DEVELOPMENTAL IMPLICATIONS OF NIGERIA’S OIL WEALTH

Johnson Agbonavbare Osagibovo
Department of Education, Benson Idahosa University, Benin City, Nigeria
E-mail: drjaosaigbovo@yahoo.com +234-803-791-7993

Abstract
Nigeria in recent times has earned huge petro-dollar under the aegis of the Nigerian National Petroleum Corporation (NNPC) to boost its oil wealth and complement other sectors of the economy, but this massive increase in oil wealth as national economic life-blood could not help to restore the ailing development infrastructures. The leadership failure has been more visible in the management of Nigeria’s oil economy since oil-find in the country. Instead of channeling oil wealth toward national development, it is been used to consolidate political loyalists and godfathers a situation, where few gains and many are in pains. This paper examines the politics of oil wealth in Nigeria and its implications for sustainable national development.

Keywords: Oil wealth, national development, local content, politics

Introduction
Nigeria leadership process has all been crisis-ridden from civilian to military and back to civilian formula in 1999. Authoritarianism has become a common feature of Nigeria military and democratic administrations. This ugly trend presents itself boldly in the processes of leadership selection in the country. The democratic situations offer the worst intolerable situation, where the party in power does not like oppositions even if it means pretentiously for the purpose of democratic pluralism. If electoral processes of campaigning and voting were any useful guide for victory, then it means more than can be seen for one political party to score 100 percent in Nigeria polls which are contested by candidates from no less than 50 political parties in the senatorial, House of Representatives, House of Assembly and local government elections under the independent electoral commissions (INEC) and states independent electoral commissions as seen in many states of the federation. The local government elections has just be there for consolidation of political bases of the states ruling parties than are they for grassroots development as envisaged by Abraham Babangida in his popular reforms, which make the local government to acquire financial and administrative autonomy with the status of third-tier level of government.

The Babangida reform became a pragmatic process of whittling down the long over due concentrated power’s at the federal level. The PDP sort of victory can only explain the menace of dictatorship against the people’s choice of leadership in a democracy, thus it is not easy to think of popular leadership in Nigeria nor find credible and independent-minded leaders with the requisite capacity, competence and character to forge the nation forward.

Under the military interregnum and democratic administrations, certain tribes were barred from attaining the apogee of their profession thus engendering mediocrity, hatred, nepotism, tribalism, sectionalism, exclusionism, and if you prefer deprivationism, which cumulatively enthroned lack of vision in the operation of development programmes of the Nigerian-state. The leadership failure has been more visible in the management of Nigeria’s oil economy since oil-find in the country: Nigeria is a country resting on tribal pillars, nurtured by presidential zoning and beset by the scramble for federal resources (Oladesu, 2010: 16).

Oil and Nigerian policies
Since exploration and oil find in Nigeria in Otuabagi/Otuogadi community in then oloibiri district in present days Ogbia Local Government Area in Bayelsa State by Shell in January 1956 till date, Nigeria has earned huge petro dollar under the aegis of the Nigerian National Petroleum Corporation (NNPC) to boast it oil wealth and complement other sectors of the economy, but this massive increase in oil wealth as national economic life-blood could not help to restore the ailing
development infrastructures. Nigeria earned between #1.26 trillion in 2000 and over #1.59 trillion in 2001 on petroleum profit tax in 2000 alone (The Guardian, 2001: 1 and 2). Yet, it remains bizarre where the money went without infrastructural development of the key sectors of the economy to lend support in generating revenues for national development. Nigeria is what it is today because of the interactions of three major political elements of control of the presidency, military forces, and oil resources. Thus, it has become common to discuss of the politics of power shift, politics of the armed forces, and politic of oil resource control.

The cardinal objective of this paper is to underscore the role of leadership in the mobilization of men and material resources of the state in national development based on the oil—economy. This has raised a lot of questions about Nigeria’s policies and the protection of the interests of the citizens in the operation of the oil industry in Nigeria. Hitherto, the Nigeria’s oil industry from the upstream, midstream and downstream sectors were and are still being monopolized by the western acclaimed purveyors of the technical expertise, science, technology and huge finance involved in the complex oil industry operation before the recent called for local content policy which Nigerians are expected to leverage to participate in the industry towards the overall national development.

Politics of local content initiative
In recent times, with the exception of the Niger Delta crisis, no other issue has attracted public attention to the Nigeria upstream petroleum industry sub-sector, as the “local content”. The local content policy initiative began to occupy national discourse in the late 1990s and early 2000, when series of conference reports sponsored by the officials of the Department of Petroleum Resources (DPR), Society of Petroleum Engineers (SPE), Nigerian Association of Petroleum Explorationist (NAPE) and the NNPC workshop on local content, Lawal (2001: 44) pointed at such policy guideline which eventually was pushed for legislative endorsement under the Petroleum Industry Bill (PIB). Thus it is objective of the PIB to mandate every company in the upstream sector including the NNPC to be subjected to the same system of rents, royalties and taxes depending on the logistics of operation, i.e., offshore, shallow, or deep offshore and inland basins.

Local content, as at defining era of indigenous participation in the oil and gas industry, was behind the idea for PIB. Local content is defined by the department of petroleum resources as “the quantum of composite value added or created in the Nigerian economy through the utilization of Nigerian human and material resources for the provision of goods and services to the petroleum industry within acceptable quality, health, safety and environment standard in order to stimulate the development of indigenous capabilities”. At first, the Nigerian government set 45 per cent local content for Nigerian oil gas industry by the year 2007 (Lawal, 2004: 44). According to the Nigeria’s former Minister for Petroleum Resource, Rilwanu Lukman in Lawal and Hassasn (2009: 1 and 2): The Nigerian content plan includes obligation on the part of the investors with respect to the purchase of local goods and services, procurement guidelines assist local firms, training and education, research and development, and regular reporting and verification of Nigerian content plan. Several local and international conferences on the subject has been held, covering aspects such as policy, implementation business opportunity which indigenous companies see in the policy and no part of government, the opportunity it offers for value addition into Nigeria’s oil operation. It was then, contrary to existing window of freedom for the maximization of profit by the IOCs, the NNPC advocates modification in the joint venture agreements in the spirit of the local content policy to open up for indigenous participation in the upstream sector of the petroleum industry.

Politics of management of the local content initiative
Howbeit, the posture of defense of Nigeria’s interest in the oil and gas industry could not last long. Selfishness, corruption and select group interest provided the incentive for bureaucratic schisms between departments within the NNPC, on one hand, and between departments and NNPC, on the other. In the meantime, the mandate for implementing local content policy in the Nigerian oil industry, though often subject of dispute between Nigerian National Petroleum Corporation and the Ministry of Petroleum Resources on behalf of the department of Petroleum Resources, initially remained with the NNPC until the Ministry of
Petroleum Resources gained upper hand in the “supremacy content” between the NNPC and DPR. The development resulted in removing the implementation of the local content from the jurisdiction of the NNPC based on the logic that since the local content is a policy issue, it fall within the purview of supervisory ministry to control and drive the policy. The role of the ministry was aimed as a temporary policy control measure until the passage of the PIB (Lawal and Hassan, 2009: 1 and 2). Under NNPC’s watch, a federal government target of 45% local content implementation by 2007 was missed; another target to increase it to 70% by 2010 showed no sign of being met. NNPC became culpable in and blamable for the failure in the implementation of local content policy in the Nigerian oil industry so far. As the senior partner in the various joint venture operations in the Nigerian upstream petroleum industry sub-sector and the representative of government, NNPC, which role is to protect national interest in all oil operations has the clout to club the operating International Oil Companies (IOCs) into line.

Most regrettably, it has not done so nor is it likely to do so soon. Rather, it often acts as special advisory board and spokesperson, helping IOCs in producing argument against certain Nigerian government Policies. When the controversy flowing from the issue of gas flare out by 2008 broke out, after several postponements, Shell Petroleum Development Company (SPDC) argued that the date was not feasible and rather proposed December 2009 in alternative NNPC, which was set up by Nigerian government for national interest and which also is aware that the ultimatums on gas flaring began with gas Decree (Decree 99) of 1979 that gave oil producing companies up to January 1984, went ahead and argued loudly in support of SPC’s position. Of course, the result became obvious; the date did not hold neither did the date proposed by SPDC at the end of 2009. All these failure of compliance were manifest, despite Nigeria’s plan for green fuel to reduce gas-related greenhouse effects in the era of global climate change and millennium development goals (MDGs). The disappointing scenario stems in fact, from the economic and environmental menace associated with the flaring in Nigeria which made Nigeria to set 2004 as deadline contrary to 2009 date contrived by the IOCs. Apart from the fact that these IOCs do not flare gas in their home countries, the environmental and economic consequences on Nigeria is wholesome and worrisome and a calculated strategy of economic strangulation. This fact becomes self evidence because Nigeria’s gas flaring account for 75 percent of Africa’s and 19 percent of global environmental warming coming from each flare site of the more than 159 operating oil fields serving the 1, 481 oil wells in the Niger Delta, where all the oil companies operate (The Guardian, 2001: 16).

**Observed complicity of NNPC in the management of the local content initiative**

Although the NNPC, prided itself as the chief implementer of the policy of the local content initiative, it is seen that the NNPC has, sometimes, been guilty of defending the interest of the IOCs, by proving reasons to justify why Nigerians cannot be given certain jobs. In doing so, NNPC fails to appreciate that its role as implementer of the local content policy, includes making it possible for the IOCs to train and equip interested indigenous operators to qualify for participation. There is no doubt that, at times, the very close proximity between the NNPC and the IOCs makes it begin to acquire alien interests. This is expected as the joint venture operations between NNPC and the IOCs create room for personal interests on both sides and, therefore, for “regularly capture” on the side of NNPC to set in. in the 1990s when NNPC was airing the programme –petroleum perspectives on NTA, a writer, on one occasion, asked the presenter: why NNPC did not deem it necessary to include the transport of its share crude oil to its international buyers, even when NLNG that was then coming on stream quickly incorporated the Bony Transport Company for the purpose of transporting its gas to the market. That question was never answered. Rather the feedback section of the program that allowed the question in the first place was removed.

Till date, NNPC has not decided to muster the required political-administrative will beyond prevarications to participate in the transportation of Nigerian oil on international routes nor has it allowed indigenous shipping companies to do so as a part of local content initiative; all that the lame monopoly organization does through its bureaucratitis is to frustrate genuine national policies that could be leveraged by the country or her citizens to buy in, participate and share in the
fallouts in the oil industry business. The attempt by Nigeria’s vessels to join other nations in the international free-flagging services between 2008 and 2009 was frustrated by the visionless, corrupt-ridden NNPC because by commission or omission it failed to register her vessels among the half-a-million others at the rate of between mere $1,500 and $3,000 and comply and adapt to the requisite international best practices, codes and regulations. The failure deliberately or by error, denied Nigeria, within the short period of one year, the whooping sum of about $109 billion revenue from the downstream sub-sector of the oil and gas industry (Nzeshi, 2009: 6; Amanze-Nwachuckwu, 2008: 8 and Eke, 2008: 76). This is the ugly situation, despite the implication for value addition to Nigeria’s oil operation.

The same way, the elimination of Nigeria’s participation in international transportation services in the oil and gas industry is attributable to the ineffective defense of Nigeria’s interest in the oil and gas industry. Transportation of crude oil on international routes is estimated to account for about 10% of the cost of oil. For too long, indigenous shipping companies have been clamouring for an opportunity to transport Nigerian crude oil. The National Maritime Administration and Safety Agency (NIMASA) which oversees shipping in Nigeria has done all in its power to see that this becomes a reality, but each time, NNPC poses as the albatross constituting the heavy and worrisome cog in the wheel of progress. Yet, NNPC chooses now and then to charter tankers for local and international cargo services over very long periods, sometimes, as floating storage tanks for petroleum products. One such examples is the charter arrangement by the NNPC for storage ships in 1992, when the corporation acquired a fleet of petroleum ships as floating storage tanks (international holding tanks) as a result of the frequent importation of refined petroleum products from abroad which led the corporation into a dept obligation of N100 billion to the vessels owners: Real Shipping limited, owners of MT Real Progress, Daddo Maritime Services, owners of Ventures; African Maritime Limited, owners of Bright Sky; Galois and Company Limited, owners of Brilliant; Helpz Oil Limited, owners of MT Zeal; Nigeria Ports Authority (NPA), owners of Tugs Boats, etc; Nigeria Ports Authority, owners of Tug Boats was owned #4 billion for hiring out its boat to provide support for other vessels during loading and discharging of cargo (Ubanna, 1997).

The disappointing stratum in the arrangement was not only that the corporation opted for charter arrangement instead of outright purchase but that it was an individual within the company that used oil company name as front of the project. In January, 1993, the NNPC with the front company chartered two vessel at the whooping cost of $30,000 per day; at a rate that was higher than the prevailing market rate $20,000 and which in one year had risen to estimated cost of $10.95 million (Ukim, 1993:10-15). The openings for sharp practices in oil and gas industry by the operators in the NNPC management is perpetrated by sabotage of lack of maintenance and willful or deliberate destruction of industry’s facilities. Illuminating the point in case, Ukim (1993:13) further posited and agreed: a powerful syndicate is involved in the importation of refined products. Because that business thrives most when the local refineries are shut, the syndicate has developed an ingenious strategy which includes torching up the refineries to keep their business on. The Kaduna refinery, for instance, has been burnt twice in the year 1993. Adding his voice to the sordid developments in the industry, Jubrina Aminu in Newswatch (1993:13) noted with regrets: the one that surprised one was how the Warri refinery suddenly stopped one night, it was mischievous. Suddenly, the Warri refinery stopped functioning.

Aside from the foregoing, NNPC also has its hands filled with responsibilities, given the level of manpower it has to also carry on the additional responsibility of implementing local content policy in the Nigeria oil industry. NNPC was rightly set up as an operating company not a regulator. But over time, it has taken on the responsibility of regulating some aspect of the industry in which it also operate. This abnormal has gone on for too long to make NNPC begin to believe that what is wrong is right because it alone functions as a judge and jury. The Job of regulating the entire operations in the oil industry, including local content implementation, is rightly that of Department of Petroleum Resources. Thus, the Ministry of Petroleum Resources is right in insisting that local content is a matter of policy which implementation should not be the responsibility of NNPC as an operator. If NNPC where to be allowed to continue implementing the
local content policy; first, it would mean that NNPC itself which should be subject to regulation will escape scrutiny and second, it would mean that the IOCs can continue to manipulate the implementation of the policy to move at their own pace, given the manifest on unholy alliance between them and the NNPC at the detriment of Nigeria and her citizens. It represent sound for the Ministry of Petroleum Resources to take over local content implementation in the interim and latter, transfer same to the Nigeria Petroleum Inspectorate (NPI) to be created by the Petroleum Industry Bill (PIB).

Politics of legal framework for the local content initiative
The PIB is a document prepared by the Oil and Gas Reforms Implementations Committee (OGIC), which was under the headship of Nigeria’s former Minister of Petroleum Resources, Rilwanu Lukman (Lawal, 2009: 54). The PIB, no doubt, stirred up lots of controversies between Nigeria policy makers and the IOCs. Leading blatant criticisms by the IOCs is the Anglo-Dutch oil behemoth- the Shell BP. The PIB was conceived as a policy step to streamline and strengthen the operations of the oil and gas industry with the creation of three separate and clearly defined entities: first, the establishment of the Nigerian Petroleum Inspectorate (NPI) to handle all matters relating to the upstream activities including oil and gas exploration and production process; second, the creation of the National Midstream Regulatory Agency (NMRA) that will be responsible for leading with all matters relating to midstream activities including pipeline transportation, storage, refining and Liquefied Natural Gas (LNG), among others; and third, the Petroleum Products Pricing Regulatory Authority (PPPRA), which will be responsible for all matters relating to downstream operations including petroleum product and natural gas distribution to the final consumers.

The proposal which was articulated and forwarded to the National Assembly by the Rilwanu Lukman-led OGIC were seen by NNPC partners in the joint venture arrangement as duplications that lack wider consultation and institutional arrangements for the implementation of the law, especially the provisions including systems of acreage award and management, work programme commitments, revocation, assignment and mergers; the provisions relating to the incorporation of existing joint venture agreements between the NNPC and the IOCs and; the provisions relating to the fiscal arrangements, including the fiscal regime for existing and future Production Sharing Contracts (PSCs). The former regional executives vice president, Africa, Ms Ann Pickard in Daily Sun (2010: 48) describe the PIB as “a cumbersome document that lacks insight into the very basics of oil industries” and, therefore, tagged the bill, the “harshest in the world” even though it is seen as an all important document to solve the anxiety-driven local crisis of Nigerians, especially the Niger delta in the oil and gas industries.

Nigerians participation and the local content initiative
Apart from the reserved lower positions of Nigerians in the employ of the IOCs, the Shell Petroleum Development Company with its greater percentage of staff and directors being Nigerians, offer Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and directors being Nigerians opportunities to attract transfer of technology through the exchange of staff and career development programmes. Over 935 Nigerian staff have benefitted from overseas assignments between 3 to 4 years duration under shell. Comparatively, Nigerians employed in the Nigerian National Petroleum Corporation show a poor scenario of staff and dirs...
losses and gains for the economy and themselves. It remains to say that department of petroleum resources though is in the best position as a regulator to implement the local content policy; it needs a lot of upgrading in other for it meet the challenges of regulating the complex petroleum industry. It is in this regard, that Nigeria’s President Goodluck Ebele Jonathan, signing the local content bill into law in April 2010 promised to set up a Commission for the proper regulatory roles in the implementation of the local content initiative. The argument was and has since been that an independent commission in the mould of the Nigerian Communications Commission (NCC), with the right caliber of human and material resources, is needed to regulate the IOCs including NNPC operations. A beggarly, ill-equipped, underfunded and circumscribed DRP or NPI cannot face up to the IOCs or NNPC in the course of its regulatory duties. This will only create room for a situation where, “the policed arms the police”. How effective is a DPR which relies on the regulated for equipment and even logistics? The upgrading has not been done and the reason, it has been said, stems from NNPC’s desire to be the only big brother in the industry. It is believed that NNPC detests the coming on stream of any agency which makes NNPC subject to its scrutiny. It is therefore, hoped that the Petroleum Industry Bill in the making, in replacing the department of petroleum resource with the Nigerian petroleum inspectorate (NPI), contemplates upgrading it as envisaged above. Unless this is done, the implementation of the local content policy, the gas flare out policy among others, in the petroleum industry, will continue a mirage, Nigeria will continue to be rated as the world’s worst flare of association gas where others are increasingly monetizing theirs. The petroleum industry will continue to be exposed to expropriation by the IOCs, whereas countries such as Brazil, Norway, Libya, Venezuela and others are leading the way in local content implementation to the benefits of their country’s economic growth and development.

Notwithstanding the sabotage and road-blocks association with cartelization policy of external and indigenous powers in the oil industry, Nigerian participation in the industry has begun to witness constant growth even before the development became reinforced by the provision of the local content policy of the federal government. The emergence of Depot and Petroleum Products Marketers Association (DAPPMA) and Oil and Gas Cargo Carrier Limited, among few others, are very striking examples that should be effectively employed for catalytic development in the strategic oil industry, in particular and the national economy, in general. It will yield us the world of good discuss and understand the meaning, purpose and role of these organizations in the development of the oil and gas industry in Nigeria and other areas of the economy that will elicit national development.

Conclusion
The politics of oil wealth has soiled the Nigerian soul, she can no longer rise to reason, what hit her hard to slump into the abyss of development. This is a wake up call to act fast, for Nigeria must exculpate the image of banana republic in playing African giant. Leading the blistering criticism of Nigerian government over the poor management of the oil resources was Pat Utomi (2001:14) who described Nigerian oil sector as an enclave economy with little, if any linkages to the rest Nigerian economy, a glaring disconnect between Nigerian state and the society. Utomi make a comparative overview of the situation where Shell, the most vocal critic of Nigeria’s PIB, has investments in Nigeria’s oil exploration, which have become a happy subject of campaigning by the British politicians because such investments create 10,000 jobs in the United Kingdom, when Shell in Nigeria is retrenching a few more of its very few Nigerian staffs. Shell is only one of the seven majors in the Nigerian oil and gas industry but it alone prides itself with over that number of jobs in its home-state, Britain. The sum-total of job gain by the own states of the IOCs, in the games theory, means Nigeria’s loss and vice-versa. This is the logic of the controversies by the IOCs over the PIB and its focus on the local content initiative. Sequel to this, there should be a judicious utilization of oil wealth in Nigeria by our leaders, creating jobs for the unemployed youths, encouraging reasonable participation of Nigerian in oil and gas industry, in order to achieved sustainable national development.

Recommendation
1. The National Assembly should pass the Petroleum Industry Bills (PIB) with due
1. There is no alacrity to enhance Nigerian participation in the oil industry.

2. The Petroleum Products Pricing Regulatory Authority (PPPRA) should ensure that money realized from the sale of oil is properly accounted for to sustained national development.

3. Nigerian government should ensure that oil wealth are judiciously used for sustainable development, a system of checks and balances, accurate accounting and proper planning should be built into the administrative machinery of the oil and gas industries in Nigeria.

4. The mismanagement of oil wealth must be checked by various devices. For instance, prudential safeguards such as award of contracts on the basis of tender or competitive bids, the utilization of more than one signatory for cheque which are paid by vouchers, are quite helpful in financial management.

5. Nigerian government should use oil wealth to create more jobs for our youths and check the phenomenen of unemployment in the economy of the nation.

6. Nigerian government should use oil wealth to establish well trained and equipped security outfits to apprehend the present threat to national security. Without national harmony and peace, no meaningful reliable and sustainable development can be achieved.

References


