through exploration and exploitation, Norway has become the country with the highest quality of life, whereas in the early 1990s it was a regarded as one of the poorest in Europe (UNDP, 2009).

Turning back to Nigeria, oil imports from Nigeria to major economies like the United States have declined steadily due to the volatility in oil prices, the discovery of oil elsewhere in the world and instability in the global economy. Moreover, oil exporting states are now trying and investing hard to utilize other sources of energy from wastes and plants which mean many countries now use bio gas which is a renewable energy source. This means the demand for oil will reduce drastically in the nearest future. The purpose of this study which mainly addresses resource curse phenomenon in Nigeria is to study the nexus of corrupted institutions and oil dependency in Nigeria. There are various ways in which one can address resource curse and for sure one of them is looking at the actors who can be helpful in coping with the problem. In this vein, international organizations appear as one of the actors who can be regarded as instrumental. There are number of international efforts put into place with the aim of rectifying the resource curse in Nigeria. Their efforts have become largely visible through their focus on the lack of institutional capacity of the country i.e. domestic institutions, incidents of widespread government corruption and lack of transparency. One can argue that international institution are pivotal in constraining the options and altering the attitude of relevant key actors in the private and public sectors involved in natural resources exploitation. They can also place several restrictions on public office holders to play multiple roles, and they can disseminate vital facts and stats to the public and eradicate the ideology of self-serving office seekers and holders. They can mainly address problems related to domestic institutions. It is important to underline that domestic institutions are fundamental to economic growth and they are important mechanism in the study of resource curse too. In addition, institutional differences across countries are the major differences across countries and can explain the differences in human capital, physical capital and technological advancement between different countries, this leads to the driving force of economic development (Acegmolu & Robinson, 2008). Domestic institutions are an important mechanism in the study of resource curse theory and their role can determine the outcome of growth and development in the country, we would take into account the statement uttered by Torkiv: Strong institutions are associated with developed nations while less developed countries have weaker domestic institutions (Torvik, 2009). NNPC Revenue sharing is divided into 12 subsidiaries managed by a weak, wasteful, corrupt and bureaucratic system of government (Khan, 1994). The connection between institutions and resource curse can be addressed with the role of domestic institutions. Explaining the impact of institutions can be fundamental as argued; Institutions are very fundamental to the economic growth and consequently, the difference between countries economic development. The crucial role of institutions in countries with an abundance of natural resources is emphasized in recent research on resource curse. If there are strong political institutions, resource endowed nations will not be affected by the curse (Mehlum et al, 2006).

Statement of Research Problem

Nigeria has major problems including great decline in terms of trade, Dutch Disease, bad government policies, high level of corruption and the rentier mentality. These combinations enhance the continuous reign of the resource curse in Nigeria. Nigeria suffers from weak domestic institutions, incidents of widespread corruption, lack of transparency flooding every arms and sector of the government. There is a need to understand the ways to address these weaknesses (Gbadebo, 2007). Over the years different suggestions has arisen from stabilizing oil revenue, reforming the political system, policies on investment and diversification, these are all viable solutions and the lack of institutional role has deterred the change. This thesis would focus solely on resource curse and the role of international institution being a regulatory tool to enhance capacities of domestic institutions in Nigeria.

Research Questions

My theoretical conceptual background guided me in generating my research questions. Below is the formulated research question:

Are international institutions instrumental in addressing problems related to high revenue resource governance in Nigeria?

Objectives of the Study

It is important to understand that everyone in Nigeria is faced with similar challenges such as unemployment, poverty, insecurity, and poor social infrastructure. Indeed the country is endowed with massive natural resources and crude oil is one of them. There is an urgent need to study the system of government that has over the years continued to fail its people due to massive irregularities in government policies. Notably an average Nigerian as at the time this research was completed still lives on less than $1 a day. This thesis would broaden the mind of every reader regardless of political view, further dive the mindset of every reader into knowing the existing level of institutional failure and ways of addressing these. So this thesis would aim at:

i. Showing the extent to which resource curse has eaten deeply into the economic growth of Nigeria and the implications attached to it.
ii. The damaging effect of the lack of resource governance and transparency in government dealings.
iii. To show the extent to which International organization has influenced and can further curb the resource curse problem of the nation.

Significance of the Study

The bounty of unrefined petroleum assets in Nigeria have not converted into important development and advancement, unlike different nations that have been utilizing their oil revenues for the erection of world-class infrastructure like Norway, Kuwait and Saudi Arabia . The reverse is the case for Nigeria as the multiplicity of oil resources impend the well-being of the people. 63% of the country was classified as poor in 2010 (World Bank reports, 2010).

Besides, macroeconomic indicators like the balance of payments, inflation rate, exchange rate, import obligations, and national savings reveal that Nigeria has not fared well in the last three decades (Okoro, 2013). Nigeria is still tagged as one of the most poverty ensnared economy in the world with poor human welfare status and also in infant mortality rate and produces largest number of illiterate, despite policies put in place to curb this menace.

Findings from this study can also be useful in modifying policy in order to create a positive welfare effect and a transformation of the Nigerian economy by understanding the influence of multiple actors such as international organizations in related policy-making fields. In this vein, by examining the major effect of oil dependency on economic growth in Nigeria this research will add to towards the existing body of knowledge and ways of overcoming this problem. More so, this research work will be useful for undertaking some appropriate policies that are believed to ensure diversification and revitalization of the economy. It will mainly contribute to the understanding of the management of natural resources and the international organizations engagement and role in this specific policy field.

Research Methodology

This study adopts a qualitative case study research method. The rationale for the adoption of this methodology is due to the fact that it gives us a thorough knowledge of the phenomenon. It helps to understand how social structures, social order and all sorts of social forces affect everyday life. The researcher believes that qualitative research methodology is appropriate for this study because it will unravel the myth surrounding resource curse concept while giving a comprehensive explanation on why countries massively blessed with oil and mineral resources are still struggling to develop compared to those without natural resources wealth.

Related public documents were reviewed as the main form of data. In terms of analysis, inductive data analysis is used in which patterns categories, and theme were built from the bottom up (Cresswell, 2009 p.175). The collected data was organized into more abstract units of information in due course with the endeavor of developing more holistic picture of the issue under study. Analyzing public documents helped uncovering multiple perspectives, and identifying those specific factors involved in a situation. After all, drawing the larger picture that emerges out of certain themes is the main endeavor of this study. Public documents that are used were purposefully selected with the aim of understanding the problem and the research question. A generic form of analysis is used where the data is analyzed for generating themes and perspectives (Cresswell, 2009 p. 184).

Below is the picture stating the inductive logical research method in the thesis from information gathering to existing literature on resource governance.

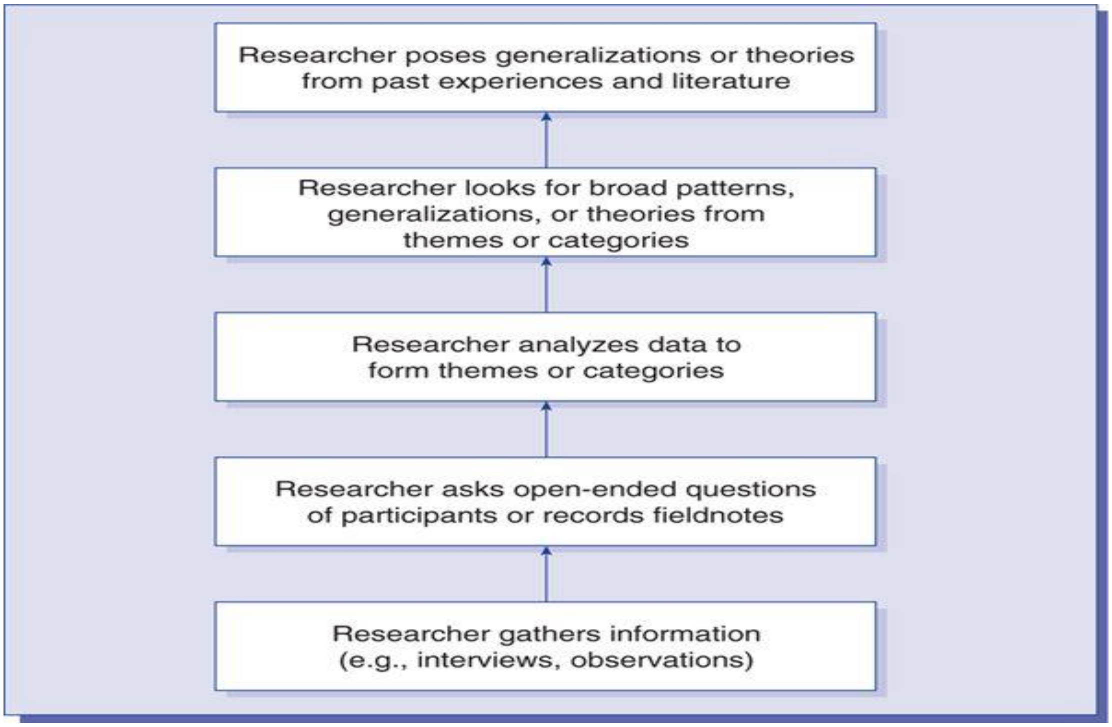

Image 2 - Inductive Logic of Research in Qualitative Research Method *(Cresswell 2009, pg. 63)*

Data Presentation/Analysis

FINDINGS 1 - Information gathering and dissemination to the general public and state actors.

FINDINGS II - Setting acceptable international standards.

FINDINGS III - Encouraging collaborations via meetings.

FINDINGS IV - Engage in activities of technical cooperation.

These findings explains the process and mechanism of the four international organization involvement in Resource Governance mentioned in this research and they include; Extractive Industries Transparency Initiative (EITI), The Natural Resource Governance Institute (NRGI), The World Bank and The United Nations Development Programme (UNDP).

DATA ANALYSIS

INSTITUTIONS	WHAT THEY DO	CONTRIBUTIONS
I. Extractive Industries Transparency Initiative (EITI) - The Nigerian Extractive Industries Initiative (NEITI)	- **Setting acceptable international standards**. *It mandates all member states to adopt the standards to produce reports regarding the extractive sector from the value chain to the extraction level, revenue management and allocation and finally the impact of the extractive industry to economic growth.*	Improving the extractive sector management in many nations globally. While ensuring proceeds generated by resource-rich countries are benefitted by all stakeholders. Recently the President launched significant reforms as suggested in the EITI reports.
II. The Natural Resource Governance Institute (NRGI)	- **Encouraging collaborations via meetings** *promoting CSO, state institutions, private industries & media with technical guidance, advocacy, applied study, strategic analysis & capacity-building on resource management.*	- Creating domestic resource management principles - Appropriate economic choices for economic growth - International foundations for resource governance
III. The World Bank	- **Information gathering and dissemination to the general public and state actors.** - ***Engage in activities of technical cooperation.*** - ***Setting acceptable international standards.***	- Advocates for greater transparency and accountability in oil revenue management also providing technical and financial assistance to help with reforms and implementation mechanism.
IV. The United Nations Development Programme (UNDP)	- ***Engage in activities of technical cooperation.*** Promote human and institutional capacities and structural changes in the socioeconomic reality of the country.	- Implementing development measures to achieve medium-to long-term goals. These include the 2017-2020 Plan for economic recovery and growth: the Vision 2020 and the 2030 Sustainable Development Goals (SDGs), **The Biodiversity Project, NAMA Projects etc.**

Table 1 - Data Analysis, **Source:** Researcher Analysis from various sources, 2019.

Structure of the Thesis

This thesis consists of the table of contents, introductory section, five chapters; the table of contents consist; acceptance/approval, declaration, dedication, acknowledgements, abstracts, ÖZ, table of contents page, list of images, list of tables and the abbreviation/meaning.

The introductory section has five chapters; the introductory section gave a general background of the study and subject matter, explaining the statement of the research problem, research questions was formulated, objectives of the study, significance of the study, research methodology, data presentation/analysis and the structure of the thesis.

Chapter one explains the related study and review on Resource curse theory followed by the theoretical framework consisting of Dutch Disease, Rent Seeking, Effects of Volatility, International Institution Role in Policy Making.

The second chapter focuses on resource governance using the NRGI Index to access the resource curse theory and ways of dealing with resource governance with mechanisms like Value Realization, The Revenue Management and Enabling Environment also the researcher compared a similar case of Angola with Nigeria to understand the phenomenon of the effect of resource curse and lack of resource governance mechanism.

The third chapter discusses the international, Regional Organization on Resource Governance. Using the related index and study of Extractive Industries Transparency Initiative (EITI), The Natural Resource Governance Institute (NRGI), further discussing Institutions from International and Regional institutions inclusive of their roles on economic development in Nigeria, these institutions discussed are as follows; The World Bank, The United Nations Development Programme (UNDP), Natural Resource Governance Institute (NRGI), The World Bank Involvement and The United Nations Development Programme (UNDP) Involvement. It further discusses the extent to which related international organizations are involved in Resource Development in Nigeria and discussed the involvement of the following International Organizations: The Nigerian Extractive Industries Transparency Initiative (NEITI), Natural Resource Governance Institute (NRGI), The World Bank Involvement and The UNDP Involvement ranging from their existing programs in restoring resource governance with projects like The Biodiversity Project - Niger Delta Biodiversity Project, De-Risking Renewable Energy Nationally Appropriate Mitigation Actions (NAMA) for the Nigerian Power Sector Status and finally the International Organization involvement is important as we can see the various mechanism in place but we also have to discuss the limitations and finally the consistent Indiscipline and Endemic Corruption in Nigeria which is one of the major limitations of the International Organization

The fourth chapter further discussed the Role International Organizations can play in resource Governance in Nigeria from Transparency, Investment on Human Development, Improving the Institutional Framework and Governance, Diversification and Industrialization Imperatives and also the International Criminal Court (ICC) Involvement.

Chapter five which is the last chapter gives a summary and recommendations to remove the resource cause plague and putting in place an economic development measure to improve the country forward and also emphasize on the involvement of International Institutions.

CHAPTER 1

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

1.1 Literature Review

Generously endowed with both human and natural resources which have been confirmed to be in commercial quantity, Nigeria has the capacity of significantly impacting its earning capacity. The availability and multiplicity of natural resources have been believed to make progressive contributions to the nation's earning capacity. As early as 1908, oil exploration had begun in Nigeria by some multinational companies and officially in 1958 it started commercially and became major foreign exchange revenue. However, the effect of this foreign exchange revenue from the exploration of oil on national income as that then was not as significant as that of agriculture. Agriculture previously provided the large percentage of the labor force, the huge cultivation and exportation of cash crops which made a tremendous contribution to government income and budgetary revenues.

As far as food is concerned, before the era of crude oil the nation was autonomous. Agriculture supplied Nigerians with 95% of the food needed, also contributed 64.1% of the Gross Domestic Product (GDP) employing well over 70% of the entire population before the inception of oil and gas (Oluwasanmi, 1960 23:24).

As a result of this meager contribution, less value was placed on oil exploration activities in the early sixties not until oil became apparent in the early 1970s the oil exploration impact became more economical during the oil boom. The quantity doubled the following year by 1972 from the initial quantity, which was 5,100 barrels per day of production capacity from the Oloibiri field reached 2.0 million barrel per day and getting to a peak by 1979 to 2.4 million barrel per day, hereby making Nigeria the sixth largest world major oil producer (Ijeh, 2010).

Several works of literature were published on the mystery of the natural resource curse. They mainly describe a tendency for an oil or resource dependent nation like Nigeria which not only failed to utilize its resources for domestic development, but in many cases suffers from them.

The dependence on crude oil turned into a curse not only on economic growth but also on the risks of violent conflicts, agitation, widespread inequality, less democracy, environmental debasement, low level of standard of living and more corruption. Three deterministic channels have been identified in economic literature from the abundance of natural resources to lower economic growth.

Firstly, the voracity effect, it was realized that natural resources create rents leading to rapid rent-seeking that has had adverse effects on political economy which increases corruption that adversely impact long term growth (Mauro, 1995 Leite, and Weidmann, 1999, Tornell and Lane, 1999). Secondly, countries with plenitude of resources such as crude oil are exposed to volatility, especially in global oil prices that could affect growth in general and thirdly is that ownership of natural resources makes countries vulnerable to Dutch disease, which tends to excessively appreciate real exchange rates in response to positive price shocks. (Isham et al., 2003). Natural resource exports generate substantial foreign capital inflows that, in turn, cause domestic currency to appreciate causing a decline in domestic competitiveness.

The harmful effects are even greater if resources are focused mainly on consumption rather than investment (Burnside and Dollar, 2000; Sachs, 2007). The adverse effects of the ‘Dutch Disease’ in relations to resource curse have been investigated and a report of 135 countries included. It argues that countries which are rich in resources without strong institutions, experience a decrease of 35-70 % in non-resource exports as well as an increase of up to 35% of non-resource imports (Ploeg, 2011, p. 377).

The Dutch disease theory postulates that natural resource abundance leads to a decline in the production and export of the manufacturing sector which possibly leads to deindustrialization and lower economic growth. This is because natural resource exports generate significant inflow of foreign capital, resulting in the national currency appreciation and a decrease in domestic competitiveness. If resources are mainly used for consumption rather than investment, the harmful consequences are even greater (Burnside and Dolla, 2000; Sach, 2007).

The Nigeria’s measure of relative poverty for Nigerians living in poverty in 2004 was 54.4%, but grew to 69% (or 112,518,507 Nigerians) in 2010, while in 2004, the measure of absolute poverty for Nigerians living in poverty stood at 54.7% but rose to 60.9% (Yemi, 2012). The Nigerian economy faces substantial challenges, according to the 2016 report from the International Monetary Fund (IMF). Although the oil industry accounts for only around 10% of GDP, it still plays an important role in the economy, accounting for 70% of the budget of the Nigerian Government (economist.com 2016).

Lower oil prices have had a negative effect on government revenues, as while as lowering its share of the GDP to just 7.8 % and doubling the government general deficit in 2015 at approximately 3.7% of Gross Domestic Product (GPD) (IMF.org 2016).

The majority of research attempting to empirically disprove the resource curse hypothesis gave instances of resource-based countries that scaled through the resource curse. One example is Norway's efforts to exploit oil discovery properly; in the early 1990s Norway became a world leader in the highest quality of life from being one of the poorest countries in Europe (UNDP, 2009).

Based on the fact that previous studies have not taken into account such divergent experiences of growth, such as those in Norway, despite the similar type of resource and abundance of oil reserve. (Mehlum et al., 2006; Arezki and van der Ploeg, 2007).

Those studies who address such differences in resource governance argued that ''institutional quality'' is the main principal way to influence economic growth with an abundance of natural resources. In particular, economies with abundant natural resources are capable of escaping the curse of resources provided that they have functioning domestic institutions. The conclusion of these studies is therefore that it is necessary to understand in what circumstances the natural resource curse holds or does not hold and most importantly that "the stylized fact that abundance of natural resources is poor for growth" (Lederman and Maloney, 2007, p. 33).

In response to researchers who empirically refute the hypothesis of resource curse, resource curse proponents maintained that the methods of estimation used by resource curse refuters in the typical empirical analysis are deficient in several directions.

A good example is a study of Lederman and Maloney (2007) which permitted endogeneities between explanatory variables through the use of a system estimator called GGM (Generalized method of Moments) to try and add more precise estimates and found no resource curse evidence (Sachs and Warner 1995; 1997). It was also confirmed, following a fixed-effect panel estimation technique, that the results of Sachs and Warner were not robust (Manzano and Rigobon, 2001, 2007)

The results may be expected to differ because estimates of the cross-country Ordinary Least Squares (OLS), which are predominant in the empirical growth model, takes no account of endogeneity, heterogeneity or variables, but are capable of reducing the number of problems (Hoeffler, 2001). The theory of the Dutch disease posit specializing in resource production and the appreciation of the exchange rate will lead to a fall in production, which is more growth-friendly through rising returns and positive external production (Matsuyama, 1992). All existing literature are beneficial to the study as it focus on different factors from Dutch disease theory, centralization of resources, dependency theory, crude oil based economy, institutional policies, lack of domestic competitiveness, institutional quality and domestic institution failure.

This thesis tends to collate all existing literature review and add to the literature through clamoring for my declaration on importance on Domestic and International Institutions also the non-reliance on crude oil dependency, also economic diversification from a crude oil-based economy to a diversified economic system.

1.2 Theoretical Framework/Resource Curse

Theory enables us to make the most of existing information and turning raw information into understanding and clear-cut explanation (Pfohl, 1985). An empirical finding is invalid without a theory to validate the existing information (Harrison, 2001). This is one of the most important aspects of a thesis and it gives information, explanation and aid ones understanding on the existing subject either by holding firmly a theory or challenging it.

Having the resource curse theory as a theoretical lens/background would provide necessary thinking tools for understanding the combination of institutional failure and continuous degradation of the Nigerian economy over the years linked to resource governance.

The natural resource curse is an ongoing theme in the political, economic, international relations literature and policy making discourse. In resource curse literature, the theory covers several approaches and the first is the Dutch Disease, second theory is the rent-seeking and the third theory is the model of rentier states and the last approach is the effects of volatility which is the fluctuation in oil prices. The rest of the chapter moves on to introduce these approaches very briefly. Then a conceptual link is made with the international institutions and programmes which are taken as important actors involved in resource governance on various levels.

1.2.1 The Dutch Disease

The increasing resource-based revenues like oil generates the ability to import tradables goods but this at the same time generates a higher demand for all non-tradable goods or products, which cannot be imported but manufactured locally. This diverts the base of the economy to focus towards moving resources out of the non-resource tradable sector called manufacturing in an attempt to develop non-tradable production, such as construction and services. The oil boom leads to a decrease in manufacturing. The mechanism to perform the job is a real appreciation (Corden, 1982, Corden and Neary, 1984).

The concept is referred to as the potential negative effects of natural resources windfall and exchange rate appreciation can have effects on the economy. The danger accustomed with oil boom can render other non-tradeable sectors like agriculture and manufacturing less competitive leading into deindustrialization. In this case, the Dutch disease explains the relationship between natural resources exploitation and the deterioration of other economic sectors (Corden and Neary, 1982). This model therefore creates an avenue for non-traded sectors (services sector e.g. financial services transport etc.), and the second traded goods sector (booming and non-booming sectors). The booming sector is the natural resources (mining, oil and gas etc.), whereas the non-booming sector is the manufacturing and agricultural sectors.

Therefore, the Dutch disease theory refers to the position whereby a boom in the export sector leads to deviation of production towards the booming sector while increasing the non-tradable goods and services. This in turn hurts the remaining tradable good sector (Bature, 2003).

This illustrates how one sector can deteriorate other economic sectors. Former President Olusegun Obasanjo explained;

> "Using Indonesia as an example of leveraging the oil revenue to finance it agricultural development, the effort invested by Malaysia in the 1960s with importing palm oil seedlings from Nigeria in an effort to boost it Palm oil industry, and Nigeria today become one of the major importer of Palm oil from Malaysia" (Obasanjo, 1992).

The traditional goods which includes cotton, palm produce, textiles, coal, rubber, timber and several manufactured goods and non-tradable goods being crowded out result into the country becoming a finished goods importer. Nigeria's oil dependency danger has been manifesting over the years glaringly as the single sector based economy produces less than 1 million barrels of petroleum a day sold for about $ 30 barrels against an earlier 2.5 million barrels a day in 1979 and at a tagged price of $ 40 per barrel (FGN, 1983). Dutch disease due to its focus on one economic sector brings us to the rentier state as a result of the dependence of oil revenues.

1.2.2 Rent Seeking

Oil rentier states solely depend on oil revenues and oil prices whereas the Dutch disease distort the economy leading to debt, overspending, lack of transparency and fiscal crises as a result of consistent volatility in the international oil market. As a result of other crippled economy, the dependence is based solely on the fluctuating oil prices. This resource curse theory focuses on how rentier states relieve unstable income generated from the oil revenues, with an economy generally dependent on international market process and lack of back up for its economy. Due to this income flow the rentier states subsidies social services, education, health care neglecting taxation of the administration and it citizen. Economic sanctions on a rentier state can easily cripple the economy.

The rentier character of Nigeria state is expressed in its dependence on petroleum produce as the main earning for the country and formulation of policies that are influenced and determined by the dynamics in the oil sector in negligence to the development of other productive sectors. Oil production started in 1958 after Shell-BP discovered oil in commercial quantities in 1958 at Oloibiri in 1956. The continued exploration of massive oil resources in the Niger Delta area of Nigeria resulted in the abandonment of agriculture and other sectors which was a major revenue generator in the country and major source of economic development, also the inefficiency of the state to transfer resources to transform the agricultural sector.

Thus, the oil industry remains the largest sector in terms of government revenue generation. Meanwhile, the downstream, upstream and service sectors are the three divisions of the oil industry. Characterized mainly by transmission/conveyance, refining, distribution and marketing is the upstream sector, while the oil service sector deals with various support services such as drilling, construction, maintenance etc. provided for smooth oil exploration. The upstream sector stands out as the most important sector due to the high earning generated by the government which is 80% in revenue; it is also the sector that accounts for 90% export of the country (KPMG Nigeria, 2014). Collection of rent over the years has been filled with non-transparency and high level of corruption among public office holder. Rent-seeking dissipate economic development is facilitated by corruption (Nwabuzor, 2006). The Nigerian oil politics has created new dimensions of corruption. Quite expected, this had an adverse negative effect on the nation's development. The class struggle due to oil wealth created several state actors. Emerging mindset of a clientelistic class was set to hoard wealth at the detriment of the state. National interest seemed to lack any strong will by several actors, this largely links the resource curse debate with corruption which Nigeria suffers (Shaxson, 2007).

Corruption fuels the rent collection which leads to lack of development and continued focus on oil revenues neglecting all major sectors of the economy. The award of illegal oil rigs, oil contracts, licenses and the needless impediment in the petroleum industry filled with corrupt practices creates a decaying process of crude oil sales and import results in the lack of transparency in accounting oil revenue sales in Nigeria (Gillies, 2009). It is seen that Nigeria's oil politics resulted in decaying the country's infrastructure. Combining politics and oil resulted in the mentality of "smash and grab" adopted by the political elites (Henley et al, 2012). The Dutch disease coupled with rent collection leads to massive corruption which are two of the three major theories of resource curse and they bring us to the final theory of volatility.

1.2.3 Effects of Volatility

The study of the impact of volatile oil prices is the third approach of resource curse theory. The volatile oil prices are a major significance in the macroeconomic actions of developed economy, it has however been established that oil prices are volatile (Ferderer, 1996; Guo & Kliesen, 2005). The constant fluctuation in the oil market is a frequent financial and budgetary problem since the economy and budget is mostly dependent on the revenue generated from crude oil. The neglect of other viable economic sector has led to the waiting game of world oil price. The International institution can indeed play a major role in formulating policies applicable to the domestic institution as a way of reducing dependency and improving the economy of the country while disseminating information and implementation of programs viable to help reduce Resource curse.

1.2.4 International Institution Role in Policy Making

The role that international institutions can play and instruments that the can utilize in policy implementations at the domestic levels are diverse and multiple. International organization can play a direct or indirect role in it commitment on national policies; they can serve as an assistant to states in implementing process while offering guidance and advice e.g. being in charge of a transitional government.

Environmental studies have emphasized the role of expertise in terms of the instrument available to international organization to implement policies (Haas, 1992). International institutions have massive amount of time to carry out investigations, reports and have great amount of information that can be disseminated to the general public in cases of mismanagement, corruption and human rights violation. In reference to resource management, international organizations can stress their role due to the vast amount of intelligence and can be involved in monitoring. These are the four principal functions/objectives associated with the international organization in this vein:

i. Information gathering and dissemination to the general public and state actors
ii. Setting acceptable international standards
iii. Encouraging collaborations via meetings
iv. Engage in activities of technical cooperation

These principal functions are a major tool for resource management with member states allowing stringent rules and regulations as an independent body to be informative and create policies helpful to the government and citizens of the country. Below are the threats and probable solutions of institutional collaboration in economic development of Nigeria. Natural resource governance can be seen as either the cause or consequence of these domains that are listed as security threats in the table below. It is also shown below that international organizations and programmes can be seen as part of those enforcement agencies who can come up with probable solutions. The table is also illustrative in showing the multi-level policy making field of natural resource governance by and large.

SECURITY THREATS	**PROBABLE SOLUTIONS**	**ENFORCEMENT AGENCIES**
Security from Poverty	Pursuing several economic policies such as the poverty alleviation programs, employment generation and self-employment conditions, improving fair allocation of resource and empowering people.	State Institutions; development agencies and private industries, NGOs, UN (United Nations), International and Multinational Companies; Global economic and Financial Institutions.
Political Security	Enacting a form of government which allows representative governance and a democratic system of government, with the protection of human rights using the constitutional, legal and juridical protection.	State; Civil Society; United Nations (UN), International Criminal Court (ICC); and regional multilateral institutions

Environmental Safety	Dealing with the cause and consequences; enforcing sustainable environmental management, devising and implementing policy tools for disaster prevention, oil spillage, environmental degradation and capacity building.	
Health Security	Universal access to basic health care; protection against endemic diseases; and establishing a surveillance system at global level.	State; Federal Ministry of Health (FMOH), NGOs; International Health Institutions and United Nations (UN).

Table 2 - Multi-level policy making field of natural resource governance
Source: Adapted from Various Sources

Having identified the Resource Curse theory and involving the role of the international institution role, the multi-level policy of natural resource governance is put in place to visualize the clarity of the role of every agency from International, Domestic, Multinational, Global, State Institutions etc. This would shed more light on every arm and sector of economic growth, from the security threats to the probably solutions and also the enforcement agencies involved. The next chapter would further dive into using the NRGI (Nigeria Resource Governance Index) as a tool to discuss the concept, policies and application to resource governance in Nigeria.

CHAPTER 2

RESOURCE GOVERNANCE IN NIGERIA

Resource curse is quite an intriguing puzzle in economics and international relations depending on empirical observations that can guide economic theories and influence policies, general beliefs and literature agrees that higher resource dependent nations tend to have lower economic growth. Resource governance determines the extent to which the environment and ecosystem contributes immensely to human well-being and benefits.

Governance is a key factor to the foundation that conserves natural resources and attributes achievement of a sustainable development growth. These natural resources have a fundamental influence in the wealth and stability of resource filled countries, resource governance incapability, inability to curb wastage during exploration leading to ecosystem failure allows flowing inequity, poverty, unemployment, conflict and wide spread corruption which in turn affects the livelihood and development of a country. Leaderman and Maloney (2007) argued that the principal channel through which abundance of resources affects economic growth is “institutional quality”. They claim that economies with profuse raw materials and quality institutions have a great potential of escaping resource curse. Standard institutions and mechanism used in determining how power and responsibilities are exercised over natural resources, the decision making process taken in resource management and how citizens from indigenous to local communities participate in benefiting from the natural resources of their country (International Union for the Conservation of Nature).

Various institutions have recommended solutions to the resource governance issues. One of them is the OECD Development Policy Tool. Their extractive decisions on natural resources, awareness of natural resources rights, operating regulations and management, revenue collection, management of income revenue and expenditure and the project in social investment are all mentioned as necessary elements of resource governance.

For ensuring good practices these are seen as fundamental:

- Ensuring equal and fair granting procedures, clear and transparent award procedures and contract transparency through criminalization of bribery and corruption.
- Monitoring mechanism (also for state-owned enterprise) including audits, parliamentary oversight, monitoring of civil society and media, corporate transparency and monitoring
- Revenue collection system via tough taxation policies and transparent reporting on accounting
- Identify accountability approach in investment management and revenue spending including strategic processes and sovereign wealth funds.

The Natural Resource Governance Institute (NRGI) is one of those institutions which monitor the practice of resource governance internationally and provide guidance on that. In this respect, their view would be applied to discuss the concepts, policies and application of resource governance in Nigeria.

2.1 The Natural Resource Governance Institute (NRGI)

Resource Governance Institute Index of the NRGI assesses policies and practices that resource endowed governments of several nations practice under the control of the oil, gas and mining industries. NRGI computes an indicator as a composite score out of three (3) distinct components scores which is value realization, revenue management, enabling environment score and higher value which indicates an improved resource governance procedure.

On a scale of 0 - 100 at each index level, allowing users to measure resource governance across the composite, component, and sub-components within and between countries. Scores from the three components are fixated on the scores given to the subcomponent policy. Each of the subcomponents within value realization and revenue management focuses on distinct areas of governance and relates to a precept in NRGI's Natural Resource Charter and its benchmarking framework; analytical and diagnostic tools that represent the chain of decisions that governments and societies must make to benefit from their resources

Each of the value and income management subcomponents focuses on different areas of governance and covers the precept set out in the Charter and benchmark framework for NRGI; analytical and diagnostic tools which form the chain of government decisions and societies have to benefit from their natural resources (NRGI, 2017).

There's an image presented in the next page depicting the Resource Governance Index.

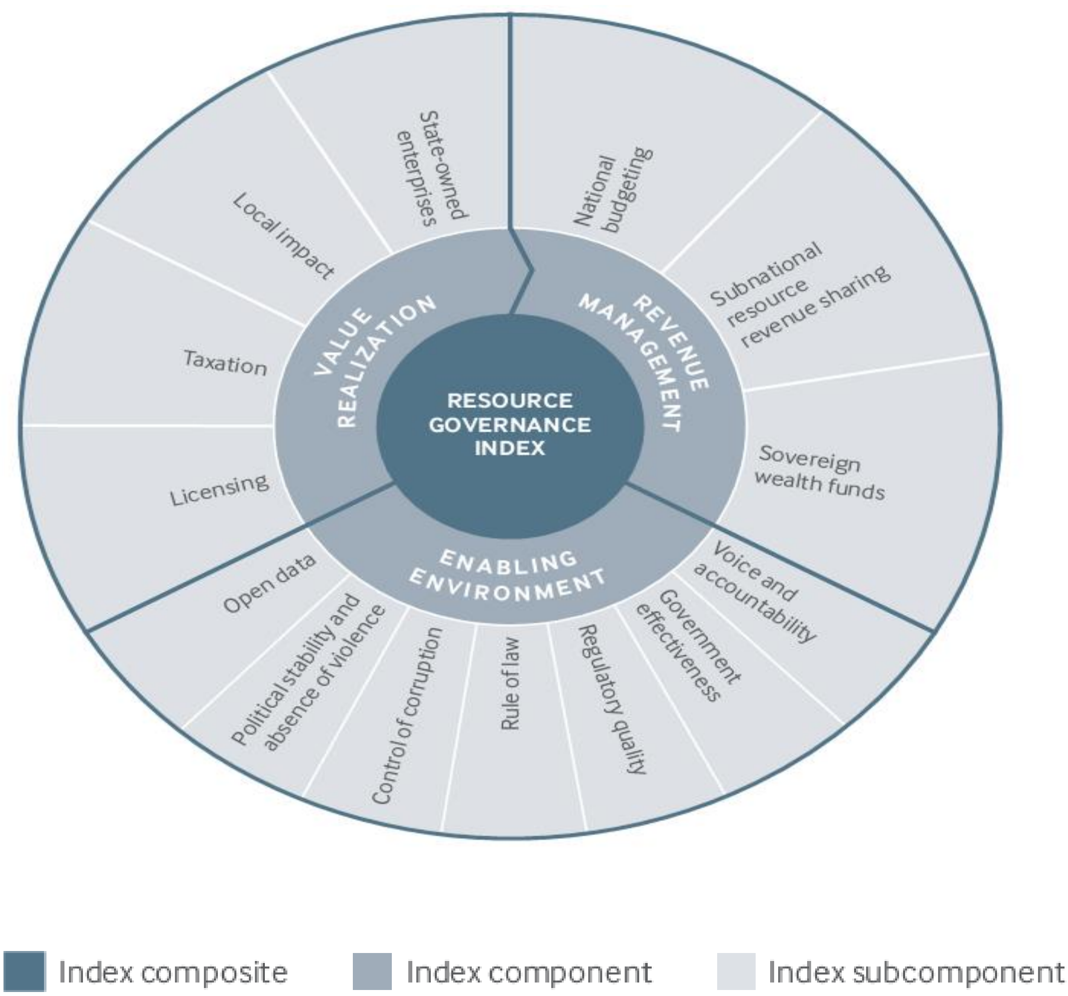

Image 3 - Resource Governance Index, **Source:** NRGI (Resource Governance Index, 2017) Retrieved from: *www.resourcegovernanceindex.org*

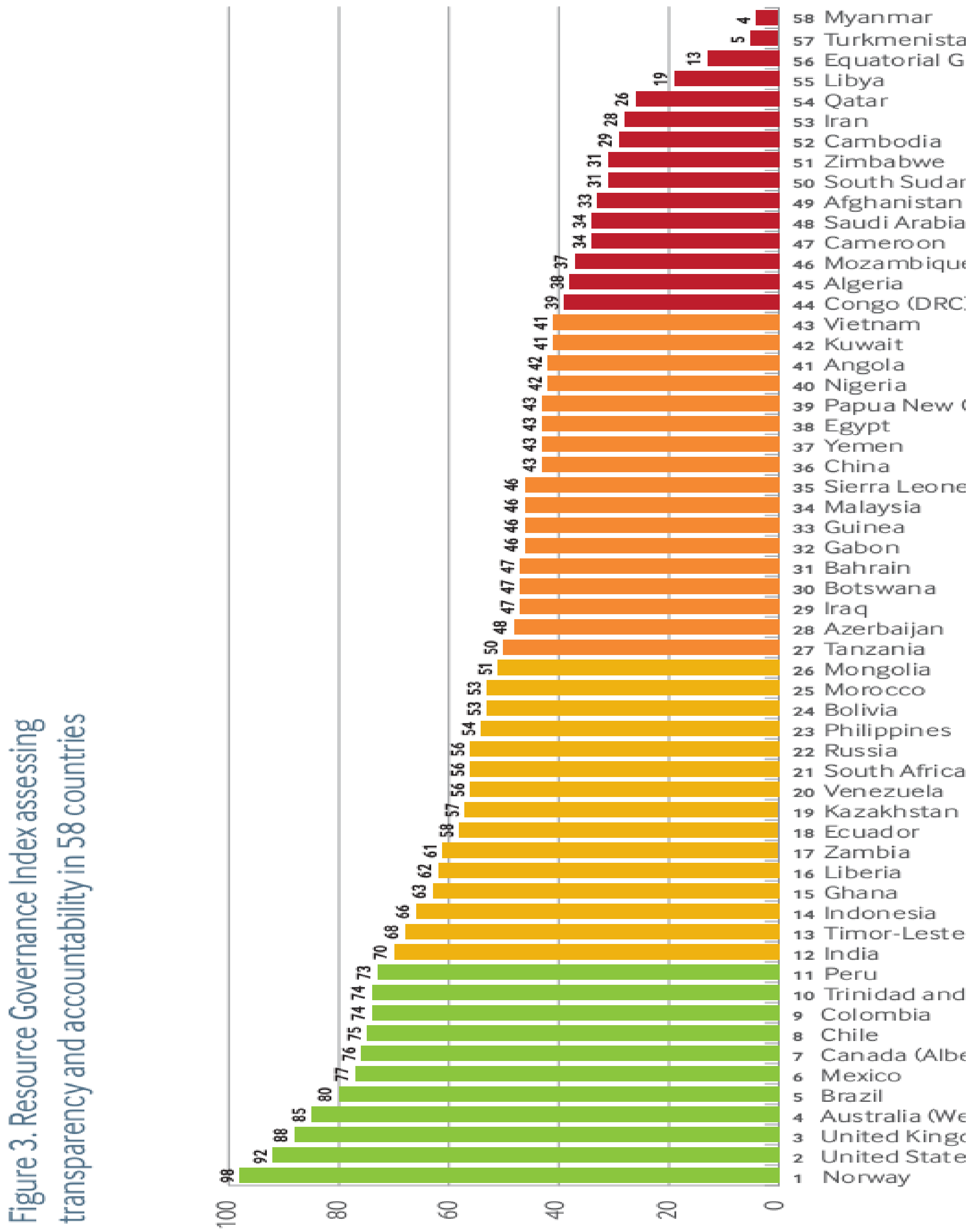

Image 4 - Resource Governance Index addressing transparency and accountability in 58 Countries, **Source:** NRGI (Resource Governance Index, 2017) - Retrieved from: *www.resourcegovernanceindex.org*

Index rank	Country	Assessed sector	Index score	Value realization score	Revenue management score	Enabling environment score
46	Papua New Guinea		47	50	50	40
47	Azerbaijan		47	49	43	49
48	Tunisia (mining)		46	40	30	67
49	Sierra Leone		46	62	35	40
50	Russia		45	47	40	47
51	Uganda		44	42	42	47
52	Liberia		44	59	30	41
53	Qatar		43	33	19	77
54	United Arab Emirates		42	32	16	78
55	Nigeria		42	50	44	31
56	Guatemala		41	42	35	46
57	Ethiopia		40	46	38	37
58	Congo		39	45	44	29
59	Bahrain		39	27	26	63
60	Egypt		39	45	30	41

Image 5 - Resource Governance Index Score depicting countries from 46-60 **Retrieved from:** (NRGI, 2017)

Good	≥ 75	A country has established laws and practices that are likely to result in extractive resource wealth benefiting citizens, although there may be some costs to society.
Satisfactory	60-74	A country has some strong governance procedures and practices, but some areas need improvement. It is reasonably likely that extractive resource wealth benefits citizens, but there may be costs to society.
Weak	45-59	A country has a mix of strong and problematic areas of governance. Results indicate that resource extraction can help society, but it is likely that the eventual benefits are weak.
Poor	30-44	A country has established some minimal procedures and practices to govern resources, but most elements necessary to ensure society benefits are missing.
Failing	< 30	A country has almost no governance framework to ensure resource extraction benefits society. It is highly likely that benefits flow only to some companies and elites.

Image 6 - Resource Governance Index Description**, Retrieved from**: *www.resourcegovernanceindex.org*

Out of the worldwide governance assessment, Nigeria ranked 55th out of 89 with 42 out of 100 score point. In spite of a few upgrades in transparency, Nigeria National Petroleum Corporation's (NNPC) performance and accountability challenges persist. Nigeria's failing performance in licensing can be improved with transparency. The most poorly governed wealth account was the Excess Crude Account (ECA).

The 2017 RGI Index compilation shows that the most challenging problem faced by the oil and gas industry chain in Nigeria is governance, excessive loss in licensing and NNPC's crude oil sales as well as the lack of accountability when oil and gas revenues are shared. In value realization component licensing is the most fragile, with scores of 17 out of 100 points on the policy area making Nigeria the 77th among 89 assessments. The reflection of this score and ranking influence obscurity in major decision making involving companies credibility and qualification, also the process and disclosure of terms and conditions are compromised (NRGI, 2017).

Environmental Policy Index, ranked Nigeria 133rd out of 180 in 2016 with a value of 58.27 – which overall means a modest improvement over its previous performance, but still shows that much improvement still needs to take place. (Bertelsmann Transformation Index - BTI, 2018).

According to reports by Ibrahim Index of African Overall Governance, the country scored 47.9, ranking the country 54 in Africa, it stated that: The reports showed a score lower than the African average of 49.9 and 54.3 in the West African average. This report also showed that Nigeria's score on Sustainable Economic opportunities was 43.5, it also shows that Nigeria received its highest 62.7 sub-category and 34.5 being the lowest in transparency and accountability (Ibrahim Index of African Governance IIAG, 2018).

The transparency of revenue collection despite progress over the past five years, payments from oil and gas companies is challenging to track. The index in regards to governance of subnational resource revenue sharing ranked Nigeria 11th in the Index report. The lack of access to audited account information on revenue sharing to the lower level of government is not accessible to the general public, which contributes to the existing gap between legal and implementation framework. “NNPC (The Nigerian National Petroleum Corporation) under the current President Muhammad Buhari administration, However many of its high-value transaction and revenue remained secretive” said Sarah Muyonga Nigeria country manager for NRGI. “Nigerians are well informed of the high level of corruption also the Nigerian government does not divulge publicly the financial interests of government officials in the extractive sectors or the identity of beneficial public office holders who own extractive enterprises regularly” (Muyonga, 2017).

SOE name	State ownership level	Revenue [USD]	Score [/100]	Rank [/74 SOEs]	Rank [/52 oil and gas SOEs]
Nigeria National Petroleum Corporation (NNPC)	100%	51,987 million (2014)	44	42	33

Image 7 - SOEs Governance Score by World Bank, **Source:** (World Bank DB, 2018).

The World Bank - Doing Business Index, ranked Nigeria as number 146 in the world on countries easy doing business with (World Bank DB, 2018).

In spite of being the largest state-owned enterprise (SOEs) on the African continent, the NNPC has a poor governance score of 44 out of 100 points, lower than the average Sub-Saharan Africa among state-owned companies. Despite the commitment of top office holders, the company lacked will in disclosing detailed annual financial reports and little information are available to the general public, especially concerning some of the less effective and more dubious operations of the NNPC.

The Excess Crude Account (ECA) of Nigeria is the most poorly governed wealth fund assessed by the Index and ranking in last along with the Qatari Investment Authority, a finding that is of enormous impact on the country (NRGI, 2017). “The improvement of NNPC governance is crucial to the state-owned companies and if effectively governed will greatly benefit the lives of millions of citizens. Almost no rules and regulations governing deposits, withdrawal or investments of the ECA are disclosed by the Nigerian government. Since the ECA is Nigeria’s largest assets funds, this is a major governance concern at the end of the value chain in the oil sector” (Muyonga, 2017).

This brings us to the sub-section of the application process of the NRGI implementation which includes Value Realization, Revenue Management and Enabling environment as this sub-component of NRGI is the probable step to resource governance.

2.1.1The Value Realization

The first component of value realization includes the management of extraction rights, exploration, production, protection of the environment, collection of revenue, and stare owned companies. The government interest in the petroleum industry was limited to tax, royalty and lease rentals in the early 1960s. In response to the constant control of their economies by the old colonial masters in form of neo-colonial system, many developing countries started to wave for a greater control of their natural resources. In 1962, the UN General Assembly passed by a majority the Resolution on Permanent Sovereignty over Natural Resources. It affirmed that the right of the country to exploit and use their natural resources freely as it falls within their sovereignty. In that spirit, the Petroleum Act was passed in 1969 which gave all petroleum ownership and control over all land or territorial Nigerian waters to the Government of Nigeria. The value of realization in 1971 was discovered over the increasing capacity for foreign exchange revenue, the country became a member of Organization of Petroleum Exporting Countries (OPEC) in 1971 after acquiring 51% stake on its oil and gas sector as stated and agreed by the “Resolution on Permanent Sovereignty over Natural Resources.” The formation of OPEC was for the improvement of oil-producing states while adopting decisions which member states are prescribed to follow.

The Nigerian National Petroleum Corporation, a state-owned and controlled company is an important player both in the upstream and downstream sectors, was established in 1977 (Blair, 1976). Crude oil production was more than one million barrels per day at the time, with continuous growth in the productive capacity and fortunes in which three prominent global events accounted for. The first is the shift of states to OPEC, the 1972 oil embargo prompted by the Yom Kippur in the control of world oil prices by the united attack on Israel as Israel was being supported by many countries including the United States which cut the Arab countries production by 5 million barrels daily and lastly the 1978/79 Iraq war which led to the shortage of crude oil as they witnessed supply losses of 2 million per day. With the occurrence of the global events, Nigeria and other oil exporting countries increase their production to cash in on the oil supply shortfalls. The Nigeria balance of payment was fueled by the foreign exchange from crude oil proceeds. Payment surplus is connected to those years when prices of crude oil were high. More than 80% of total federal revenues from the petroleum industry are expected yearly, according to the Statistical Bulletin of the Federal Bureau. In addition, the excess crude oil revenue always finances large portions of the estimated budget deficit (Ijeh, 2010).

The responsibility of the Ministry of Petroleum is the formulation and implementation of Government policies while the Department of Petroleum Resources regulates the arm of the oil and gas industries acting as a check and balance on the Nigerian oil and gas resources, using modern instruments and techniques to direct and influence the maximum benefit to

Nigerians while achieving optimal exploitation, conversion and use of petroleum and its derivatives while ensuring minimal environmental damage on the environs.

The 1969 Petroleum Act granted the Minister of Petroleum Resources three interests, the exploration, the prospecting and production rights. In order to carry out preliminary exploration surveys, the Oil Exploration License (OEL) is highly required. The license is non-exclusive and is issued annually for a period of one year. The OEL enables further exploration survey. It is the only license granted for a period of not more than 5 years, it also includes the right to collect and dispose oil found during the prospecting process. The OEL also grants foreign industries under the terms that a foreign company agrees to assign the OPL to NNPC after a commercial discovery. A Production Sharing Contract (PSC) or a risk service contract with NNPC is subsequently entered by the foreign company. The Minister of Petroleum third interest is production, which provides for a full scale commercial production with the grant of an Oil Mining Lease (OML). The lease gives exclusive right to prospecting, exploring, manufacturing and marketing activities for a period of 20 years in and under the specified area. Consequently, the Minister of Petroleum shall exercise general oversight over all licensed and leased operations as set out in Section 8 of the Act and may regulate any action required to be done pursuant to Section 9 of the Act. In ensuring maximum environmental protection, The Federal Ministry of Environment and Federal Environment Agency (FEPA) was created in 1988 (Decree No. 50), with a view to protecting, restoring and preserving Nigeria’s ecosystem. The Federal Government declared the Harmful Waste Decree 42 of 1988, which facilitated FEPA establishment by Decree 58, 1988 and Decree 59 (amended) of 1992 as a result of the Koko Toxic Waste of 1987 episode in the village of Koko Delta State.

There is increasing public awareness and concern about natural environment degradation. Both government and public knowledge of environmental management is clear and protection issues are now fully established. The formation of the new Ministry of Environment is a clear evidence of this. There are numerous sources of environmental law and they include; International law, for example, The International Law Treaties, Statutes e.g EIA Act 1992, FEPA Acts, The Subsidiary Legislation; Mineral Oils Safety Regs 1995, Guidelines for the Petroleum Industry in Nigeria 1991.

FEPA and other relevant ministries were emerged in 1999 in the wisdom of the government into the Federal Ministry of Environment, but they did not have the adequate legislative enforcement. This created a vacuum for the effective application of national environment laws, standards and regulations in Nigeria. The National Environmental Standards and Regulations Enforcement Agency (NESREA) was established as a government parastatals in accordance with Article 20 of the 1999 Constitution of the Federal Republic of Nigeria to address that lapse, by the year 2007 was the NESREA establishment Act which was later repealed by the Federal Environmental Protection Agency Act Cap F 10 LFN 2004.

Making reference to income generation, it is worth noting that Nigeria’s domestic oil and gas revenues are highly unstable while they are dependent on the global oil market, usually called the “Boom and Bust Cycle.” This fluctuation impacts revenue generation as the annual budget relies only on oil revenue, which impacts the economy in its entirety. The constant upward and downward adjustments of fiscal spending are expensive because they tend to impede private investors while also hindering public goods (Smith, 2004). This categorically resort the nation into budget deficit in return arise to huge debts while hindering economic growth. Weakening the state institution is the heavy reliance on external rents (Weinthal & Luong, 2006).

The Value Realization as the index component dives into the issues of licensing, taxation, local impact and self-owned enterprise; this leads us to the second index component of Revenue Management discussing the

National budgeting, sub national resource revenue sharing and sovereign wealth.

2.1.2 The Revenue Management

The second index covers the management of resources encompassing domestic budgeting, sub-national resource revenue sharing and distribution of sovereign wealth funds. As crude oil is contributing massively to the nation's revenue, one important question is how is the revenue managed and allocated? Who should receive the oil revenue and in what quantity? One of the most contentious issues is the assignment of revenue management, collection, and allocation. There are historical antecedents in Nigeria revenue appropriation as numerous commissions and board are usually set up in the history of Nigeria. The Binns commission (1964), The Chicks commission (1968), The Dina Interim committee (1968), The Revenue Mobilization Allocation and Fiscal Commission (1989) e.tc were all set up in order to administer the sharing of national proceed from oil revenue. The military regime through Decree 49 of 1989 established the first permanent revenue allocation and management called the Allocation and Fiscal Commission.

The formula for oil revenue sharing is delegated by the Nigerian Parliament every five years, taken into consideration when deciding the revenue sharing formula by the Nigerian constitution are the population, equality of states, internally generated revenue and land mass. The current formula of sharing revenue allows 52.68% to the federal government; the state takes 26.72%, while the local government receives 20.60%.

It was stated that the oil-producing states should receive at least 13% of oil generated revenue (Haysom and Kane, 2009). Revenue from crude oil is usually assigned to the state government budget from joint venture operations through NNPC in compliance with the state sake in the operations. The NNPC directly accounts for the government's share, while the sales proceed for crude oil and gas lifting are accounted for through bank accounts supervised respectively by the Petroleum Resources Department and the Federal Inland Revenue Service.

The revenue sharing formula leads to instability and inefficiency; it would be beneficial for nations such as Nigeria and Indonesia to separate income bases from more stable sources of income for the oil-producing area (Ahmed and Singh, 2003).All oil corporations operating in Nigeria are mandated by the constitution to remit parts of their income generated from oil proceeds to be legally transferred to the government as the assets of the government. Nearly 60% of generated revenue is to be remitted and the NNPC revenues represent 76% of government revenues and 90% of the country's total GDP. Notwithstanding, Nigeria is still inefficient despite the revenue sharing arrangement put in place. It still remains underdeveloped and suffers from serious unrest especially from the oil-producing states. In addition, petroleum revenues have resulted in rampant bribery and corruption in both the federal and state governments. International Oil Companies (IOCs) is jointly operated with the NNPC taking a share of the oil generated revenue (EIA, 2011). NNPC shares oil revenues into 12 subsidiaries, these subsidiaries are known to be weak and are full of corrupt practices (Khan, 1994). The 2011 KPMG audit, revealed NNPC deducted N28.5 billion in subsidies from 2007 – 2009 that should go to the federal account. There has been too much emphasis on oil revenue sharing than oil revenue generation, which created a consumerism culture that fostered maladministration bribery and corruption causing a high level of fiscal recklessness (Uche and Uche 2004).

As a strategy for exploring oil assets of the country, the Production Sharing Contract (PSC) was implemented. The Laws of the Federation of Nigeria 2004 and Deep Offshore and Inland Basin Production Sharing Contract Act regulates the policy. According to this policy, the NNPC involved competent contractor(s), who are allowed to carry out oil activities from the exploration, production and subsidiaries. The contractor carries out the original risks of exploration and if petroleum is found and processed, a part of the oil extracted is to be allotted to the contractor to reimburse the manufacturing expenses (cost oil), as well as royalty (royalty oil) the location of the oil fields is fixed and lower the royalty rate. Also from production process, the Nigerian Government is allocated (oil tax), the remaining after deduction is shared between parties by the ratio of the agreement (profit oil).

The NNPC takes charge of the concession ownership under the PSC policy, usually the major interest is the profit of oil on a higher percentage. Marketing of the oil produce is permitted to the contractor from the production allocated to oil cost, oil tax and contractors share of oil profit at the NNPC fixed price. This in turn puts Nigeria in charge of its oil and gas sector automatically. The contractors get reimbursed by the allocation of oil cost but bears initial cost of oil production. Hence reimbursement can only happen when there’s crude oil production and discovery on commercial oil well, no reimbursement is made by the NNPC when there’s no form of production. This policy lifts a great burden off the host country and also rewarding to both Nigeria and the contractors, creating a flexible oil management process. Nigeria now concentrates on other sector of its economy, while relying on the petroleum and gas industries without the conventional negotiations.

Nevertheless revenue management policies are certainly countered in recent years due to unrealistic policies, goals and weak institutions. The abundance budgetary revenue causes an enhancement in states expenditure (wages and social transfer) and government projects which are unprofitable or too ambitious. In this connection, many surveys have found that natural resources concentration is closely linked to fragile government bodies and thus creating slower development (Isham et al. 2003).

Putting the first and second composite index leads to the final composite index of enabling environment, these three-index composite form the

Resource Governance Index in an effort to manage resources and be resource curse free if all three components are put into place.

2.1.3 Enabling Environment

The third element of the index evaluated a country's environment, which is made up of six governance indicators; corruption management, law regulations with the application of the rule of law, quality of regulations, efficacy of the government, policy stability and absence of violence, and finally voice accountability. As mentioned elsewhere, the petroleum sector has contributed in a number of ways to the Nigerian economy in the last fifteen years. In terms of revenue, it has generated billions of dollars needed to create an enabling ambiance boosting and revitalizing non-oil sectors particularly manufacturing and agricultural sectors. The recent amnesty given to the militants who attacked the Niger Delta petroleum fields has resulted to the petroleum sector regeneration in this area (IMF, 2011). That move reduced the rate of violence and created a flow of development.

One of the main contributions of the petroleum sector to the Nigerian economy was to develop job possibilities. Before the discovery of crude oil in Nigeria, Nigerians were only employed in non-basic activities e.g. road building, drilling sites clearing, transporting equipment's and materials, and labor staffs in housing and recreation facilities. After exploration began Nigerians were employed in drilling operations, supervision and managerial positions. Another significant input to the Nigerian economy by the oil and gas sector has been the regular introduction of purchasing strength through its local spending on commodities and services. The petroleum industry allows the disbursement in forms of wages payment and salaries, local contractor's payments, direct disbursement to the government, purchases of goods and services locally, harbor dues, vehicle licensing, telecomm and postal charges and low social charges. Another key part of the petroleum industry contribution to Nigeria's economy has been the increase in foreign exchange reserves; which may enable Nigeria to successfully embark upon an enormous industrialization and economic development which will necessitate importation of capital goods and specialized services with huge foreign exchange expenditure.

As discussed above, the petroleum sector in Nigeria now has significant foreign exchange reserves and can fund the expense of its development and growth programs, thus creating a viable environment that improves the quality of life. Another contribution of the oil and gas sector to the Nigerian economy is the activity of local industries and utilization of natural gas which would lead to low-cost and readily source of energy for industry and commerce. One major reason why many companies and corporations in today’s Nigeria are folding up and moving to nearby countries like Ghana is due to the high cost of energy. With proper management of the oil resources and revitalization of the Local refineries, enabling environment will be created and both local and foreign investors will be attracted. World Bank latest study revealed that, “presently, oil and gas sector remained a major addition to the Nigerian economy with the massive contribution to foreign earning and government revenue” (World Bank, 2010).

It is seen that despite the great increase in the sector, the oil wealth hasn’t been a significant force in developing the Nigerian economy so far due to all these problems discussed related to effective resource governance. In the light of this, the next chapter moves on to analyze the role of international institutions on strategies avoiding resource curse in Nigeria.

The resource governance problem in Nigeria is not only particular to Nigeria also having earlier mentioned the steps taken by Norway in avoiding resource curse, the next discussion is relating Nigeria to a similar situation; comparing and analyzing the similarities of these oil rich nations from production level comparism and GDP comparism, further stating the dependency theory and level of systematic corruption deeply rooted in both Nigeria and Angola.

2.2 Comparing Nigeria and Angola Resource Governance Problems

Angola is the second largest oil producing nation in Africa behind Nigeria, oil and gas accounts for 95 and 99% of exports in 2011 (according to IMF Data). John Ghazvinian in his book titled “Untapped” said Nigeria and other nations in Africa after the discovery of crude oil have suffered setbacks and had worse economic and political success compared to countries without crude oil (John Ghazvinian, 2018). Angola currently produces 1.55 million barrels of oil per day and also 17,904.5 million cubic feet of natural gas, while Nigeria produces 2.53 million barrels a day which is quite below its production of 3 million barrels per day in 2011. This makes both nations a major supplier within OPEC. This makes both countries vulnerable to oil volatility due to the consistent fall in oil prices this had a major effect on both the GDP and HDI (Human Development Index) both countries are marked as a good example of Resource Cursed nation. The diagrams below will further explain the GDP, and Production of Crude Oil showing the share of the two biggest economies in sub-Saharan Africa illustrating GDP from the year 2000 – 2014. The GDP shares has changed over the years seeing Angola rise from 2.3% to 7.3% in the year 2014, Nigeria also had an increase of 19.2% to 32.8% in 2014. Next page is a table comparing both countries GDP from 2000 – 2014.

COUNTRY	2000	2005	2010	2014
NIGERIA	19.2	23.5	27.7	32.8
ANGOLA	2.3	4.3	6.2	7.3

Table 3 - Researcher Analysis, GDP Illustration from 2000 – 2014, **Source:** Various Adaptations 2019.

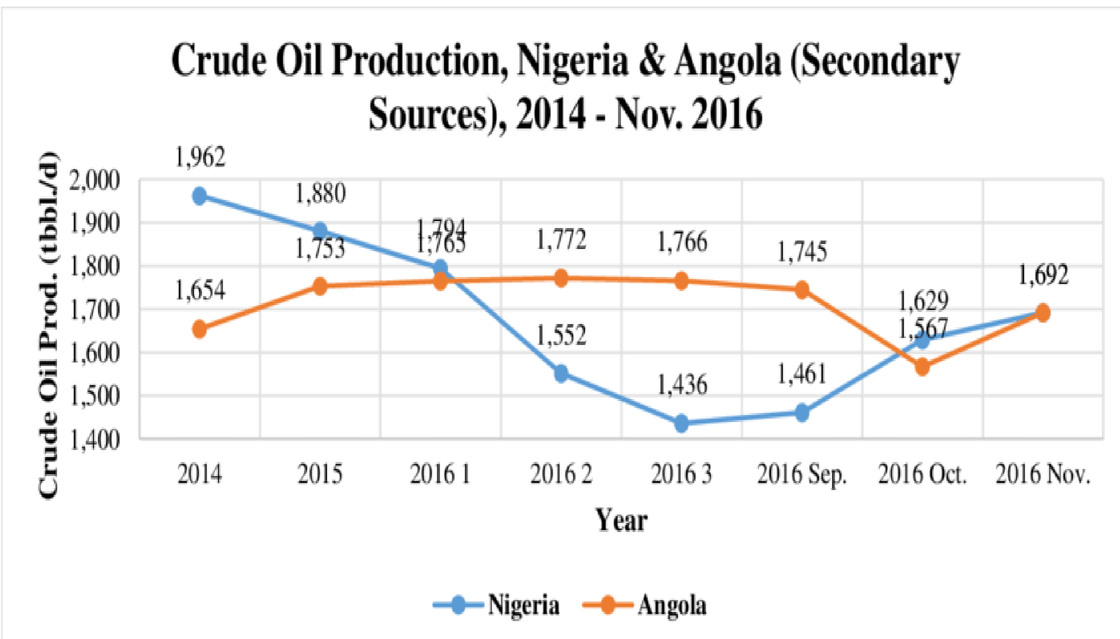

Image 8 - Crude Oil Production, Nigeria and Angola, 2014 – 2016. **Source**: Various Adaptations 2019.

Despite increase in the GDP and fluctuation in Crude Oil production and oil volatility the major problems of Angolan and Nigerian Economy is the lack of good governance and Lack of transparency lead to poor infrastructure, decline of agriculture produce and neglect of other economic sectors of the country which amounts to lack of financial reserve for the generations (AfDB – African Development Bank, 2015).

Both Nigeria and Angola suffer from lack of infrastructure and dependency on crude oil. Mercantilist and Richardian trade theories has shown that few nations develop at a fast pace from exporting solely their primary product, meaning a more diversified export economy would reduce volatility and vulnerability which creates a backup and also opportunities from financial to job creation and also competitiveness in global trade (Fonchamanyo and Akame, 2016).

Dependence on exportation of oil and gas can impede industrialization and development level. E.g. (Habiyaremye, 2013): Planning will be hindered due to the constant oil volatility which can affect budgeting due to dependency, during the rise and boom the currency can be highly affected in turn making other economic sectors not competitive. WTO reported that Angola has vast natural resources and the United Nations has classified Angola as the 16th nation with the greatest potential on agriculture. Having used only 3% of 58 million hectares of arable and available still not exploited (WTO, 2015). This leads us into the third chapter looking at the international organization with the aim of helping improve resource governance through standardization, cooperation and advocating for transparent governance of resources in Nigeria.

This chapter having analyzed the concept, policies and application process on resource governance. The next chapter focuses on the involvement of international institutions since this thesis is duly focused on its involvement, role, mechanism, projects and also the limitations, leading to the most significant problem which is Corruption.

CHAPTER THREE

INTERNATIONAL AND REGIONAL ORGANIZATIONS ON RESOURCE GOVERNANCE

3.1 The Role of International Institutions and Strategies on Avoiding Resource Curse

This chapter focuses on functions of institutions and strategies applicable to avoiding the curse of natural resources. While domestic institutions are the main back bone of the nation, international and regional institution also strive to help. This chapter aims to discuss several institutions involved in standardized governance of resources in Nigeria.

3.1.1 Extractive Industries Transparency Initiative (EITI)

This is a worldwide model for the governance of the oil and gas sector. The organization was founded in 2003 at a conference in London. Twelve principles were agreed upon by 140 delegates from government, companies and civil societies to boost transparency and management of the extractive sector revenue. The need to have an answer to the public discussions on widely debated academic topic such as The Resource Curse which is referred to as the “Paradox of Plenty” led to establishing EITI. EITI standards are adopted in 52 countries. It mandates all member states adopting the standards to produce reports regarding the extractive sector from the value chain to the extraction level, revenue management and allocation and finally the impact of the extractive industry to economic growth.

At least every three years member states exercise validation, a mechanism for quality assurance to assess performance towards meeting the global standard of EITI. As of 2017, 51 countries are implementing the EITI including Nigeria, United Kingdom, Ghana, etc. A major contribution has been made to improve the extractive sector management in many nations globally. Its process is one of the only active global mechanism to ensure proceeds from generated by resource-rich countries are benefitted by all stakeholders. Effective recommendations aimed at improving extractive sector management and curbing weaknesses in government systems have been made by EITI reports.

President Muhammadu Buhari in regards to Nigeria launched significant petroleum industry reforms as suggested in the EITI reports (Premium Times, Feb 27, 2019 - Bassey Udo). Finance Minister and EITI Board member, Zainab Ahmed is quoted to have said: “Inspired by the EITI, the Nigerian government now conducts monthly routine reconciliations for all sectors, not just the extractives, which has increased government revenues”. The NEITI reports also formed the basis for reform in the oil, gas and mining industry, as was laid out in President Muhammadu Buhari’s 2015 campaign manifesto. (Premium Times, Feb 27, 2019 - Bassey Udo). Yemi Osibanjo the current Vice President of Nigeria according to reports and recommendations of the NEITI has guaranteed that the government will adopt and implement the NEITI findings (NEITI Audit Reports). Vice President Yemi Osibanjo was informed by the EITI Chair that the government should inject a significant shakedown of the petroleum industry to enable the country enjoy the full benefits of their hydrocarbon resources (Nigeria EITI's 2016 Annual Progress Report).

The findings of NEITI has disclosed a complete income loss of $9.8 billion to the Federation due to the consequence of underpayments, undervalued taxes, leases, royalties and other process delay with only $2.4 billion retrieved. Report of the recoveries indicated that $1.4 billion originated from the audit accounts of 1999-2004, 2005 exercise recovered $550 million, and 2006-2008 audits discovered $447 million. Reports from 2009-2011 audit retrieved $416 million (Premium Times Bassey Udo, June 19 2015).

3.1.2 The Natural Resource Governance Institute (NRGI)

The NRGI is an independent non-profit organization with a strong dedication to the improvement of country's natural resource governance especially in respect to minerals, oil and gas in an effort to encourage sustainable and inclusive development. It was created in 2013 by the merger of RWI – Revenue Watch Institute and NRC – Natural Resource Charter which combined their expertise to better contribute to a major challenge and improving the governance and sustainability of natural resources through promoting sustainable and inclusive development.

NRGI promotes civil society organizations, state institutions, private industries, and media with technical guidance, advocacy, applied study, strategic analysis, and capacity-building on natural resource management. For instance, the 2017 Resource Governance Index, a resource project chart, the Natural Resource Charter Benchmarking Framework or the 2010 Revenue Watch Index are key instruments created in this framework. International media such as The Atlantic, Forbes, as well as domestic media in the nations involved have highlighted NRGI research and study.

The Natural Resource Charter is a document directed at offering resource leadership guidance and policy choices to assist resource-rich nations to use their natural resources for sustainable growth and development. NRGI encourages the enforcement of the Natural Resource Charter and offers policy guidance on the process of implementation. The Natural Resource Charter comprises of twelve precepts, divided into three sections centered on the natural resource leadership decision-making process as listed below:

A. Domestic resource management principles

(1) Through an integrated and thorough domestic approach, a clear legal structure and proficient institutions should be secured by resource governance.

(2) Resource governance needs decision-makers to become answerable to the general public.

B. Appropriate economic choices for economic growth

(3) The efficient exploration, production operations and right allocation with transparency should be clamored for by the government.

(4) Tax and contractual agreements should allow the government to understand the complete importance of its assets while enticing investments and should be stable in evolving conditions.

(5) Opportunities should be pursued by the government for local benefit and be accountable to mitigating and offsetting the social and environmental expenditure of natural resource extractive projects.

(6) Businesses owned nationally should be more accountable with clear cut directives and fair commercial competence.

(7) For the government to achieve optimal and equitable consequences, the government should invest its earning to benefit the present and future generations.

(8) In order to account for the revenue volatility, government should smooth national spending.

(9) Revenue should be an opportunity used by the government to increase the effectiveness of domestic and subnational public spending.

(10) In diversifying the economy the government should aid investment from the private sector and also engage the extractive sector.

C. International foundations for resource governance

(11) Environmental, social and human rights standards should be the commitment of companies to ensure continuous growth and development.

(12) In sustaining development International organizations and government should promote and uphold compliance of standards.

The NRGI – Resource Governance Index estimates the performance of resource management in nations and ranks them appropriately. The index is compiled by an item of 149 questionnaires sent to 81 countries; the issue raised in the questionnaires are researched and compiled to finalize the questionnaire.

NRGI will then evaluate the value of the data also improved by additional data on countries “enabling environment”. The index is calculated by a composite score out of the value realization score, the combination of revenue management score and enabling environment score indicates an excelling resource governance process.

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According to the EITI reports, Nigeria has recovered over $2.4 billion in royalties and missing tax payments (EITI 2012 and EITI 2016 Reports). These reports are highly beneficial to different Ministries and Civil Society. Minister of Budget and Planning and EITI Board Member has emphasized that “many of the changes and reforms the government is now pushing through are directly attributable to the work of EITI” (EITI Progress Report, 2017). Civil Society Organizations and senior government officials in Nigeria now review activities such as: the budget process, the monitoring of repatriated stolen funds and also NEITI and Public expenditure system of sub-national governments. These have compelled public office holders to be more accountable (Ngozi, Osafo-Kwaako CSO Review, 2007).

Improving transparency in the preparation and application of government budgets is a fundamental way of developing the economic governance, the budget serves as a major financial policy mechanism of government that contribute to the expected revenues as well as the anticipated expenditures over a given time period. For instance, prior to recent economic reforms in Nigeria 2003, the budget was not clearly defined (Apampa and Oni, 2005). Back to 2013, the Nigerian Minister of Mines and Development reportedly said at the EITI Sydney conference: “Due to the Nigeria’s EITI audit process from 1999-2008 the country reclaimed underpayments and unfair assessments of petroleum tax and levy to the tune of $2 billion from companies” (Luke Balleny, Thomson Reuters - May 2013).

3.1.3 The World Bank

The World Bank is an institution in the United Nations (UN) systems which focus on macroeconomic issues, poverty reduction, raising standard of living and ensuring Long-term economic development. The Bretton woods international conference of July 1944 gave birth to the creation of World Bank and the International Monetary fund (IMF). The World Bank provide technical and financial assistance to help countries, including those with abundance resource experiencing resource curse, to reform certain sectors or implement specific projects such as providing electricity and water, infrastructural development, fighting diseases etc.

World Bank (2001), emphasized that resource-rich nations need to implement sound macroeconomic strategies and, in specific, prevent international and national debt, regulate inflation and follow measures for competitive exchange rates which are particularly important in avoiding Dutch Disease. Also, the World Bank has the mandate of advising the government on effective policies and regulations considered crucial to ensure sustainability in resource management and fairness in revenue distribution (OECD, 2012).

A good example are the recommendations in the World Bank's (2009) study on "Economy-Wide Impact of Oil Discovery in Ghana" which saw "Transparency and distribution of petroleum income, e.g. through contract disclosure and complete integration in the budget system" (page 7) as the first and most important dimension in creating an enabling environment to ensure the use of petroleum income for development and avoiding the resource curse. The report further identified the stipulation and enforcement of accountability mechanisms by disclosing the identities and documents of the bidder, also the publication of revenue reports and using this information for corresponding actions. In addition, it stated that the implementation of "The Freedom of Information Act" would give citizens the access to information as well as holding the government accountable which would create Transparency. The hope is that “home-grown institution would respond to the risk of political capture” through an increase in transparency (World Bank, 2009).

With respect to Nigeria, The World Bank (2003) through the IMF working paper (2003); advocates for greater transparency and accountability in oil revenue management. Given that the four decades of military rule left the public institutions fragile it was suggested that government officials should be prevented from having direct appropriation of oil revenues. Having recognized the implementation difficulties of their recommendations, the World Bank still advocates that every Nigerian should benefit from the proceeds of oil revenue. The proposition was to focus on the conceptual principle of attempting to transform the economy into one not dependent on oil revenues. In their submission, applying this is to share all revenues to Nigerians and allow the state to depend on ordinary fiscal values (IMF Working Paper, 2003). There are counter arguments to the said role of World Bank and IMF with not leveling up with the expectations of its role. Development is associated with massive decline in abject poverty, recession, workers lay off, and discrimination; however development can only be achieved through high level of economic growth (Umoh, 1986).

The economy of Nigeria has been deteriorating due to the activities of elitist corrupt practices in the country by corrupt office holders who engage in acquiring external debts over the years, further indebting the nation by applying for foreign loans for personal enrichment. The World Bank which is dominated by the United States Government is seen as a tool to subjugate developing countries by forcing these countries into opening their export of primary goods to wealthy countries, in turn profiting western multinational corporations turning developing nations into an importer of finished goods and exporter of their primary resources leaving them in poverty, unemployment, illiteracy, death and underdevelopment. This can be seen in the implementation of policies and structures created by the World Bank e.g. The Petroleum Trust Fund (PTF), The Structural Adjustment Programs (SAP, 1986), Poverty Alleviation Programme and so on have amassed failures in all ramifications. President Ronald Reagan of the US and Prime Minister Margret Thatcher of UK took amplifies in preaching the free market approach to benefit their national interest (Stiglitz, 2006).

3.1.4 The United Nations Development Programme (UNDP)

The UNDP is the United Nations (UN) largest agency in over 170 countries with a mandate to eradicate poverty and the reduction of exclusion and inequality through human growth that is viable and inclusive. The agency has been in Nigeria since independent in 1960 and provided the Nigerian Government with guidance on different development assistance ranging from governance, peace building process, comprehensive growth process, leadership skills and sustainable development. The UNDP ultimate goal is to improve Nigerian lives, most importantly the poorest and vulnerable population, ensuring that the future would offer equality, dignity, and opportunities to the people. The UNDP collaborates with the Nigerian Government, development partners, United Nations Agencies, Civil Societies, and also the local communities to help define local approaches to the problems of international and national development (undp.com, 2018). UNDP has backed Nigeria's government in implementing development measures to achieve medium-to long-term goals. These include the 2017-2020 Plan for economic recovery and growth: the Vision 2020 and the 2030 Sustainable Development Goals (SDGs). With respect to the avoidance of oil curse, all that the UNDP can do is to support the Nigerian government in embarking on development projects that are meant to be financed with the revenue generated from oil exploration activities. Being an independent country, the responsibility of the UNDP to Nigeria is to offer advisory services and financial assistance to the Nigerian government with development and sustainability policies. The UNDP does not have the mandate to prosecute the government officials in the event of mismanagement of the crude oil revenue and embezzlement of funds set aside for development projects.

The UNDP has stressed that they are confident that with their principle, if well managed and transparent in an inclusive and sustainable way would facilitate development. Transparency has to be effective from every process to allow the citizens enjoy the dividend of natural resources from the contracting process, to the transfer of earnings between the government and companies and also policy making on government disbursement. The involvement of community and civil societies is highly promoted by the UNDP from the beginning to promote the advantage of distributing extraction extensively. As a matter of importance a great deal of attention must be paid to people directly affected by the extractive process, people who are mostly indigene to guarantee, uphold their rights and fulfill their development goals. The UNDP Democratic Governance Group is on the extractive sectors, democracy and indigenous people with the aim of fostering and having an improved understanding among corporate sector, indigenous people and government while promoting and incorporating fundamental norms and great practice in the extractive sector as a way of upholding human rights and prevent regional conflicts for e.g. Niger Delta regions involving the bombings of crude oil pipeline at exploration sites and kidnapping of expatriates of multinational companies.

Conclusively, the UNDP posits that even if the resource curse does not bring about escalated and sustained violent conflicts, if not properly utilized the dividend from the allocation of resources may be short-lived. To buttress this point, they cited an example of Nauru, an island in the South Pacific has important phosphate reserves which, in the early 1960s and 1970s made the nation to become the world’s second largest per capita income. Today phosphorus is available on the island has been exhausted and the revenues have gone with no traceable development project to be accounted for. The Human Development Index (HDI) was developed to stress the importance of individuals and their capacity as the benchmark to determine a country's development. The index does question policy making and government priorities. The HDI sheds light on the current state of Nigeria with the value for 2017 is 0.532 positioning Nigeria in 157 out of 189. The table below reviews the progress of Nigeria's HDI indicators. From 1990 – 2017, showing life expectancy by 8 years for the period of 27 years, schooling also increased by 3.3 years. The GNI per capita also increased by 87.4% from 1990 – 2017.

Year	Life Expectancy at Birth	Expected years of schooling	Mean years of schooling	GNI per capita	HDI value
1990	45.9	6.7		2,792	
1995	45.9	7.2		2,569	
2000	46.3	8.0		2,451	
2005	48.2	9.0	5.2	3,669	0.465
2010	50.8	8.4	5.2	4,862	0.484
2015	53.0	10.0	6.0	5,527	0.527
2016	53.4	10.0	6.2	5,326	0.530
2017	53.9	10.0	6.2	5,231	0.532

Table 4 - Nigeria HDI trends – Human Development Indices and Indicators. **Source**: (HDI Report, 2017)

It can be said that these survey and reports help the Nigeria government in analyzing swift intervention in regards to education, health, human rights, standard of living, and life expectancy at birth, index population and adult literacy. This led all major Ministries and related actors find these reports important from Health Ministry, Education Ministry, Finance Ministry, Budget and Planning Ministry, Ministry of Niger Delta Affairs, Justice Ministry, Environment Ministry, Labor and Productivity, Foreign Affairs Ministry, civil societies, Major Parastatals, and well informed citizens.

3.2 The Extent to Which Related International Organizations Are Involved In Resources Development in Nigeria.

Over the years, recently and to a large extent, international organizations have made and still making tremendous efforts in ensuring proper development and management of resources in Nigeria and Africa at large. To reckon with, are the efforts made by the EITI, UNDP and The World Bank as introduced above. This part aims to have more detailed analysis of these organizations and their involvement in resource governance in Nigeria.

3.2.1 The Nigerian Extractive Industries Transparency Initiative (NEITI)

The National Stakeholder Working Group (NSWG) is leading the application of EITI in Nigeria. The NSWG is made up of civil society, public and extractive sector agent and community, community representatives from the six geo-political zones in Nigeria, the press, official representatives from civil societies, government and extractive sector. The National Stakeholder Working Group (NSWG) makes consensus-based decisions and has to meet on a quarterly basis. In handling the extractive sector Nigeria has experienced major difficulties such as the mismanagement of revenue generated and massive corrupt practices. The oil and gas sector has played a pivotal role on the Nigerian economy and accounts for 53% of government revenue after approximately 50 years of exploration. In Nigeria, EITI has been effective in strengthening public debates and promoting policy options around signature bonuses, unpaid taxes, petrol subsidies, crude oil and processed goods theft, and the NNPC unpaid taxes. “Findings from NEITI in regards to the oil and gas sector displayed that NNPC and its subsidiary NPDC failed to remit into the Federation Account to the tune of $21.7 billion and N316 billion. Funds expected from 3 main sources: Assets of the federation disbursed to the NPDC as well as NPDC legal liabilities; Payments for national petroleum distribution to NNPC; and NLNG equity dividend received but concealed by NNPC”.

Transfer of OML to NPDC	**$(Cost in dollar)**	**N(Cost in Naira)**
Transfer of 8 OMLs from SPDC JV	1,700,000,000.00	
Transfer of 4 OMLs from NAOC JV	2,225,000,000.00	
Cash-calls paid for transferred OMLs (not refunded)	148,278,000.00	2,420,507,000.00
Legacy liabilities	1,458,618,285.76	70,014,589,266.45
NLNG Dividends (2000 to 2014)	15,822,713,000.00	
Cash-calls refunded to NAPIMS but not remitted	424,185,000.00	
Unpaid earnings from domestic crude sales		243,639,000,000.00
TOTAL	**21,778,794,285.76**	**316,074,096,266.45**

Table 5 - Breakdown of the outstanding recoverable sum of $21.8 billion and N316 billion. **Source**: *(*NEITI Reports 2014 – 2017).

Through EITI efforts, the Federal Government has recovered $2.4 billion and also discovered pending royalties of $9.8 billion (eiti.org, 2018).Nigeria's representative of the International Extractive sector branch called NEITI – Nigeria Extractive Industries Transparency Initiative generated seven oil and gas account revealing NNPC's "first trades". NNPC currently releases aggregate values for manufacturing, transportation and distribution, but does not reveal information about off-takers and profitable holders in stock trading. As a result, Nigeria NEITI has mapped out ideas to organize a number of technical workshops on capacity building which would be of advantage to the disclosure of ownership.

Although the EITI has been criticized for its inability to cover countries that are actively involved in commodity trading, in response, the NEITI seeks to undertake a thorough survey to enhance accountability and transparency in commodity market and trading in Nigeria, commodity trading account therefore seek to:

1. Reveal the identification of beneficiary holders trading commodities in the petroleum and gas industry.
2. Establish a clear-cut structure and appropriate procedures for the mainstream of Nigerian petroleum and gas industry and also the commodity trade report.
3. Create a comprehensive framework and structure in compliance with EITI criteria for the monitoring of commodity trade.

Reports from EITI extend beyond fiscal audits and cover physical and process audits. The 2007-2011 NEITI Fiscal Allocation and Statutory Disbursement Audit has introduced fair accountability to the distribution, payment, usage of Federation Account revenue to Federal, State and Local government authorities, and thereafter to local recipient. It has been discovered that Nigeria has made significant strides in applying the standards of EITI. EITI Standard implementation in Nigeria concentrates mainly on petroleum and gas which generates 99 percent of extractive industry revenue.

EITI measures revealed pending deficit of NNPC to the Federal Government, retrieved outstanding tax, detected defects in regulatory bodies, audited petroleum transmission to the national government, estimated crude oil wastage and theft and investigated oil deals. The continuous discussion on the management of Nigeria's national oil company is constantly debated by the Nigeria arm of EITI (eiti.org, 2018). An example of the auditing process as stated by the Executive Secretary Mrs. Zainab who clarified that the audit would provide basic information needed for planning and growth, decrease friction and encourage public trust by providing prompt and up to date information and data on which revenue distribution, disbursement and implementation would be applicable in Nigeria (Mrs.Zainab, NEITI Exec. Secretary, 2018).

3.2.2 Natural Resource Governance Institute (NRGI)

The Natural Resource Governance Index was thoroughly compiled by the NRGI. The Resource Governance Index evaluates strategies and procedures employed by officials to regulate the petroleum, gas and mining sectors of their nations. For each evaluation, the index offers a composite rating. The index evaluates either the petroleum and gas industry or the mining industry for most nations in 8 nations the index appraises both. The Institutes staff worked tirelessly to submit proof and paperwork in supporting stronger resource management. Optimistically, the data supplied by the index will add to the job of those highly engaged in resource rich nations clamoring for economic growth and social fairness.

The NRGI evaluates the performance of resource governance in 81 nations that generates 82% of the world's petroleum, 78% which is gas and 72% copper, among other commodities. The index has the Natural Resource

Charter as its conceptual base; which are results of NRGI staff skills and networks of scholars in the field and professionals.

The index comprises of a total of 89 country level evaluation developed by 150 researchers using a structure of 149 questionnaires, generating over 10,000 documents supporting the research.

The thorough evaluation of the extractive industry variables by researchers is coupled with pre-existing information from different sources from countries to determine the viability of the environment. The information or data shows that despite significant attempts by the government, practitioner and global community, resource governance still suffers major setbacks. In at least one important aspect of governance, each country may improve and most nations have the potential for advancement in various areas (Resource Governance Index, 2017).

3.2.3 The World Bank Involvement

Nigeria’s overdependence on petroleum and gas revenue has done more damage than good to the nation’s economic system and is currently experiencing underdevelopment, low standard of living, poverty, loss of competitiveness of the non-oil sectors among others.

Through 33 Core Knowledge Product assessment and 29 continuous national and regional initiatives, the World Bank Group contributes to combating poverty and enhance better quality of life for Nigerian citizens. This includes approximately 60 trust funds. The World Bank Group has provided approximately $14.2 billion in credit to Nigeria through the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD) since 1958.

In addition, the World Bank have always ensured efficient utilization of the Nation’s resources by emphasizing the need to implement meaningful macroeconomic policy to prevent high foreign and national debts to regulate inflation, and to follow measures which are essential to prevent Dutch disease (World Bank, 2001).

Notable among the efforts made by the World Bank is the Nigeria Electrification Project's latest development goals on 27th June, 2018 which is set to improve families and public academic institution, Small and Medium Enterprise access to energy and electricity worth US$ 765.00 million. This project consists of four parts. The first element it the renewable hybrid mini-grids for rural economic growth consisting of the least tender for mini-grids and the program of performance-based grants. The second element is household and MSME stand-alone solar technologies. The third element, energizing educational goal is to provide government colleges and related learning institutions, teaching hospitals etc. with credible, accessible and viable power supply, and the fourth element is the technical assistance which is intended to create a scaling up structure for rural electrification, support project execution and also wide capability in the Rural Electrification Agency (REA), the Nigeria Electricity Commission (NERC), the Federal Ministry of Power, Works and Housing (FMPWH) and appropriate stakeholders. So far, the World Bank has made a commitment of US$ 350.00 million to the realization of the project.

Furthermore, in an attempt to ensure economic diversification from the oil sector and prevent Nigeria from being a mono-cultural economy, The World Bank has embarked on a $150 million project for the development of the Mineral Sector in order to embellish the contribution of the mining industry to the economic growth by bolstering the important public organization, enhancing data and promoting national industry investment. The components were to develop three elements which comprised of establishing strong mining industries; the objective is to reinforce the government position in creating a powerful basis for the growth of the mining industries. The second element was to facilitate the downstream industry growth and competitiveness, seeks to promote industry growth and improve investor's competitiveness and attractiveness for both Greenfield exploration objectives and Brownfield minerals resources blocked as a consequence of cultural, environmental problems, previous business circumstances, infrastructural gap and social issues.

Finally, the last element is Project Management and Coordination which is supporting the implementation process.

Finally, in an attempt to fully optimize and revitalize the agricultural sector and resources, The World Bank on March 23, 2017, pumped exactly US$ 200.00 million into the Nigerian economy through the Agro-Processing, Improvement in Agricultural Yield, Projects for the support of Livelihood all aimed at enhancing the economic production of small, medium and large scale farmers and enhancing added importance along states participating in the project.

There are five elements in this project:

1. The enhancement of production and efficiency is with the objective of enhancing the complete availability of the focused strategic value chains, with the objective of ensuring a coherent, safe and timely productive flow to the economy.
2. Basic processing, added importance, management of post-harvest and facilitate development among youths and women will decrease post-harvest loss, promote product stability and main processing by farmers' cooperative society and small, medium and large scale business.
3. Supporting infrastructure for agro-commercial projects directed at enhancing the physical environment for agro-industrial and cottage production units situated in agri-business project with important agricultural capacity and higher involvement by partners of the small, medium scale farmers in the agro-commercial demand chains.

4. Technical support, information management and interaction is aimed at building projects and exploit the understanding obtained in the appropriate fields of value chain growth, harnessing the information produced and gained from the plan.
5. To ensure effective management and coordination of project in achieving intended goals, project management and coordination should be effected (World Bank, 2018).

3.2.4 The United Nations Development Programme (UNDP) Involvement

United Nation development programme administrator, Helen Clark, made good comments on the governance of natural resource and how the wealth from the extractive sector generated can be effectively used to support sustainable development at the international conference on “Avoiding the resource curse: Managing Extractive industries for human development” in Ulaanbaatar, Mongolia on 20th October 2009.

Having stressed the fact that the exploration of natural resources has been termed as a blessing to resource endowed nations like Norway, Saudi Arabia, Kuwait and Chile, and that the same extraction of minerals has been a curse to other resource-rich countries making Nigeria as an instance, she made pragmatic approach towards scaling through resource curse.

Firstly, she stressed the need for efficient, transparent, accountable, inclusive governance and planning for realistic long term development goals. Taking these measures would ensure that resource curse can be avoided, with provision healthcare, education, social services, education, housing to the people. Furthermore, she contends that competent laws on anti-corruption and high involvement of the civil society should be established. Conclusively, she encourages the government to promote transparency about how the country’s natural resource wealth is spent and distributed.

A number of interventions have been embarked upon by the UNDP with respect to development and sustainable programs in Nigeria with the aim of reviving the sector for sustainable growth. Among these interventions are:

3.2.4.1 The Biodiversity Project - Niger Delta Biodiversity Project

The Niger Delta region has vast biodiversity storage which is under severe danger from natural and man-made causes like deforestation, insufficient farming methods, growth application, alien invasive species, urbanization, and crude oil exploration (PO Phil-Eze, Umeuduji, 2004). Further clarification is that, through the natural environment of forestry which has been altered by human operations like; arable farming, livestock farming and petroleum extraction, investment growth, manufacture of forestry products, with versatile adaptive and experimental governance schemes would enable viable exploitation while preserving the biodiversity wealth (Sayer et al., 2000).

The eminent danger of the biodiversity storage led to the biodiversity projects of Niger Delta was a project aimed at the oil and gas sector, which is the cornerstone of the Nigerian economy, and touches on the biodiversity interface of the oil and gas sector. This is particularly important because the majority of the country's oil and gas exploration are discovered in the rich biodiversity of the Niger Delta. So far UNDP and Global Environment Fund (GEF) have contributed $3,600,000 and $1,000,000 respectively to the realization of the biodiversity project whose goals was to ensure Environmental stability.

The program is intended to act as a motivation for the shifting flow through strategic commitment that operates with the oil and gas sectors to embrace a committed system that contributes to the biodiversity plan and gearing for new collaborative platform named "The Niger Delta Trust" that connects local communities, the oil and gas industry and the public awareness to improve mainstream biodiversity for sustainable development.

The goal of the project was to add to the preservation and viable use of globally important ecosystem and biodiversity in the Niger Delta and its primary goal is integrating biodiversity leadership objectives into the management priorities of the Oil and Gas industry in Niger Delta. The projects geographical focus is on the four key Nigerian States within the Niger Delta which are Akwa Ibom, Bayelsa, Delta and Rivers State. The project was supposed to impact directly and indirectly the management of the ecosystem and biodiversity. The involvement of the projects is classified as three main components:

1. The administrative core for legislation, policies and institutional capability is reinforced to allow the mainstreaming of biodiversity leadership to the Niger Delta petroleum and gas industry.
2. For a biodiversity proactive leadership in the Niger Delta, the government, oil and gas sector and local neighborhood.
3. The Niger Delta Biodiversity Trust is funded and accessed as a cooperative tool for engaging local community, Oil and Gas industries and Government at its foundation for promoting long term conservation of Niger Delta biodiversity.

3.2.4.2 De-Risking Renewable Energy Nationally Appropriate Mitigation Actions (NAMA) for the Nigerian Power Sector Status

UNDP in 2016 partnered with Energy Commission of Nigeria embarked on a multi-million dollar project to improve the Nigerian power sector status. The power sector is Nigeria’s biggest cause of greenhouse gas (GHG) pollution, In year 2000 it accounted for more than 70% of the country’s completed GHG emissions (155.34 MtCO2e), with more than 85% of the power sector’s emission emerged from fugitive fuel emission and combustion of fuel activities. The aim of this project is to support the Nigerian government in the development of a National Appropriate Mitigation Action (NAMA) for the energy index study. NAMA's aim at solar power schemes as entry points for transforming the electricity combination focusing on having 20GW of electricity produced by solar. The initiative builds on current domestic growth and projects aimed at placing government de-risk tools to promote private sectors that are more effective and efficient while involving in Nigeria's power sector.

The initiative is creating the NAMA architecture and facilitating factors by combining supplementary strategy and fiscal de-risk tools that will be validated by implementing the 100 Mega Watt solar plant. The general objective of the initiative is therefore to de-risk renewable energy for the Power sector of Nigeria. Significant accomplishments were reported in the 2017 calendar year of an investment of enormous amount of $1,125,100 through charitable donations from the Global Environment Trustee. A variety of consultations were held with solar power investors aimed at identifying partners to support the development of the first Commercial Solar Power Plant. In addition, there were commitments with the Lagos Energy Academy (LEA) which guided the recognition of experts to train LEA's employees.

For the creation of Solar Based Power towards de-risking renewable energy, innovation done with designing, constructing and operation of solar-powered agricultural process of Cottage Corporation was completed in Jigawa and Ogun states. Despite having these projects in place we have to understand that there are certain limitations on the implementation process.

3.3 Limitations in Projects Implementation Process

The limitations of International Institutions on implementation process cannot be discussed without discussing their achievements ranging from information dissemination, poverty reduction, universal education, promoting gender equality and women empowerment, reducing mortality rate, fostering environmental sustainability, Combating HIV/AIDS, Malaria and other Diseases and Achievements in the area of Developing Global Partnership for Development. The global partnerships which lead to the Paris Club debt relief, according to the CBN, the ODA – Official Development Assistance included debt relief gains to Nigeria from developed nations in 2004, rising to $81.67 from $4.49 within the period of 2004 – 2007 for one person (CBN Report, 2007).

The achievement of International Organization involvement using SDGs initiatives was a testimony to the financial records and also health sector. The current policy formulation set the framework of MDGs in Nigeria as the National Strategic Health Development Plan introduced by the Ministry of Health in Nigeria. This plan is a way to improve child health and other health related MDGs (FMH 2010 Report).

The most important implications and challenges faced by International Organization ranges from different levels but it has to be uprooted from the basis, several factors causes limitations including; Lack of Human Capacity and Implementation, Poor access to primary health care delivery system, Inadequate and unreliable data system, but the most important implication will be discussed below which is the level of “Indiscipline and Endemic Corruption.” The lack of transparency in extractive dealings and inadequate information available to the international organization hinders progress, the mechanism in place are in reality said to be applied but behind closed doors, the system is flawed on every level which hinders the implementation process of SDGs and other projects put in place for example the NAMA

Project with irregularities within the transparency of the dealings of extractive industries.

3.3.1 Indiscipline and Endemic Corruption

Understanding the normality of corruption in Nigeria is quite a phenomenon, the dominant challenge faced by all sectors of the Nigerian economy is indiscipline which leads to corruption. The lack of discipline can warrant a public office holder to feel entitled to public funds. In a situation when an indiscipline and corrupt individual is elected into a position of power, they usually strategies on how to use paraphernalia of their position to embezzle public funds for personal gains. Finances required for MDGs in Nigeria are budgeted in excess and the funds in the end will not be used for the purpose of the MDGs projects. Development has been undermined and the menace of corrupt practices still prevails, this has permeated everywhere in the Nigerian society, according to Chinua Achebe:

“Anyone who can say that corruption in Nigeria has not yet been alarming is either a fool; a crook or else does not live in this country. The situation has become bad to the extent that as far back 1993, keeping an average Nigeria from being corrupt and a goat from eating yam (Achebe, 1988). The country is corrupt on every level and it’s quite visible that these components of Bribery, Fraud, Embezzlement, Extortion, Favoritism and Nepotism make up the system of government and society. The World Bank, IMF and other International Organization have identified the limitations. Survey carried out in 69 countries in 1997 by the World Development Report provided evidences that widespread corruption has a negative effect on the economy and development of a country. The report also stated government arbitraries entangles companies and international organizations in a constant circle of time wasting and unproductive relationships leading into unrealistic goals for the International Organizations and hindering the application of mechanism and structural change possible.

Identifying the role and mechanism put in place by the international institutions, the next chapter links with the probable solutions, suggestions and recommendations on resource governance in Nigeria.

CHAPTER FOUR

SUGGESTIONS FOR NIGERIA

One may tend to ask why international relations should address this domestic problems in Nigeria since this is deemed as a domestic problem and bad government policies in Nigeria but I plan to enlighten a non IR oriented audience not to take away the broad scope of the oil dependency theory, while IR is more focused on more warring issues like Global Warming, Conflicts, Proliferation of Nuclear Weapon etc.

This thesis encompasses the study of oil wealth and relevance to resource curse, institutional development, institutional work and dysfunctional government. As stated earlier resource curse depicts a country endowed with rich natural-resources but develops slowly compared to nations with similar or less resources while connecting this to the institution in place which in turns enriches political office holders who turn the economy into a private owned business while enriching themselves in turn sharing resources and creating wealth among a few people in the country, finally does the institution work effectively when this process are in place? Practically the economy crumbles due to the mass corruption played while instability of government through coup and unrealistic economic programs can only be beneficial to the authoritarian or cabal system of government. The personal benefits at the public's cost which enables public office holders have private companies funded by government funds is amass to corruption or quasi corruption leading to the absence of accountability in running the government administration.

The opacity issue exhibit itself in other ways. Irregularities in Nigeria as government officials in charge of bargaining petroleum and gas exploration leases usually agree to terms and conditions that are lower than the estimated market value. In fact, government officials sold natural resources at lower rates that didn’t meet the value of the resources in the transparent auction. A major damage from the issue discussed and another irregularity was that entitled revenue were not remitted to the state, this was looted by corrupt government officials, reimbursed to the oil and gas sector or unaccounted for by the officials. The major issue is that theft was inclusive in the contracts. Reports also recognized cases of low market contracts which officials executing the contracts collected bogus bonuses that are not adequately accounted or disclosed (Joe Brock, 2012).

The thesis is inspired by the high level of fraud, corruption, cabal and continuous degradation of the economy to study this literature and enlighten readers of the continuous effect of oil wealth draining the Nigerian economy and creating a monopolized system of government. My focus is to create an alternative to oil wealth and facilitate a diverse economy as a result of continuous oil volatility and fossil fuel introduction and while encouraging the international community to enact itself in the involvement of disassociating itself from authoritarian or kakistocratic government in disguise of a democratic system of government.[1]

In reference to international institution intervening using the disposal of international bodies like the International Criminal Court to adopt a general

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[1]Kakistocracy
The worst people's government; a type of government in which the worst people are in authority.

body in reference to Nigeria I would suggest a Nigerian Foreign Corrupt Practice which would hinder political officer holder to account on mismanagement and corruption charges dwelling from money laundry and acquiring properties outside the jurisdiction of Nigeria. This measure is plausible and regardless it’s evident that money laundered is through international companies who partner with domestic companies to enable funds move swiftly through the international banking system. The IMF – International Monetary Funds and World Bank should thoroughly focus on unrealistic projects embarked by the government lending schemes which in turn is only used to enrich the pockets of political office holders and elites in detriment to the development of the said project. Adopting these causes with laws, myriad entities and regulations would fit into this argument that international bodies would be effective as an option to end amass of oil wealth by corrupt office holders.

The role international organization can play is pivotal to resource governance in Nigeria, the discussion further dives into the alternatives considered for the management of crude oil in Nigeria.

4.1 The Role International Organizations Can Play In Resource Governance in Nigeria

There are no silver bullets that will provide an immediate and extremely effective solution to prevent the curse associate to natural resources and making use of resources for economic growth. This is so because it very complex and or hard to totally avoid, however, international organizations can develop guidelines specifying the way nations can circumvent, or alleviate**,** the curse attached to natural resources and its effect on the economy as well as policies that promote transparency, anti-corruption, and supports political empowerment, pro-poor policies and sustainable and development. Reviews of some of these policies have emerged from previous and growing works of literature which seek to identify the way in which natural resource exploitation can promote inclusive and sustainable development which would extensively expound in this section. Therefore the following alternative should be considered for the effective management of petroleum resources**:**

4.1.1 Transparency

Transparency is the foremost aspect of ensuring transparency and decreasing the level of irregularities in governance. Monitoring data transparency, the integrity of government, preceding and succeeding legislative transition are significant elements of petroleum revenue management and organizations that define a good governance strategy (Humphreys et al., 2007).

The implementation of Nigeria's EITI Initiative has led to the degree of accountability in the oil and gas sector. Therefore, ensuring maximum transparency in the compilation of revenue collected and published how the government and petroleum industries utilize oil revenue, which would expectantly improve policy and corruption control.

In addition, creating an avenue where the public is allowed to have access to the revenue generation and spending of the government. The public should have access to government dealings and also the power to question irregularities in all sectors of the economy. If transparency is in place the nation can invest into Human Development from Health, Agriculture, Education etc.

4.1.2 Investment on Human Development

International Monetary Fund and World Bank must coerce countries with abundant natural resources investing revenue in Health, Agriculture and Rural Development, Aviation, Education, Environment, Justice, Labor and Productivity, Lands, Housing & Urban Development, Power, Science &

Technology, Youth Development, Mines and Steel Development, Trade and Investment etc.

This is crucial because it is highly important to enhance social effect of revenue generated through exploration of resources. Utilizing earnings from oil exploration activities in financing investment in various capital and human development projects are two reasons why alternative to public or private utilization are desirable. Firstly, it reduces the effect of Dutch Disease as it will specifically increase demand for importation when it gets to infrastructure. Secondly, it enables the productivity and efficiency of the economy to have a great impact on the nation as a whole.

Sachs (2007) Asserts that the impact of Dutch Disease can be prevented if the natural resource proceeds are spent on productivity-enhancing initiatives that generate the growth of human capital across the economy. Policymaker’s most difficult challenge is investment timing because productive projects is time consuming and requires adjustment cost. Sachs claims that the best reaction is to distribute investments overtime and maximize investment benefits net of the modification cost itself. Several authors have suggested an alternative solution of increasing living standards is to pass rents on per capita basis straight to the Nigerian population (Collier, 2006; Birdsall and Subramanian, 2004).

Although this proposition contains an equity-enhancing component, it may restrict the effect of enhancing public investment, education and improving health in public goods. Other unintended effects may occur such as rent seeking and disruptive conduct on local stages. The investment into human development and capacity would create an enlightened and industrialized environment with investment in every sector of the industry will help improve the country.

4.1.3 Improving the Institutional Framework and Governance

A very strong institutional framework is a prerequisite for the efficacy of policies formulated to manage natural resource risks**,** weaknesses of institutions was pointed out to exhibit a large share of the issues of resource governance mostly characterized by high level of unaccountability, institutionalized corruption, the rule of law absence and weak governance as a major contributor to the curse. An example is Botswana; there are viable institutions in Botswana permitting the nation to handle the mining process of diamonds; an effective initiative that seized mining privileges from the tribes to the government and thus preventing tribal conflicts (Robinson, 2006). In order to create the best of natural resource assets, institutions with the capacity to restrict private and group involvement are of primary importance. Therefore, international organizations have a definite opportunity to encourage the expansion of human growth in resource-rich nations by improving domestic governments' ability.

International organizations should advocate for the Implementation of shielded rights of potential or actual investors in the oil sector, and constraints are given to the political ruling class by the political structure and a large cross-section of the society's involvement. The improvement on the institutional framework and governance as seen in Botswana if applied to the oil and gas sector would lead to beneficial economic growth. The outstanding development record of Botswana is not only clarified by a single gram of silver or diamond, it is clarified by a whole spectrum of strategies that operated in order to endorse effective and efficient institutional and economic development (Leith, 2005). Improving institutional framework and governance is essential in resource management as it encourages development and high level of transparency in government dealings throughout every sector of the economy.

4.1.4 Diversification and Industrialization Imperatives

As a matter of priority, the international organization should encourage the diversification of the Nigerian economy which has dwelled solely on petroleum resources and as a dominant cause of income over the years. Regrettably, having driven a monolithic economy for years despite its huge natural and human capital assets, Nigeria has failed on the possibilities to break free from underdevelopment. Diversification especially into Agriculture and mining, therefore, presents the most strategic options and Nigeria has a number of advantages in making maximum use of its scarce assets in the face of developmental difficulties to rebuild the economy However, diversification cannot exist in vacuum, there is an urgent need to have an enabling environment in place in order to make diversification possible. These include a competitive exchange rate, institutional factors such as efficient administration, an expansionary fiscal policy as well as trade, investment, and industrial policies.

Diversification promotes growth and development in macroeconomic planning by mobilizing surplus-sector savings for use in the deficit sector. Selections abound expanding the economy e.g. agriculture, mining, manufacturing, tourism, and industrialization. For instance, stable growth in agricultural export can make a favorable contribution to trade deficit and the sustainable capital from agricultural industry probably through the accumulation of marketing surpluses can be used to finance developmental projects. In addition, it brings about an increase in the consumption of domestic food produce and employment of labor force required in the industrial sector and also extending the capacity of the manufacturing industry.

On the contrary, international organizations should assist the Nigerian government in mapping out a well thought out plan for industrialization, and transforming the Nigerian economy from extractive based into a manufacturing based economy. Industrialization is the breath with which an economy can survive and the world is tending towards it. Most developed countries of today attained such position mainly because they are highly industrialized, with the establishment of manufacturing facilities, there will be processing of agricultural produce mainly for exports which prompt economic growth. One major hindrance into industrialization is lack of credit and this can be overcome by pushing surplus from the oil sector to the deficit manufacturing sector.

4.1.5. International Criminal Court (ICC) Involvement

The ICC is an affiliate with the United Nations (UN); as an international court it possesses the authority to investigate and prosecute individuals who commit international war crimes and crimes against humanity. The international criminal court announced that it would focus on environmental crimes in the policy paper of September 2016, the destruction of environment and illegal exploitation of natural resources when selecting cases. It is imperative that the International criminal court forces the international community to be committed to accountability especially in the management of revenues from exploration activities and champion anti-corruption laws. Steps must be made to secure strict adherence to these contract agreements; including autonomous watchdog to assist in eradicating bribery and corruption.

Therefore, the ICC should show dedication to the rule of law and operate as a catalyst towards judicial exercises, including severe situation of corrupt practices by government officials that significantly jeopardize oil rich nation’s growth while casting abject poverty on it citizen. It was recollected that The Socio-economic Rights and Accountability Project (SERAP) indicted members of the Nigerian National Assembly of clearly committing an act of crimes against humanity towards millions of Nigerians with a unilateral decision by the legislators to reducing funding on educational projects, housing and safety projects, health projects, water projects etc. Replacing it with private projects to the tune of 6,403 projects worth N578 billion.

Cutting funding meant for essential public services constitutes a serious human right violation and crimes against humanity, therefore, these aforementioned crimes should be tried at the International criminal court and should be decisively addressed by indicting government officials who result to using their public office as a tool to promote their private agenda and profiting from denying Nigerians transparent public service.

CHAPTER FIVE

CONCLUSION

The entirety of this study focused on the Resource Curse theory – Dutch Disease theory and the role of International institutions in policy making, while identifying NRGI as a tool to discuss the concept, policies and application to resource governance in Nigeria. Since this thesis is solely based on the involvement of International organization, the researcher tends to focus on the organization viable to removing the resource curse in Nigeria. Their involvement is depicted using the NRGI Index from the Index composite, index component and index subcomponent, although stating the achievements of the international institutions and projects but as well discussing the limitation in projects implementation process. The role of the international institutions is further stretched in the resource governance of Nigeria ranging from suggestions on Transparency, Investment on Human Development, Improving the institutional Framework and Governance, Diversification and Industrialization Imperatives and Involvement of the ICC – International Criminal Court.

The study examines the curse of crude oil, international organization, involvement in resource management and the enigmatic effect of oil wealth and dependency in Nigeria. The fact is that Nigeria is an oil-rich nation, yet the oil revenue has not been converted into economic growth and most of the citizens are in abject poverty prompted this study. The Dutch disease occurs to clarify when the rapid boost of foreign currency influence export earnings which generates the appreciation of currency exchange mainly from natural resources export.

This eventually raises the comparative cost of non-traded goods like housing and continues to divert capital and labor towards non-traded goods and the exporting industry of natural resources. This impacts the competitiveness of the exporting sector of non-natural resource which has a detrimental impact on other sectors like the effects on agricultural production decreasing. Overtime this constant lack of investment on other sectors would reverse and deter development of other manufacturing sector while inhibiting industrialization making the economy depend solely on revenues from natural resource. The economy consistently suffers from price volatility which eventually leads to economic depression and recession.

Dutch Disease, therefore, the key economic ailment that frustrates the growth of Nigeria's development and enthrones the reign of a disarticulated economic regime which impedes economic development.

The international organizations play a vital role in achieving efficient resource management to prevent oil curse, firstly they must advocate and demand transparency and accountability in resource management and implores government of various nations to invest on human capital with earnings from exploration activities as well as embrace diversification of the economy and industrialization by pushing surpluses from the oil sector for development in sectors with deficits. In the case of Nigeria, the researcher advocates diversification into agriculture and mining because of its potentials to make a substantial contribution to export earnings which can be used to finance development project and its ability to make food available for domestic consumption. In addition, systematic corruption has since been recognized as a bane to the developmental progress of oil-rich countries and considered a crime against humanity, the international criminal court need to bring to book, government officials and lawmakers in Nigeria who are massively involved in cutting government spending sidelined for public essential services for personal gain thereby subjecting the common Nigeria to suffering and abject poverty. The institutional framework must be improved for Nigeria to witness exceptional growth with its resources just like Botswana. If Conditions are appropriately followed, it could help minimize the effect of preventing further Dutch disease in Nigeria and Sub-Saharan Africa as a whole.

Based on insights from existing works of literature, the followings are recommended:

a) The Nigerian government should ensure transparency, accountability and disclosure in using petroleum assets and income. Prudent spending of oil revenues on education, health, power, and infrastructure development are essential and as such should be seriously undertaken. Oil revenues should not be taken by corruption and its usage should be geared towards the provision of public services.

b) There is need to set up economic diversification funds and the fund should identify both existing and new industries such as Agriculture, that suffer from petroleum exports under the tenants of Dutch Disease and therefore be should be encouraged to develop by pushing surpluses from the oil sector to these identified sectors.

c) Government should strengthen the application of extractive laws in recognized loopholes especially during their practices from sharing of subnational income, environment and indigenous community involvement. The major concern here is to ensure that these laws are fully implemented and any individual or organization found wanting should be brought to book.

d) Major reform is needed in the operation of state-owned enterprises from regulation to disclosure of oil sales in corporation as the Nigerian National Petroleum Corporation (NNPC). Also, the law governing the appointments of state-owned enterprises officials should be reformed by establishing independent governing boards; giving priority to meritocracy rather than mediocrity and emphasizing technical expertise rather than political patronage.

e) Collaborations between the International Institutions and NGOs should attempt to fortify the global structure of the Natural Resource Governance also changing the activities of International corporation, enacting laws that requires compulsory accountability and transparency of project-level payments to the government as well as transactions related to commodities trading, also dissemination of information withheld by government to the general public which would clamor for more transparency.

f) It is understandable that volatility in world price of oil is persistent thereby there's a consistent fluctuation in revenue generated from oil by the country, Nigeria for example, due to its dependence on crude oil will always experience uncertain fiscal revenue change which can instigate economic recession and depression.

g) Nigeria has a decision to boost its income and financial growth by investing and developing other prospective high-income financial sectors of the economy.

Finally, implementation is distinct from compliance of international agreement? Defining compliance as a state of conformity or identity between an actor's behavior and a specified rule (Raustiala & Slaughter, 2001).These measures taken by international organization can tend to punish states who break international treaty agreements and issue warring sanctions that could be detrimental to their economy, this would foster transparency and with the involvement of the International Criminal Court with stringent rules, also the WTO World Trade Organization can also sanction trading states that fail to meet international agreements with stringent punishment, this would in turn create a coalition of public office holders, domestic and transactional actors to honor those policies. The effective cooperation of the domestic and international institution would further strengthen the institutions and ensure transparency while eliminating all forms of predenbalism and patrimonialism within the government.

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YAKIN DOĞU ÜNİVERSİTESİ

BİLİMSEL ARAŞTIRMALAR ETİK KURULU

07.12.2018

Sayın Adeyinka Adeniyi Ademolu

Bilimsel Araştırmalar Etik Kurulu'na yapmış olduğunuz **"Curse of Crude Oil - Resource Governance in Nigeria"** başlıklı proje önerisi, sadece ikincil kaynak kullanıldığı için Etik Kuruluruna girmesine gerek yoktur. Bu yazı ile birlikte sadece ikincil kaynak kullanmak şartıyla araştırmaya başlayabilirsiniz.

Doçent Doktor Direnç Kanol

Bilimsel Araştırmalar Etik Kurulu Raportörü

Direnç Kanol

Not: Eğer bir kuruma resmi bir kabul yazısı sunmak istiyorsanız, Yakın Doğu Üniversitesi Bilimsel Araştırmalar Etik Kurulu'na bu yazı ile başvurup, kurulun başkanının imzasını taşıyan resmi bir yazı temin edebilirsiniz.

YAKIN DOĞU ÜNİVERSİTESİ

BİLİMSEL ARAŞTIRMALAR ETİK KURULU

07.12.2018

Dear Adeyinka Adeniyi Ademolu

Your project **“Curse of Crude Oil - Resource Governance in Nigeria"** has been evaluated. Since only secondary data will be used the project it does not need to go through the ethics committee. You can start your research on the condition that you will use only secondary data.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee

Direnc Kanol

Note: If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.