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Resource Curse in Nigeria: Perception and Challenges

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Abstract

This paper will examine the Resource Curse phenomenon in the Nigerian socio-economic context. It will then endeavour to explain why the absence of a mechanism for the effective engagement of civil society is the primary reason for which Nigeria is finding it difficult to overcome the negative consequences of its having an extractive sector. The present ad hoc engagement process makes it difficult for civil society and the private sector to be effective in holding government institutions and public servants accountable.

It identifies some of the impediments to a vibrant engagement process as the ubiquitous presence of the Official Secrets Act and the absence of freedom of information legislation, the existence of hybrid civil society organisations, mutual suspicions existing between government and civil society, a lack of capacity within civil society and the absence of an institutionalised lobbying framework in Nigeria.

It will take a look at a range of policy entry points provided by international initiatives - such as the Extractive Industries Transparency Initiative (EITI), the local adaptation of EITI in the Nigeria Extractive Industries Transparency Initiative (NEITI), and local initiatives such as the National Economic Empowerment and Development Strategy Document (NEEDS). It will also look at what occurs in Norway and, to some extent, Alaska (two oil producing economies) as comparisons. Then, it will provide practical guidelines regarding possible policy interventions that might serve to create a friendly, accommodating, and efficient and open process promoting the civil society/private sector engagement of government institutions, whose primary purpose is the creation of a transparent and accountable form of management for Nigeria's oil resources.

The policy recommendations are primarily in the mould of international best practices as advocated via global initiatives such as the EITI and the Mining Minerals and Sustainable Development (MMSD) project, and also other international best practice options applied within a local context.

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The views contained inside remain solely those of the author who may be contacted at onyeukwu@policy.hu.

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1 Introduction

> *'Some 30 years ago, Indonesia and Nigeria had comparable per capita incomes, and both were heavily dependent on oil revenues. Today, Indonesia's per capita income is four times that of Nigeria. Nigeria's per capita income has actually fallen, from US$302.75 in 1973 to US$254 in 2002'* [1]

The above quotation summarizes what has been termed the totality of the effect of the 'resource curse' in Nigeria and, indeed, most sub-Saharan African Countries. The resource curse refers to this paradox: that countries with an abundance of natural resources (like oil, diamonds, gold, other minerals) have less economic growth than countries that do not possess these natural resources. This may happen for many different reasons, including a decline in the competitiveness of other economic sectors, under-investment in education and a mismanagement of revenues gained from the natural resources sector.

However, there is some level of disagreement as to the real cause of the resource curse among writers[2]. The term was first used by Richard Auty in 1993, to describe how countries rich in natural resources were not able to use that wealth to boost their own economies and how such countries had lower economic growth than countries that did not have an abundance of natural resources[3]; although the idea that natural resources might be more of a curse than a blessing began to emerge in the 1980s.

Numerous studies, including a notable one by Jeffrey Sachs and Andrew Warner, have shown a link between natural resource abundance and poor economic growth[4].

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[1] See Joseph E. Stiglitz in 'Making Natural Resources into a Blessing rather than a Curse in 'Covering: A Reporters Guide to Energy and Development' edited by Svetlana Tsalik and Auya Schifrin page 13

[2] This disagreement is amplified by the writings of Kaufmann, D., A. Kray, and P.Zoido-Lobaton, 2002, Governance Matters II - Updated Indicators for 2000/02; Mimeo, World Bank, Washington DC., Sachs, J., and A. Warner, 1995, Natural Resource Abundance and Economic Growth in G. Meier and J. Rauch (eds), Leading Issues in Economic Development; New York: Oxford University Press

[3] Auty, Richard M (1993) Sustaining Development in Minerals Economics: The Resource Curse Thesis. London, Routledge.

[4] ibid

This dysfunction - between natural resource wealth and economic growth - can be seen by looking at figures from oil producing countries. From 1965 to 1998, in OPEC countries, gross national product per capita decreased on average by 1.3 percent - while in the rest of the developing world there was a per capita growth by an average of 2.2 percent[5]

The identified negative effects of the resource curse include the Dutch disease, excessive borrowing, corruption, government complacency, a neglect of education and violent uprisings.

Nigeria is the largest oil producer in Africa and the tenth largest producer of crude oil in the world. In 2005, total Nigerian oil production, including lease condensates, natural gas liquids and refinery gain averaged 2.6 million bbl/d (of which 2.4 million bbl/d was crude oil).[6] Nigeria's economy depends heavily on the oil sector, for it makes up 95 percent of export revenues, 76 percent of government revenues, and accounts for about a third of gross domestic product (GDP). With its large reserves of human and natural resources, Nigeria has the potential to build a prosperous economy, reduce poverty significantly and provide health, education and infrastructural services, which its population needs[7]. It is therefore ironic that Nigeria, which was one of the richest 50 countries in the early 1970s, has retrogressed to becoming one of the 25 poorest countries at the threshold of the twenty first century. It is quite baffling that a country that is most often classified as the sixth largest exporter of oil is at the same time host to the third largest number of poor people, after China and India. Statistics show that the incidence of poverty - using a rate of US$1 per day - increased from 28.1 percent in 1980 to 46.3 percent in 1986; and this went up to 69.2 percent in 1997. The 2004 report of the National Planning Commission indicated that poverty had gone down, however, to 54.4 percent. Nigeria fares very poorly in all development indices. The average annual percentage growth of GDP in Nigeria from 1990 to 2000 was 2.4. This is indeed very poor when compared to Ghana, which averaged 4.3 - and Egypt, which had an average GDP percentage growth of 4.6.

[5] Gyfason, Thorvaldur (2000), Natural Resources: Education and Economic Growth, CEPR Discussion paper 2594

[6] See Country Analysis Brief (Nigeria) in www.eia.doe.gov

[7] See World Bank's Country Brief, available at www.worldbank.org/nigeria

The Contribution of Oil to Government Revenue

From an analysis of Annual Reports made by the Central Bank of Nigeria, there has appeared to be steady progress in the amount of revenue contributed by the oil sector since 1980. While oil contributed 56 percent in 1980, the figure for 1985 was 76.2 percent. The figure had gone down to 70.6 percent in 1995[8]. And, in 2005, a breakdown of total revenue accruing to the government showed that oil contributed 78 percent - against 15 percent from the non-oil sector and 7 percent from the independent sector. However, the general perception of most stakeholders is that oil contributes an average of 95 percent to government revenue in total. This comes as a result of the total breakdown of infrastructure and a declining level of capacity utilisation in the real sector. Yet government efforts to improve contributions from the non-oil sector to national revenues have not yet had notable results. A focus group interviewee from one of the Niger Delta States noted:

> *'If oil is not the source of 95 percent of Government revenue, why are they not allowing us to keep up to 50 percent of the resources derived from oil? They are not, because they will starve - and we will prosper. That is why we need to suffer for God's blessing rather than enjoy it…'*

The contribution of oil to government revenue rose from 0.1 percent in 1958 to 26.3 per cent in 1970; and, since then, it has been on an upward swing, as illustrated below[9]:

[8] Primarily as a result of a glut in the oil market and its resultant reduction in the total revenue accruing to the government in that year, rather than a rise in the contribution of other sectors of the economy to the total revenue
[9] Source: Central Bank of Nigeria Statistical Bulletin and Annual Report (various issues)

Year	Total Federal Revenue	Oil Revenue (Nm)	Oil revenue as % of total
1970-80	63280	47690	75.36
1980-90	241287	185231	76.36
1991	78640	60316	70.2
1992	138617	115392	83.2
1993	138874	106192	76.6
1994	201971	160192	79.34
1995	459987	324548	70.56
1996	520190	369190	70.97
1997	582957	416811	71.50
1998	463608.8	324311.2	69.95
1999	948187. 9	724422. 5	76. 32
2000	1906159. 7	1541675. 8	76. 97
2001	22331532. 9	1797518. 8	76. 52
2002	1731837.5	1230851. 2	71. 07

Nigeria is among the 20 countries in the world with the widest gap between rich and poor. The Gini index measures the extent to which the distribution of income (or in some cases consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Gini index of zero represents perfect equality while an index of 100 points to a perfect inequality. Nigeria has one of the highest Gini indexes in the world - for Nigeria, it is 50.6. This compares poorly with other countries such as India (37.8), Jamaica (37.9), Mauritania (37.3) and Rwanda (28.9).[10]

It is quite amazing that the stupendous resources gained from oil have not been reflected in the rate and level of development in Nigeria. Rather, is has become a major source of concern that such resources might, when we look at the economic indices,

[10] Otive Igbuzor: Review of Nigeria Millennium Development Goals 2005 report (presented at the MDG/GCAP Nigeria Planning Meeting, held in Abuja on the 9th March 2006.

be classified as having been wasted. Cumulative earnings from the export of oil between 1965 and 2000 have been put at US$350 billion, at 1965 prices – with fewer payments being made to the oil companies.[11] Given the fact that over the last six years the price of oil on the international market has been consistently rising, we can safely say that Nigeria has earned more than the triple the 2000 figure.

Most people interviewed strongly believed that the presence of oil in Nigeria is the reason why there is '*a tribe of rent seekers'*, whose only contribution to development is the creation of distortions. And in the words of one senior Government official 'We live in two nations – one for the rich and the other for the poor, called Nigeria'

It is very clear, then, that Nigeria's damning state of underdevelopment is no doubt a result of the resource curse. The questions that in consequence arises - and which this paper will attempt to provide an answer to - are: what is proof of a resource curse? What roles do civil society and the public and private sectors play in keeping alive the resource curse - and which of them is more culpable? What are public perceptions of attempts made to combat the resource curse in Nigeria? What are the institutional bottlenecks arising when one seeks to deal with the resource curse and offer solutions to the problem, while making use of civic and international public pressure? What are the limitations of civil society in being able to ensure greater transparency and accountability, despite its several initiatives since 1999? What are the challenges arising due to the resource curse that are peculiar to Nigeria? What are people's perceptions of the resource concept in Nigeria? What is being done to curtail it? What roles should the various stakeholders play in combating Nigeria's resource curse? And to what extent can the experiences of other countries be effective when seeking to deal with the resource curse in Nigeria?

[11] See Xavier Sala-i-Martin and Arvind Subramanian (2000) Addressing the Natural Resource Curse: An Illustration from Nigeria (IMF Working Paper 2000)

Evidence Gathering

To be able to find an answer to such questions, there has been data-gathering, a literature review, a survey, personal interviews and focus group discussions.

- **The Survey**: A cross-section of Nigerians was examined. On the whole, about 40 respondents filled in the questionnaire. People made up a cross-section of different social, economic and political strata, and came from all states of Nigeria. The survey questionnaires were utilized in the months of April and July 2007, respectively. The reason for staggering the period of administration was basically to test the veracity of answers given in one period against ones from the other. The questionnaires were administered by the writer and two research assistants directly to research respondents.
- **Focus Groups Discussions**: Focus Group discussions were held in Lagos, Abuja, Port Harcourt and Kano, with some non-state actors looking into the subject of this research.
- **Personal Interviews**: Personal interviews were also conducted with government officials, private sector leaders/practitioners, some staff of development agencies in Nigeria, a few diplomats, members of the academic community and leaders of community-based/youth organisations in the Niger Delta region of Nigeria on the subject of this inquiry.

2 Problem Description

> *'I call petroleum the devil's excrement. It brings trouble…waste, corruption, consumption, our public services fall apart, and debt - a debt we shall have for years…'*
>
> *Juan Perez Pablo Alfonso, the Co-Founder of OPEC (The Economist, May 22, 2003).*

The above aptly summarises some of the challenges that Nigeria is facing as a natural resource-based economy. In development economics, it is generally agreed that natural resource-abundant economies tend to grow more slowly than economies that do not have substantial resources. Examples are such growth-losers as Nigeria, Zambia, Sierra Leone, Angola, Saudi Arabia, and Venezuela. Major and significant growth-gainers, countries that are resource-rich - like the Asian Tigers of Korea, Taiwan, Hong Kong and Singapore - have indeed excelled themselves. Such instances include Botswana, Canada, Australia and Norway.[12]

The major challenge for Nigeria is how to get out of the family of growth-losers unto the family of growth-winners. To effectively go through the transition, Nigeria will need to take steps to deal with the negative effects of the resource curse. Some of the growth-inhibiting areas uncovered by this work include:

Corruption

The major challenge for Nigeria is ways and means of curbing a corruption that seems to have eaten very deeply into the national fabric, with its attendant consequences. The Guardian newspaper,[13] in a recent editorial, had this to say of corruption in Nigeria:

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[12] See Havlor Mehlum, Karl Moene and Ragnar Torvik: Instituitions and Resource Curse, Department of Economics, Norway University of Science and Technology (2005)

[13] Of Monday 30 November, 2006 (The Guardian is one of the most authoritative and respected sources of news in Nigeria)

‘Corruption in public places, looting the treasury, bribery, inflation of contracts, political chicanery and the brazen mismanagement of public resources and institutions is common and recurrent in the country. The public is, however, fully aware of the disastrous impact of all of this on national growth and development.

Evidence can be seen in the country’s chronic underdevelopment. In the last 40 years, the quality of human life has dropped, in general, and in that Nigerians have witnessed a great failure in these aspects of their lives: education, health care, roads, electricity supply, the national employment profile, and public institutions as a whole.

(…) $380 billion is six times the value of the amount of money that was used to rebuild Europe at the end of the Second World War, as part of the well-known Marshall Plan. The EFCC boss identified the 80s and the 90s as being the worst period for Nigeria in terms of the evils of corruption. Yet this may not be entirely true, given the absence of reliable statistics stating the contrary. The country has made more money from the sale of crude oil in the last 10 years than perhaps in the preceding 20 years. Where has all the money gone? Under the present government, institutions and public infrastructure have practically collapsed…’

To attempt a good cleansing of the system, the government of President Olusegun Obasanjo, on assuming office in 1999, committed itself to ensuring that corruption would be fought to the death in Nigeria. To prove its commitment, the government set up early on two main anti-corruption agencies via legislation. The agencies were the Independent Corrupt Practices and the Related Offences Commission (ICPC), and they were inaugurated on September 29, 2000. The main remit of the ICPC is to receive complaints, and to investigate and prosecute (if needs be) offenders. Other duties include education and enlightenment of the public in relation to the topics of bribery, corruption and other, related offences. The ICPC also has the task of reviewing and modifying the activities of public bodies whose own practices may lead to corruption.

The second such agency is the Economic and Financial Crimes Commission (EFCC). The EFCC was established as a result of the preponderance of economic and financial crimes - like the ‘advance fee fraud’ (419), money laundering etc. - and the severely negative consequences it has had on Nigeria (decreased foreign direct investments and a tainting of Nigeria's national image). It was the menace of these crimes and recognition of the magnitude and gravity of the situation that led to the establishment of the EFCC through the Economic and Financial Crimes Commission Act of 2002. The Commission has high-level support from the Presidency, the Legislature and key security and law enforcement agencies in Nigeria. It has been 'notorious' in bringing very high-level government officials, especially at the state level, to account.

However, despite the establishment and reported efforts of these agencies, along with other government efforts to fight corruption, most Nigerians polled from across the country in a survey (for this paper) are still of the view that there has been no notable reduction in corruption since 1999.

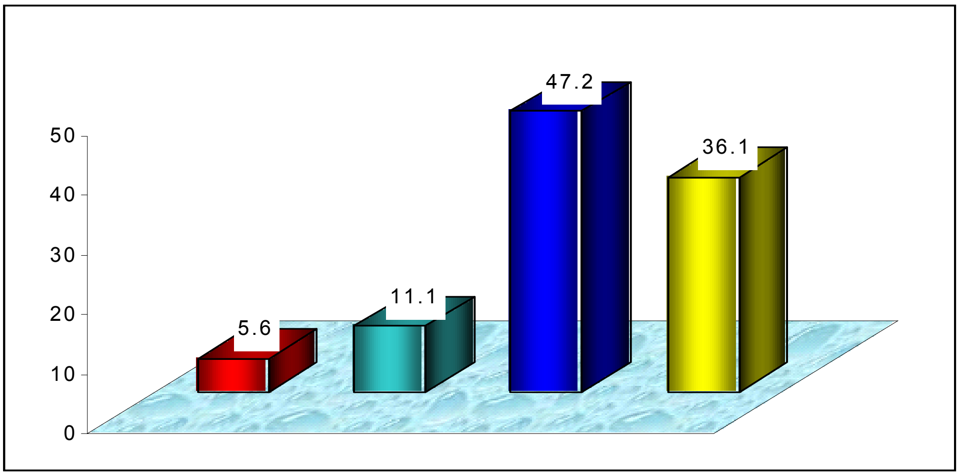

Table 1

As seen in table 1 above, only 5.6 percent of persons fully agree that there has been a considerable reduction in the incidence of corruption since 1999, against 11.1 percent that reluctantly agreed; while 47.2 percent partially agreed - set against 36.1 percent that do not agree.

On a question relating to the adequacy of anti-corruption measures now existing in Nigeria, table 2, below, shows that public perceptions are strongly divided. 30.6 percent of research respondents agreed that measures are entirely inadequate, while the same percentage of persons do not agree that such measures are inadequate; while only

13.8 and 25 percent were reluctant about agreeing or partially agreed as to the adequacy of taken measures.

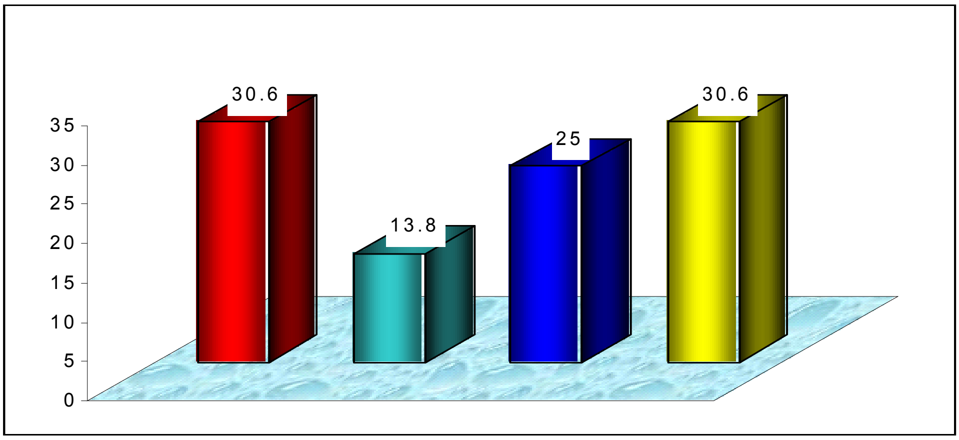

Table 2

Government Complacency

Nigeria, like most countries owning such important resources, is in a situation where there is complacency and a lack of attention when it comes to there being a need for economic diversification. This is due to the high profitability and ready availability of resources. For example, while a country like Indonesia invested its oil resources in agriculture, Nigeria has not. Nigeria chose to invest in services and manufacturing. As a result of the inadequacy of manpower and proper incentives, however, most projects here were not sustainable - and subsequently collapsed. The social infrastructure is run down. Electricity supply is so unreliable that most households and industries rely on imported power generators so as to generate their own power supplies. It is estimated that Nigeria presently generates about 1500 MW – but has a (modestly estimated) 4500MW electricity requirement. Yet it is estimated that there is also about 3500MW of self-generation, in the form of small diesel/petrol-generating sets - as many more Nigerians are now generating electricity in more ingenious ways. It is estimated that only about 36% of Nigerians have access to electricity from the national monopoly, the NEPA, via the Power Holding Company of Nigeria (PHCN). The estimated demand for power in 2005 was about 9780MW. This will require a generating capacity of about

12700MW, and with a projected demand level rising to about 10500MW what the country actually needs now is about 13600MW of electricity generation.[14]

Neglect of Education

Over the years, there has been serious neglect of the educational sector. Funding for education has been reduced and is far below the needs of institutions. Teachers have been owed salaries for months. This has been seen as an attempt to ‘crowd out’ human capital – which is a major ‘challenge’ for many countries that rely on natural exports, for they see no immediate need for such capital. Resource-poor countries, on the other hand, like Taiwan and South Korea, have made enormous efforts with regard to education and investment in education, and this has contributed in part to their economic successes. Most of those interviewed attributed the large number of Nigerian students attending schools in Europe, America and some other countries[15] as sad testimony to the neglect of the education sector in Nigeria.

Excessive Borrowing

The debt situation in Nigeria has been such that Nigeria has lost all respect in the international business community. According to the Debt Management Office (DMO), Nigeria owed about US$32.9 billion in various currencies at the end of December 2003. Over 80 percent was owed to the Paris Club, and US$3 billion or 9.4 percent to multilateral lenders. The London Club debts and promissory notes amounted to US$2.35 billion or 7.3 percent. The debt burden was so heavy that it remained ‘precarious’ by any traditional indicator. This led to high ratios of debt stock and debt servicing in relation to GDP. As expected, Nigeria’s debt rose as a result of its massive amount of external borrowing in the early 80s, which was largely to offset a collapse in oil prices – and, of course, the bulk of the borrowing was not linked to future growth or exports. There was insufficient regard given to viability, and there was poor implementation due to weak absorptive capacity and governance problems – and there was a mismatch between loan terms and project profiles.

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[14] John Onyeukwu: Power Sector Reforms - Civil Society’s Concerns and Engagement Challenges (paper presentation at a Workshop on Power Sector Reform organised by the Socio Economic Rights Initiative at Niger Link Hotel, Abuja on the 18th and 19th of April 2007

[15] Including some English-speaking West African countries, like Ghana

The devastating effects of debt mismanagement led to huge arrears, penalties and interest that accumulated over the years 1985–1990. In December 2000, when an attempt at rescheduling was made, the principal sum was US$10.3 billion; while interest arrears were US$4.45 billion and late interest US$5.18 billion. Depreciation of the US Dollar between 2002 and 2003 then led to an increase in debt stock by US$4 billion.

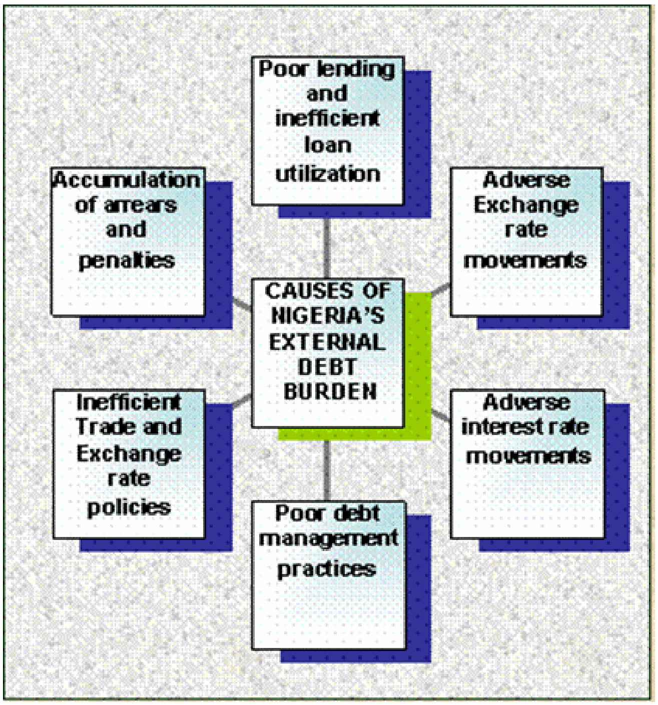
The consequences of the above state of affairs include the fact that debt servicing diverted resources from spending on human development and infrastructure. This diversion of resources put a stain on investors' perceptions of Nigeria's investment potential, and encouraged capital flight - and it also led to a lack of export credit cover. Such a situation persisted until President Olusegun Obasanjo began an international campaign to try to get debt cancellation for Nigeria from its major debtors.

According to the Debt Management Office[16], the causes of Nigeria's debt might be grouped into six main areas, which are:

- inefficient trade and exchange rate policies
- adverse exchange rate policies
- adverse interest rate movements
- poor lending and inefficient loan utilization
- poor debt management policies
- the accumulation of arrears and penalties.

[16] See: Origin of Nigeria's debt at www.dmo.gov.ng

The diagram below shows the reasons for and causes of Nigeria's external debt burden:



Reckless and inefficient borrowing occurred principally as a result of:

- the massive external borrowing that took place in the 1980s, largely to offset the collapse in oil prices and to fund non-development-focused projects
- borrowing that was not linked to future growth or exports
- insufficient regard being given to the economic viability of projects
- poor implementation due to weak absorptive capacities and governance problems
- a mismatch between loan terms and project profiles
- interest rate risks as LIBOR rates escalated
- leakages associated with governance problems.

Then, the above led to the devastating effects of being in arrears, interest payment requirements and penalties – i.e. there:

- were huge arrears, penalties and interest, accumulated over the years 1985-1998
- was a unilateral curtailment of payments to creditors
- In December 2000, for a rescheduling agreement, Nigeria's debt profile was said to be made up of a principal sum of USD$1.48 billion, principal arrears of USD$10.31 billion, interest arrears of USD$4.45 billion and late interest arrears of USD$5.18 billion.

In spite of the obvious fact that most of what Nigeria owed then was largely a result of accumulated interest arising from payment defaults, there were still defaults in payment after the 2000 rescheduling, which led to further arrears being built up; added to this, there were further defaults in succeeding years due to budget constraints.

However, on the 30th June 2006, President Olusegun Obasanjo informed Nigerians via a national broadcast that its Paris Club group of creditor nations had granted Nigeria relief on its debt[17]. The offer came in three parts: 1) Nigeria is required to settle its arrears with the Paris Club. 2) Once these arrears have been paid, there will be a reduction in debt stock, in Nigeria's favour, on Naples Terms. This simply means that up to 67 percent of the total debt stock of Nigeria will be written off. 3). What remains of Nigeria's debt stock after cancellation on Naples Terms will then give them an opportunity to 'buy back' with an appropriate discount rate. 4). In all, this might be expected to reach about 60 percent of its Paris Club total debt stock (based on December 2004 figures).

This was readily accepted by Nigeria in spite of mixed reactions from across the country in favour of - or against - the deal; and by April 2006, Nigeria had left behind the Paris Club debt burden, which was the highest.[18] The London Club debt, of about US$ 912 million, was also paid off, leaving out about N 1 866. 37 billion as of March 2007.[19]

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[17] Which was estimated to be about US$35.994 billion by December 31, 2004

[18] Okonjo-Iweala had, after sealing the deal on the 60 per cent debt relief in Paris, France on October 19, disclosed that Nigeria will pay the remaining 40 per cent of the Paris Club debt in three tranches. "In the first tranche, Nigeria will clear arrears by paying about $6.4 billion. About $1.3 billion will be paid in the second tranche. The balance of about $4.4 billion will be paid in the last tranche," she said. The finance minister who attended the meeting that led to the signing of the deal (it lasted 48 hours, without any interval) disclosed that after the first tranche of $6.4 billion was paid, the nation will immediately be granted $9 billion in debt relief by the Paris Club, representing 50 per cent of the total debt agreed to be written off by the club.

[19] This is about 3.6 percent of the Gross Domestic Product

The composition of the domestic debt portfolio appears below:[20]

Security Type	Amount N'billion	% of Total
Nigerian Treasury Bills	698.11	37.40
Treasury Bonds	413.59	22.16
FRN Development Stocks	0. 720	0.04
FGN Bonds	753. 94	40. 40
Total	1, 866. 37	100. 00

The Dutch disease

According to Joseph Stigtliz, oil and other natural resources, while perhaps being a source of wealth do not create jobs by themselves, and often crowd out other economic sectors. For example, an inflow of oil money often leads to currency appreciation – a phenomenon called the Dutch disease. The Netherlands, after its discovery of North Sea gas and oil, found itself plagued with growing unemployment and workforce 'disabilities' (many of those who could not get jobs found disability benefits to be more generous than unemployment benefit).

When the exchange rate soars as a result of resource booms, countries cannot export manufactured or agricultural goods, and domestic producers are unable to compete with an onslaught of imports. So abundant natural wealth often creates rich countries with poor people - as is the case with Nigeria, where although the country is reputedly rich, the majority of its citizens are poor.

After a detailed analysis of Nigerian economic history and the effects of the oil windfall on the economy - via what it did in raising relative prices on non-taxable to tradable and seeing what happened to relative prices and relative quantities - Xavier and Arvind[21] concluded that the Dutch disease explanation for Nigeria's economic performance is not entirely satisfactory because:

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[20] Source: Nigeria's Domestic Debt: The Current Situation (Debt Management Office) August 2007. Page 3

[21] ibid

It is not clear that relative price movements did in fact consistently disfavour the tradable sector in the immediate aftermath of the oil windfalls;

Relative price movements were not correlated with oil prices, so how oil windfalls were to be used - rather than oil prices per se - were more important in determining relative prices; in fact, decisions to keep the official exchange rate high were to a great extent related to the need to create rents (with a black market premium) at a time when oil revenues were in decline. Thus, exchange rate policy was endogenous, and was driven by rent and fiscal imperatives.

The sustained movement of relative prices in favour of tradables in the 1980s and early 1990s did not alter Nigeria's economic prospects;

Even though the role of the agricultural sector was declining, this was offset by an increase in the size of the government sector in economic activity - and the poor performance of the latter may well be the most important factor within Nigeria's long-term economic decline.

The authors then concluded their argument by saying that if the investments in services and manufacturing that Nigeria made in the aftermath of the oil windfalls had perhaps been efficient - yielding returns in the way they did in Eastern Asia – the country would now be celebrating a successful diversification away from agriculture by the Tiger on the Niger rather than bemoaning the victimhood of agriculture. However, we can be in no doubt here that Nigeria's present predicament is traceable to its oil wealth and to the attendant economic rent-seeking cliques that developed themselves over the years.[22]

Since 1999, when Nigeria made the transition from over two decades of continuous military dictatorship to civil rule, civil society organisations have tried to have a sustainable effect on management of the nation's resources. These efforts include engaging with the budgeting process at all levels of government, joining the international campaign on the extractive industries transparency initiative, pursuing government economic reform policies, and taking on board anti-corruption initiatives.

[22] Some have, however, argued that when set against the population and Nigeria's land mass, Nigeria is still a poor nation despite its oil revenue

The engagement process has come in different formats and with different platforms at all levels/tiers of government. However, it is quite surprising that, in spite of the attempts by civil society to restore public confidence in public resource management via improved accountability and transparency, general perceptions remain: that not much impact has been had in this regard. As indicated in table 3 below, of 36 people that were polled, 33.3 percent did not agree that Nigeria's oil resources has been better managed since 1999 - as against 16.7 percent who thought that Nigeria' resources are being well managed. This can set against a 'reluctant' 4 percent and 14 percent who partially think that such resources have been well-managed since that time.

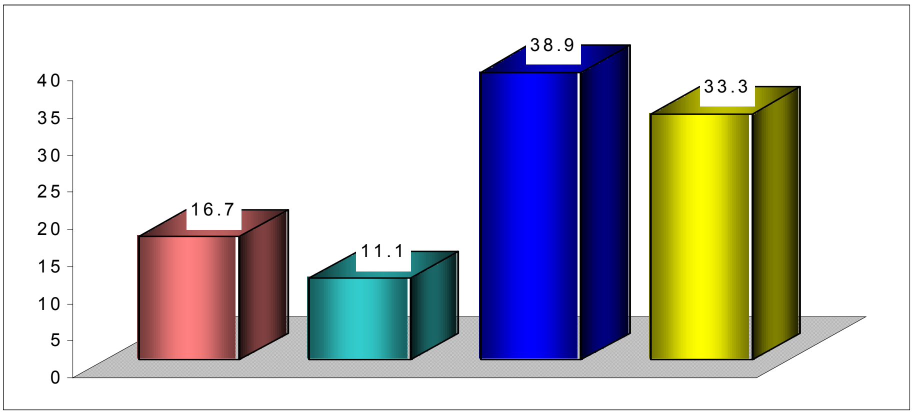

Table 3

Policy Analysts have identified three main 'resource curse' causes. And these include rent-seeking (Mauro, 1995) and (Leite and Weidmann, 1999) – otherwise known as the institutional impact of the natural resource curse – as well as a volatility in commodity prices, which may have an adverse effect on growth; and, of course, the Dutch disease.

Before 1999, civil societies' engagement with the governmental process was very limited - and mostly confrontational. Such engagement could not have been expected to be otherwise, bearing in mind that Nigeria was for most part of the time under military dictatorship, which broached no 'second opinions' and viewed every attempt at constructive engagement as treason. Most civil society organisations therefore worked informally, and gave their attention to trying to ensure political reforms more than any other type of engagement - the belief being that once there is political reform ensuring a return to civil rule, all other things will take shape. There was virtually no form of policy engagement, except of course political transition policies, and for most of the time there was mutual suspicion between the government and the other stakeholder groups (mostly organized civil society organisations).

Many activists were jailed for upwards of three years for attempting to or expressing an opinion contrary to that of the ruling junta. The majority of attempts at engagement ended up being confrontational to the extreme. Such a situation prevailed because the very first law of all of the military juntas was one that suspended the constitution and did away with the constitutional rights of the citizen. Above all, virtually all military decrees had provisions bypassing the jurisdictions of the courts that sought to look into government acts.

To further compound the situation, a military dictatorship usually has to face up to sanctions imposed by most countries and also by international development and multilateral organisations. In a country like Nigeria, which relies heavily on oil as its main income earner, this only served to encourage and embolden the military government of the day to perfect the means of enriching themselves in corrupt ways with the legitimate revenues of government and, also, with illegitimate revenues.

The presence of oil revenue of course ensured that they did not need to tax the majority of the people - which in a way was useful to them, as taxation via which to fund government could have led to unrest, which may have forced them out of government. Furthermore, the ability of civil society to engage itself was severely limited by its own capacity constraints. Most civil society organisations were only interested in political rights agitation, and had little or no interest or capacity to engage in issues outside this area. Development and socio-economic rights engagement was given little or no attention, therefore.[23]

At the dawn of civilian governance in 1999, many stakeholder groups, especially civil society organisations, had to start engaging themselves with the whole gamut of

[23] More in line with the Biblical injunction that if believers seek and attain the kingdom of God, all other things will be given unto them. Before 1999 only a handful of civil society organisations were engaged in the promotion of social and economic rights. Serious engagement did not begin, at a national level, until the year 2001, when the Shelter Rights Initiative (now the Socio Economic Rights Initiative), Nigeria Labour Congress and the Justice Development and Peace Commission organised the first roundtables to plan strategies for civil society's engagement of the budgeting process

institutions of democracy within a presidential system of government; this included the executive, a bicameral legislature at a national level (senate and house of representatives), the judiciary, and state structures – consisting of 36 executive arms, 36 legislative houses, 36 judicial arms, institutions of the Federal Capital Territory, and to a major extent the executive and legislative arms of the 774 local governments in Nigeria, along with several ministries, departments and agencies (MDAs). Some of the latter bodies were just being created and their remit had not been clearly defined or even understood by their chief executives. For we need to bear in mind here that, under military rule, the command structure did not tolerate the existence of any legislature in a real sense[24].

The Official Secrets Act's[25] existence also complicated matters for proponents of openness, accountability and transparency in governance. The Act classified most government documents as being secrets that should not be disclosed, thus making it impossible for civil society groups or the media to gain access to policy engagement materials, or to use such materials if accessed. This, of course, does not help matters. Thus, the long delay in passing the Freedom of Information Bill has, in its own way, been a major hindrance to making the government accountable and transparent in its managing public resources.[26]

The military mindset of most political office holders and the fact that most institutions are newly created have provided many challenges for both government institutions that need to face up to responsibilities and for civil society organisations that wish to make the government responsible in its actions. In most cases here, civil society organisations were still regarded as 'outsiders' and meddlesome interlopers, i.e. who had no business asking government officials to be accountable and more transparent in their actions.

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[24] For instance, between 1966 and 1985, Nigeria had the Supreme Military Council (SMC) exercising legislative powers with the Head of State and Commander-in-Chief of the Armed Forces, even though, while sitting as its Chairman, he was concurrently exercising all executive powers of state. And from 1985 to 1998, the same applied under the nomenclature of the Armed Forces Ruling Council (AFRC), with a military President.

[25] Chapter 335 of the Laws of the Federation of Nigeria 1990, amended

[26] A Freedom of Information Bill has been pending before the National Assembly since 2000.The Bill actually received legislative consent from the National Assembly just before the 2007 elections but President Olusegun Obasanjo refused assent.

Yet there now seems to be a better appreciation of the role of all stakeholders and a seeming willingness to 'become engaged' by an increasing number of government officials and MDAs; and some legislatures and legislative committees now reach out to civil society groups to provide them with 'the other viewpoint' in the course of debating bills and when making other legislative decisions.

Violence in Oil Communities

Another major challenge and problem related to the presence of oil in Nigeria has been the steady rise in violence in oil-producing areas. It is instructive to note that, by 1999, oil-related unrest had assumed a frightening dimension in the Niger Delta region of Nigeria. The violence manifested itself in different forms, and included kidnapping oil workers and members of their family (usually for ransom), and the disruption of oil and gas operations. The nature of conflicts in the Niger Delta region of Nigeria can be put into five major categories, which are: intra –community, inter-community, inter-ethnic, community-Oil Company, and States –Federal Government.

It is agreed that political and ethnic strife in the Niger Delta has increased sporadically since the democratic elections of 1999. On 19 March 2003, ChevronTexaco suspended its oil production, while declaring force majeure on its exports following violent clashes between the Ijaw and Itshekiri ethnic groups in the Warri area. These disturbances often spread. The actions initially shut down about 140,000 bbl/d of ChevronTexaco's production and caused the SPDC[27] to close down its flow stations, with a combined capacity of 126,000 bbl/d; at the time, this was approximately 13 percent of Nigeria's daily production. The problems escalated until ChevronTexaco, TotalFinalElf and SPDC had almost 40 percent of Nigeria's production shut down. This situation was repeated in September 2004, when militia groups operating mainly in the Rivers State threatened to blow up installations, target expatriate staff and assassinate the Governor[28]. All levels of government in Nigeria

[27] Shell Petroleum Development Company

[28] Niger Delta Peace and Security Strategy (2005) page 12

have failed to prevent the growth of militia activity, to the degree that there are now, throughout the country, approximately one million firearms in civilian hands[29].

The security situation so deteriorated that the Government of President Olusegun Obasanjo arrested the leader of the Niger Delta Volunteer Force (NDVF), Alhaji Asari Dokubo, as well as other ethnic self-determination leaders in 1995. But rather than improve the security situation in the region, it led to an increase in violent activities there. However, President Olusegun Obasanjo, at a meeting of Niger Delta Youth Stakeholders, on the 16th of April 2004 admitted that:

> *'I hasten to admit, in truth, that as a result of insincerity, a lack of foresight and the commitment of all stakeholders (government at all levels, youth themselves, oil and gas companies, traditional leaderships, etc) in the past, not much of the desired transformation has become evident. Rather, what we have is a harvesting of failed policies typified by the absence of basic infrastructures like roads, electricity, a health service, capacity deficiencies arising from a failing school system, an army of unemployed and unemployable youths, environmental degradation, etc. The cumulative effects of these are anger throughout the land and an easy pre-disposition of the population, especially young persons, to violence...'*

On the other hand an executive of one of the major oil producing companies in the region had this to say of violence in the region:[30]

> *'It is true that we have had some respite in the Niger Delta, especially compared to 1999. This respite is due to both internal and external factors. The internal factors come from our Operations and Community Affairs teams, who are working hand-in-hand with local communites, while the external factors come from the efforts of Local Governments, States, and the Federal Government.*

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[29] Small Arms Survey (2003)
[30] Managing Director/Chief Executive of TotalFinaElf upstream in Nigeria, on page 15 of the company's magazine, Nigeria Focus

> *However, we must bear in mind that what we have is still a fragile peace - and work must continue to improve the situation. We have to keep dialogue going, maintain contacts existing between our communities and our Operations and Community Affairs staff, and to try to be proactive in our search for solutions. This is why we are now preparing a new MOU to replace the previous one, which is about to expire, in order to keep up momentum, though in a planned way. And it is important to know that progress in this area is being closely monitored at a very high level in the industry, particularly as I am the current Chairman of the OPTS...'*

Over time, however, the general perception is that violence in the Niger Delta region is presently being fuelled more by criminal elements within society rather than by a genuine agitation for development in the area. This is directly connected to the ransom demands being made by militia groups for the release of kidnapped oil workers or family members of oil workers, and also relates to other sundry purposes.

Most also believe that the arms-for-money deal of the Federal Government, from 2004, which was financed by the Rivers State Government, served to embolden militia leaders. They argue that the fact that they were officially invited to meet officials of the federal government gave them a sense of recognition and a belief that they could be making more money from the system by a continual 'heating up' of the Niger Delta environment.

3 Policy Entry Options

In view of the very damning state of affairs (as evidenced in the preceding chapters) the question that needs to be addressed now is whether there can be ways around the negative effects of the resource curse in Nigeria. The answer for most persons interviewed in Nigeria in the course of this paper is simply this: to work towards increased transparency and for more accountability in the management of public revenue. As noted earlier, this was virtually impossible under the dictatorial military rule prior to the 1999 transition to civilian government, after more than 20 continuous years of military rule. With ongoing attempts at a consolidation of democracy in Nigeria and the political and economic reforms that are envisaged, there is a strong belief within and outside Nigeria that this can be achieved. Yet most people polled/interviewed believed that there is still a need for an increased stakeholder impact in the quest to improve resource management in Nigeria. A consideration of some available policy 'entry points' will serve as a prelude to policy recommendations and conclusions.

Lessons from Other Countries

Seeking policy proposals to deal with the problem of the resource curse in Nigeria would be incomplete without a consideration of the experiences of other countries. Here, reference will be made to a country (or countries) with a similar resource endowment but who have not been infected with the paradox of 'poverty in the midst of plenty' (as in Nigeria). Norway presents a classical example of a country whose transparent and forward-looking management of its petroleum resources provides a good example for other countries. So, for our purposes, we shall consider the Norwegian experience - while also making reference to the experiences of other countries where necessary. Recently, the Deputy Managing Director of the International Monetary Fund said of Norway:

> *'Conditions often summed up as "the resource curse" can, in fact, be avoided. And there is no better place to talk about this than in Norway, a*

country that has given the world a model showing how to exploit finite natural resources in the long-term interests of all its citizens.'[31]

"Norway, one of the world's richest economies, is a model of the prudent economic management of resource wealth" - so states the IMF 2000 Article IV consultation with Norway. Norway is the top non-OPEC oil exporter, the world's third largest exporter of oil, and brings up about 3.2 million barrels per day; its oil and gas industry underpins the economy, providing up to 25% of the country's gross domestic product. This country, of nearly four and one half million people, has a steady growth rate, almost no poverty, and negligible amounts of unemployment. Norway has a diverse economy based on agriculture, forestry, fishing and manufacturing, among other things - and its oil industry has developed amid much planning, bargaining, and public debate.

The most recent U.N. Human Development Report ranks Norway as the number one place in the world to live, based on a cocktail of indicators relating to health, wealth and social outlook. Nearly 1% of GDP is spent each year fighting global poverty and enhancing peace. Oslo often plays a mediating role in foreign conflicts, from efforts to reconcile North and South Korea to being engaged in the (now foundering) Middle East peace process. Norway has created an economy that has retained its progressive tax structure, re-invested its oil profits throughout the economy, and it has saved money to cushion itself against future market shocks.

Norway struck oil in the North Sea in the 1960s. Norwegians' best defence against the decline of the industry - which has made it the world's fourth wealthiest country - is the State Petroleum Fund, which is managed by the national Norges Bank. Parliament created the oil fund in 1990, but the state had its first budget surplus only in 1995. Up until then, the oil income was used to pay off Norway's staggering foreign debt from the tough years before North Sea riches could be exploited. A substantial amount of the profits from the exploitation of a resource that is viewed as belonging to all Norwegians, and not just the current generation, is invested in foreign stocks and bonds. The state-owned fund guards against spending too freely on public sector services in boom years so as not to lay off droves of state workers when the economy goes into a downturn.

[31] Remarks by Mr. Takatoshi Kato, Deputy Managing Director, International Monetary Fund at the Extractive Industries Transparency Initiative (EITI) 2006 High Level Conference Oslo, Norway (October 17, 2006)

The Petroleum Fund is an instrument designed to prevent Norway's substantial oil profits from being taken too rapidly into the economy. State bank officials and government leaders believe that dispersing oil revenues directly would overheat the Norwegian economy and suppress private sector growth. Their view is that the resource rent collected from the sale of their natural wealth of oil should be conserved.

Norway has extracted only about 30% of its known oil resources in three decades, and reserves are expected to last for 40 more years. But the oil that is left is mostly deep down, at a greater distance, and in quantities that make its extraction less likely to produce profits of the magnitude to which the country has become accustomed.

From the perspective of some, Norway is now focusing more on how to administer and distribute the assets already acquired than on how new value might be created. There are generous benefits for both men and women: persons get eight weeks vacation, liberal sick leave and day care, all of which are reliable and inexpensive. Three-year maternity leaves, broad part-time opportunities and the creative application of telecommuting help keep women in the work force. State assistance to single mothers is so generous that there is no need for a father's income.

Norway's State Petroleum Fund is now worth about $60 billion. Many of Norway's citizens fail to see why they should pay some of Europe's highest tax rates when Norway's crude output is worth about $7,000 a year for each citizen, about one quarter of the per capita GDP of $28,433. If the $60 billion is invested for a 10% return rate, then each Norwegian citizen could receive $1333 as an annual payment. The state's priority, instead, is to conserve and build the Fund and funnel fund revenues into social benefits.[32]

Now, compare the above, graphic picture of Norway with what has become of Nigeria's oil wealth destination. Nigeria was rated the world's most corrupt country (out of 52) in Transparency International's Corruption Perception Index; and much has been made of the fact that money generated from Africa's oil reserves has been lost in corruption, mismanagement and violent conflict. In Nigeria, an estimated $4 billion in government funds was stolen by the dictatorship of General Sani Abacha in the 1990s. And some estimate that as much as $50 billion in oil revenue has been stolen since Nigeria first began production.

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[32] Alanna Hartzok: Citizen Dividends and Oil Resource Rents - A Focus on Alaska, Norway and Nigeria

Faced with severe balance of payments problems in the mid 1980s, the then military ruler, General Ibrahim Babangida, took on board International Monetary Fund and World Bank-advised structural adjustment programs. The key objective was to ensure that Nigeria serviced its external debt of US $28 billion and maintained macro-economic stability, while cutting back on social spending. Starved of funds, social service institutions began to decay, and service deliveries in schools and hospitals sharply declined. The World Bank estimates that public spending per capita on health is less than $5 - and is as low as $2 in some parts of Nigeria - which contrasts with the $34 recommended for low-income countries by the World Health Organization. Infrastructure and utilities began to collapse.

Most Nigerians would have welcomed the establishment of a permanent (and transparent) oil rent fund similar to that of State Petroleum of Norway (or Alaska Permanent's). However, this does not seem to be in the thinking of Nigerian leaders, as the revenue sharing system here has continued to be a source of conflict between different arms of government. Even attempts at saving the excess fund from the increase in crude oil of recent is still been resisted by the states.[33]

In the years ahead, Nigeria intends to increase its oil reserves to 50 billion barrels by 2010, and to raise its production capacity to five million barrels per day by 2010. Confirmed offshore oil deposits have increased from about 30 percent of the country's total reserves in 1997 to about 50 percent today. As Nigeria moves closer to the reserves and production targets set by the government, this percentage is likely to increase to more than 70 percent. Since oil production for Nigeria is set to move increasingly offshore from the Niger Delta, people in the region are concerned that they will be left behind once again, with no share of the federally-controlled oil wealth.

Such a perception within the Niger Delta Region is seen by many as being a major contributory factor to the violent conflicts in the region. There is no similar scenario in Norway or Alaska, where there are institutional frameworks to give every citizen confidence in the transparent and accountable managing of oil resources. The pictures of Norway and Nigeria painted above clearly illustrate that while oil in the former has brought accelerated development, better standards of living and a satisfied citizenry,

[33] There was a recent agreement between the federal government and states saying that states that reform their fiscal regime through the passage of a Fiscal Responsibility Law could access their own share of the excess crude oil reserve (The reserve is not in any way similar to the oil rent fund of Alaska or the Petroleum Fund of Norway)

the reverse is the case in Nigeria, where it has brought poverty, conflict, underdevelopment and a poor standard of living.

The Extractive Industries Transparency Initiative (EITI)

The Extractive Industries Transparency Initiative (EITI) gives global recognition to the fact that money from oil, gas and mining is mostly to be associated with poverty, conflict and corruption, i.e. which is commonly referred to as 'resource curse'. This goes often hand in hand with a lack of transparency and accountability around the payments that companies make to governments/the revenue that governments obtain from such companies. The EITI approach is that multi-stakeholder groups are made use of to enhance citizen's engagement with the governance process for accountability in resource management[34]. It is significant to note that Nigeria remains one of two countries[35] that are generally regarded as the poster kids of the initiative.

The EITI Principles[36] are:

- *We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly can have negative economic and social effects.*
- *We affirm that management of natural resource wealth for the benefit of a country's citizens is in the domain of sovereign governments, and should be exercised in the interests of their national development.*
- *We recognize that the benefits of resource extraction occur as revenue streams over many years and can be very price- dependent.*
- *We recognize that public understanding of government revenues and expenditure over time could help public debate and inform persons in their choice of appropriate and realistic options for sustainable development.*

[34] For a general overview see the Extractive Industries Transparency Initiative SOURCE BOOK (March 2005)

[35] Azerbaijan is the other. Yet a number of other countries - like Republic of Congo, Ghana, the Kyrgyz Republic, Sao Tome e Principe, Timor Leste and Trinidad and Tobago - are also interpreting and implementing the EITI at present

[36] Agreed at the Lancaster House Conference in London (2003), hosted by the UK Government

- *We underline the importance of transparency by government and companies in the extractive industries and the need to enhance public financial management and accountability.*
- *We recognize that the achievement of greater transparency must be set in the context of respect for contracts and laws.*
- *We recognize the enhanced environment for domestic and foreign direct investment that financial transparency may bring.*
- *We believe in the principle and practise of accountability by government to all citizens in the stewardship of revenue streams and public expenditure.*
- *We are committed to encouraging high standards of transparency and accountability in public life, government operations and in business.*
- *We believe that a broadly consistent and workable approach to the disclosure of payments and revenues is required, and that this should be simple to undertake and also to use.*
- *We believe that payments' disclosure in a given country should involve all extractive industry companies operating in that country.*
- *In seeking solutions, we believe that all stakeholders have important and relevant contributions to make – which includes governments and their agencies.*

While its criteria also states that:

- *There will be regular publication of material oil, gas and mining payments by companies to governments ('payments') and all material revenues received by governments from oil, gas and mining companies (revenues') for a wide audience, and in a publicly accessible, comprehensive and comprehensible manner.*
- *Where such audits do not already exist, payments and revenues should be the subject of credible, independent audit, applying international auditing standards.*
- *Payments and revenues will be reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's own opinions regarding such reconciliation, also referring to discrepancies, should any be identified.*
- *This approach is extended to all companies, including state-owned enterprises.*

- *Civil society is to be actively engaged as a participant in the design, monitoring and evaluation of this process and should be able to make contributions to public debate.*
- A public, financially sustainable work plan related to all of the above should be developed by the host government, with assistance from the international financial institutions where required, and it should include measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.

Nigeria Extractive Industries Transparency Initiative (NEITI)

Following on from the EITI principles and criteria, Nigeria went on to set up a 28-member National Stakeholder Working Group (NSWG), one composed of government representatives, media, private sector and civil society representatives, to provide guidance and feedback concerning the initiative[37]. The Nigeria Extractive Industry Transparency Initiative (NEITI) secretariat was also set up; while an Executive Bill was sent to the National Assembly in December 2004, and was passed into law on May 17 2007[38]. In response to its being officially signed by the President, Dr. Siyan Malomo[39] was of the opinion that it represents a landmark opportunity for extractive resources being able to serve as a catalyst for growth, equity and development in Nigeria; and it was a major step toward institutionalising transparency and accountability in Nigeria.

The Act gave NEITI the necessary statutory backing to promote probity and prudence in this economic sector, which although it accounts for more than 80 percent of Nigeria's foreign earnings is widely known to be managed in an opaque and non-accountable manner, thereby depriving the country and its citizen's of vital resources that could aid development. The Act also authorises NEITI to conduct comprehensive audits of the oil, gas and mining sectors every year, using international auditing

[37] The NSWG was already in operation and working with groups like the Publish What You Pay Campaign to advocate and work towards the passage of the Nigeria Extractive Industries Transparency Initiative Bill into Law in May 2007. The Chairman of the NEITI and the NSWG at its inception was Mrs. Oby Ezekwesili, Presidential Assistant and Head of the Budget Monitoring and Price Intelligence Unit, who later served as Minister of Solid Minerals, then as Minister of Power and up to today as Minister of Education. Its membership consists of 2 representatives from civil society, 2 from the media, 14 from government, 3 from indigenous and multi-national companies, 4 from the organised private sector, 2 from the National Assembly and 2 from the State House of Assembly.

[38] The House of Representatives passed this into law on January 19, and the Senate on March 8 2007.

[39] Chairman of the NSWG

standards. The act additionally empowers NEITI to receive and publish information on payments made by extractive industry companies, which are to be received by government, to thereby ensure better transparency and accountability.

It provides for a fine of N30m (Thirty Million Naira) should there be a conviction for wrongdoing, as well as a refund of amounts underpaid, for any extractive company that defaults in providing timely and accurate information[40]. Company directors and other officials involved in underpayment or non-disclosure of amounts will be liable to a fine of N5m or a two-year jail term[41]. A government official that does not provide timely and accurate information on payments received will be liable to two years in jail and/or a fine of N5m[42].

In April 2006, NEITI published the first comprehensive audit of Nigeria's petroleum industry for 1999 to 2004. The audit, which was conducted by the Hart Group of the United Kingdom, noted serious lapses in the governance of the oil industry - and recommended remedial action.[43]

The National Economic Empowerment and Development Strategy Document (NEEDS)

In recognition of the development challenges facing Nigeria, the government launched the National Economic Empowerment and Development Strategy Document (NEEDS), as a roadmap to development. The document recognized and addressed corruption and mismanagement, especially that which occurred under military rule. It admits that Nigeria's economy had created pervasive 'incentive-seeking', inefficiencies and waste. It also admits that with an oil-producing economy like Nigeria's (where rents from oil are easy sources of government revenue) a culture of rent-seeking can rapidly develop, so that the government becomes an instrument for the instant acquisition of wealth; and this can only interfere with the incentive to work and the creation of wealth in the private sector; and a fierce contest for control of the state - with its attendant development, distortions - then assumes centre stage.

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[40] Section 16(1) (a) and (b)

[41] Section 16 (5)

[42] Section 16 (6)

[43] It is important to note that of the 24 Countries that are signatories to the EITI principles, Nigeria is the first to back up its commitments with legislation

NEEDS is based on five main principles. These principles are:

- Wealth creation
- Employment generation
- Poverty reduction
- The elimination of corruption
- A general orientation of values

It also commits the government to creating an incentive structure that rewards/celebrates private enterprise, entrepreneurial spirit and excellence, establishes new forms of partnership with all stakeholders in the economy and creates a public sector that delivers prompt and good quality service.

To achieve its objectives, NEEDS recognizes the need for reforms of the government system in Nigeria. More particularly, it seeks to improve security and the administration of justice, fight corruption and establish a more efficient and responsive public sector.

However, a majority of Nigerians still doubt the workability of NEEDS even though there was an official figure of about 10. 22 % economic growth in 2003[44]. Industrial capacity had more than doubled by then, from 29 percent in 1999 to 60 percent in 2003. Income grew at an average rate of about 5 percent between 1999 and 2003 - a significant increase over the 2.8 percent growth rate during the 1990's.[45]

Yet most people interviewed doubted the ability of the government to meet another major NEEDS target: to create 7 million jobs from 2003 to 2007. Some interviewees spoke about being unemployed and/or knew others who were unemployed or who had remained unemployed for years even after having learned a trade (or after graduating from technical schools, a secondary schools or university).

Many argue that even though under NEEDS the government was committed to economic diversification - i.e. away from oil and solid minerals, in order to increase economic and generate jobs - most government policies were more popular in relation to the oil and gas sectors of the economy.

Even though NEEDS should be reviewed after each election year, there is the likelihood that more needs to be done to institutionalize it beyond the Olusegun

[44] According to the United Nations Food and Agricultural Organisation, Nigeria's Agriculture grew by 7 percent in 2003 (page 14 of Meeting Everyone's NEEDS. National Planning Commission, 2004).
[45] Ibid

Obasanjo administration. States were also encouraged to prioritize their respective development requirements under their States' Economic Empowerment and Development Strategy Document (SEEDS), and local governments should do so by resorting to Local Economic Empowerment and Development Strategy Papers (LEEDS).[46]

Overall, the major challenge for the NEEDS, SEEDS AND LEEDS is that of continuity. Most often, government policies are discontinued or greatly modified, or are not implemented at all (due to political considerations or other considerations that are not in the best interests of the nation or its citizens).

[46] Overall, the success or failure of this initiative can only be determined in a future analysis of its operations in relation to the economic and political climate

4 Present Practices

Since 1999, government institutions have made some attempts at opening up policy-making processes with the aim of increasing citizens' participation and their own transparency and accountability. As noted earlier, it was virtually impossible under the military dictatorship for Nigeria to make any transition. And it is a commonplace that democratic, participatory and transparent resource management processes are more likely to ensure that the fruits of Nigeria's wealth will be equitably distributed and well managed.

Attempts at improving 'other stakeholders'[47] engagement with/participation in the managing of public resources, with a view to increasing transparency and accountability overall, are as follows:

MDA - Own Initiatives for Stakeholder Engagement

Some ministries, departments and agencies have, at times and of their own accord, initiated programs that have sought to promote other stakeholders in their activities and projects. Most prominent in this respect is the Budget Office (under the Ministry of Finance and Economic Development). The Budget office facilitates interactive sessions with civil society, the private sector and other stakeholder groups to discuss federal budget proposals, economic focuses, key assumptions being made, revenue projections and capital projects coming from all the key ministries, departments and agencies. The session is usually interactive and open to disagreements and agreements between participants and government representatives. The major flaw in this, however, is that time is always short and there is no foreknowledge of documents in the possession of government officials.

Legislation-specific Provisions for Persons' Engagement

Increasingly, more and more legislative proposals and government policies are making provisions for the engagement of non-state actors in implementation; and

[47] 'Other stakeholders' refers to all non-governmental groups, like the private sector, civil society (including community-based organisations), the media, professional groups and faith-based groups.

provisions for civil society's representation on boards of government parastatals are becoming ever more common. Examples are the Fiscal Responsibility Bill, the Public Procurement Act, and the Nigeria Extractive Industries Transparency Initiative Act, which all provide for (a) civil society representative(s) on their council or board.

Engagement Compelled by External Institutions

Another variant of non-state actors' participation in ensuring transparency and accountability in the managing of public wealth is that external organisations - like the World Bank, the United Kingdom Department for International Development (DFID), the United Nations Development Program (UNDP) – will usually become involved. A classical example is that the Swiss Government, as a condition for making further returns of 'booty' located in Swiss banks by General Sani Abacha, requested that the federal government, via the Ministry of Finance, put in place a monitoring team consisting of representatives from civil society and the government to monitor the projects to which previous returns had applied. The project was facilitated by the World Bank office in Nigeria. Also as part of the conditions for the recent debt relief granted Nigeria by the Paris Club, the federal government agreed that $1 billion in savings to be made from yearly interest payments on the debt would be spent on the achievement of Millennium Development Goals (MDGs).

Engagement arising from Civil Society Persistence

Historically, non-state actors' engagement with government and the governance process, especially in the light of many years of military dictatorship, is a wish to gain recognition, with this coming via persistent agitation for their voices to be heard. And it is noteworthy that many such persons (i.e. non-state actors) in Nigeria do request space via which to air their views and question the government on its policies. Even at the legislative level, during public hearings on bills coming before the legislature at both federal and state levels, civil society groups attend either individually or as a group, coalition or network to participate (and whether invited or not).

Engagement Driven by Political Motivations

Another type of engagement is increasingly on the rise in Nigeria: an engagement predominantly driven by the political interests of the ruling party. This happens at both the federal and state levels of government, and not so often at a local government level. This engagement variant is mostly less effective than others, and in most cases is done for its political value rather than to improve governance. A major characteristic of this sort of engagement, which has been carried over from the years of military dictatorship, is that it is chiefly driven by the political leader; and their principal aim is to boost their own political interests and to 'complicate' government in the long term; it is usually not intended to add any value to development – rather, it is to massage the political egos of politicians. When doing this, such persons usually make a promise of giving infrastructures to communities though without reference being made to the government's budget or development plans for the period, thereby creating many distortions in relation to the management of public resources.

As seen above, from our assessment of prevailing practices at present what obtains now is largely 'engagement by discretion' or perhaps 'discretional engagement'. The decision as to whether or not to engage non-state actors is most often at the discretion of the government ministry, department and agency concerned. This is mostly not sustainable, though, as a change of principal overseer in a particular institution may lead to a discontinuation of the engagement process to the detriment of building a strong institution that will promote transparency and accountability via multi-stakeholder participation in policy-making.

However, most of those interviewed either individually or as part of a focus group discussions thought that civil society and the private sector has had some impact in engaging the government, thus giving more transparency and accountability, since 1999. See tables 4 and 5 below:

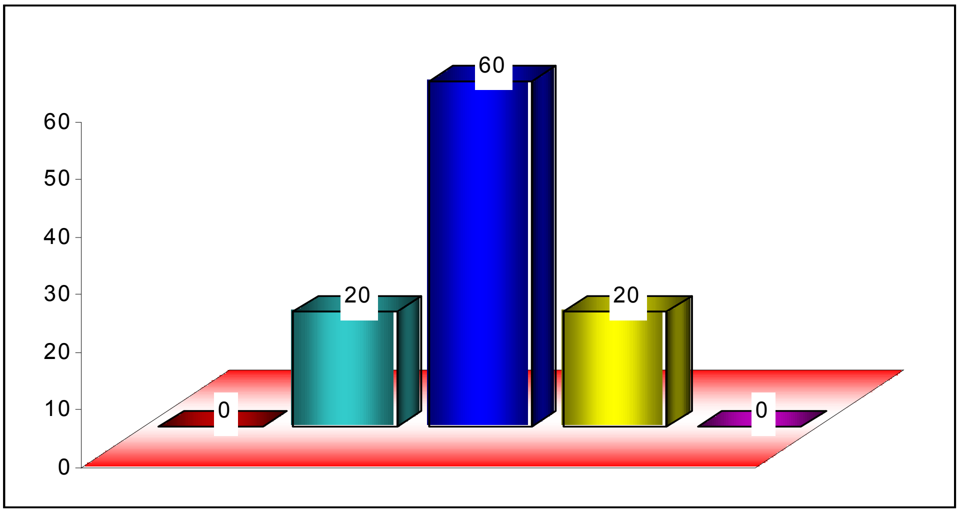

Table 4

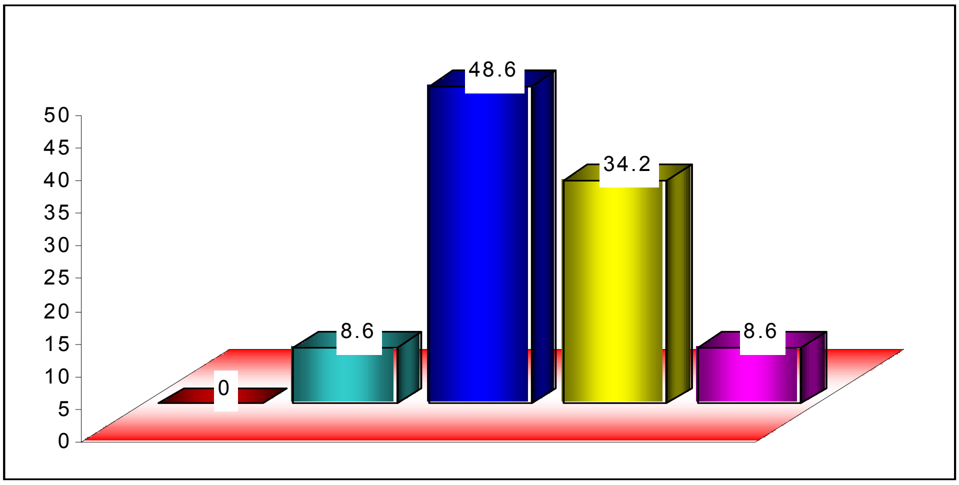

Table 5

Tables 4 and 5 above represent the response to the poll question: what is your overall assessment of civil society's/the private sector's engagement of the governance process as regards transparency and accountability? Nobody reckoned that there has been an excellent or poor performance here for either; but while only 20 percent gave civil society a very good score, the percentage for the private sector is 48.6; and while 60 percent of those polled gave civil society a good score, the score for the private sector is 34.2 percent. Only 20 percent of those polled rated civil society as being poor, against 8.6 percent for the private sector. This clearly shows that whereas civil society and the private sector have done well on average, there is still a lot of work to be done by both to gain full public confidence.

5 Recommendations and Conclusions

The totality of the preceding chapters plainly shows that whereas Nigeria is no doubt a nation battling with a resource curse, which fact is admitted by all of its stakeholders, it has started taking steps towards ameliorating the situation. What then remains to be done is to ensure that policies are consolidated, reform-focused institutions are constituted and followed up on, and that new ones are introduced, to avoid any setbacks that could wipe out the gains of recent times. It is important to note that some of these things are already theoretically encapsulated in the NEEDS document and government policy pronouncements.

New policy interventions would largely be in the following areas:

- A Consolidation of ongoing reform policies
- Reform of Governance systems
- Overhaul of the Electoral process
- Institutionalisation of the Policy Engagement Process

A Consolidation of Ongoing Reform Policies

It is important that members of government work in harmony to ensure that all policies enunciated under the NEEDS document as being necessary for reform - either economical or social - are religiously put into place without further delay. These policies would include:

- The Public Procurement Procedure

Already, significant progress has been made with respect to the Public Procurement Act. However, there is a need to immediately begin the implementation process. One of the major challenges of modern governance is the enthroning of a legal regime that would play a pivotal role in the government’s value-for-money initiative so as to achieve greater cost certainties, better value for money and a more cost-effective delivery of public works and services. In Nigeria, one of the main planks of the ongoing economic reform process being undertaken is ensuring that there is adequate and sufficient legal regulation of government procurement processes. This does not, however, imply that there was no legal framework via which to regulate public procurement processes before the renewed efforts to reform came; what has happened is that the earlier processes were abused and/or bypassed to the extent that the effort became ineffective and open to abuse. The present regime must be give adequate protection from abuses such as were experienced beforehand through a vibrant multi-stakeholder engagement process.

- The Fiscal Responsibility Regime

One of the major challenges to development in Nigeria is an absence of fiscal responsibility. There is a consensus among stakeholders that Nigeria has grossly underutilised the over $300 billion or thereabouts that it has earned from oil, in part owing to the absence of tight fiscal controls. There is therefore a need to make moves towards establishing a fiscal responsibility regime (as proposed). The planned fiscal responsibility regime should clearly provide for a comprehensive budgetary planning process that comes in accordance with a medium-term expenditure framework (MTEF), a budgetary planning process deriving from MTEF, a comprehensive Appropriations Bill, clear rules for making use of budgets for all tiers of government, the effective management of expenditure and grants, effective collection and remittance of all revenue gained, control of indebtedness and borrowing, an enhancement of transparency and accountability, regular budget implementation reports and a better revenue management system. Above all, due to the fact of the country's dependence on oil for most of its revenue there should be ample provision for commodity-price based fiscal rule.

- The Nigeria Extractive Industries Transparency Initiative

As noted earlier, Nigeria is the only one of 24 signatories to the EITI process that has followed requirements up with legislation. Yet we should go beyond the fact that there is legislation now, and also think about how to ensure that the legislation is allied to the principles and guidelines of the EITI process, especially regarding questions of representation on the NSWG. The present composition of the NSWG is highly tilted in favour of the government, and especially the executive - and has left out some of the other recognised stakeholders in the EITI guidelines, like investors, business associations, community-based organisations, research institutions etc. For the executive to continue to maintain 14 members in a 28-member group means that decisions can be arrived at without the concurrence of other members of the group.

- The Freedom of Information Bill

The absence of a freedom of information regime is another major challenge to engendering citizens' confidence in the system and promoting a transparent and accountable revenue management system in Nigeria. It is most paradoxical that even though it was listed in the NEEDS document[48] it has largely remained a civil society-driven initiative, and has given people very frustrating experiences. The government therefore needs to work with other stakeholders to ensure that the Freedom of Information Bill is passed without further delay and that institutions for its implementation are set up. If citizens continue to feel that governance is only conducted in secrecy then it will be impossible for people to believe in such processes. It is only a freedom of information regime that can properly help build up mutual trust between all stakeholders.

- Harmonising and Improving Anti-corruption Processes

There is need to harmonise the activities of the various anti-corruption agencies, like the EFCC, ICPCC, the Code of Conduct Bureau, the Police and the Office of the Attorney General of the Federation. All such agencies should work in harmony and agree to a common anti-corruption plan that will leave no room for misinterpretation. All public-office holders must be subject to the law; no-one should be above the law.

Reform of Governance Systems

The resource governing system in Nigeria need to be reformed, which to a major extent would also involve its decentralisation. The purpose of this proposal is to ensure better management and promote a cordial relationship between communities and oil companies on one level, and between communities and government institutions at another. It is mostly argued that the present system of revenue sharing is basically faulty, as it does not allow oil-producing communities to get adequate 'compensation' for the environmental and social degradations that they are made to suffer. Most of those interviewed for this paper were of the view that the Niger Delta Development

[48] As a right to information

Commission (NDDC) has not been as effective as it should be due to the serious financial restrictions it has. While this is arguable, there is a need to put a mechanism in place that empowers the 'oil producing communities' in a sustainable way. In the long run, a rethinking of the whole concept of revenue sharing is needed, as most oil producing states in the Niger Delta feel marginalised, and it is this feeling that has led to a great extent to the violence that is a daily experience there.

Overhaul of the Electoral Process

Another major challenge for resource management in Nigeria is the electoral system. Many believe that this is the root of resource management and leadership ineptitude. Most politicians are seen as being hopeless as regards being elected or re-elected, and they go to any lengths to compromise the system. The situation is not helped by a flawed electoral system and an ineffective monitoring of the expense limits allowed for campaign purposes. There is a need to understand that merely being able to elect a leader does not constitute democracy; Nigeria also needs a strong and well-financed opposition, a truly independent legislature and judiciary, a free press and a vibrant electorate for true democracy to strive.

Institutionalisation of the Policy Engagement Process

Another very important but often overlooked policy related to the issue of resource management is the creation of a mechanism that will institutionalise government/non-state actors interaction processes. Granted that Nigeria does have a democratic system of government where there are (still) periodic elections - but this alone need not preclude citizens from becoming involved in the policy-making process between elections.

Increasing International Pressure for Transparency and Accountability

Nigeria can be regarded as being a loyal member of the community of nations. As such, Nigeria maintains very cordial relationships with most international agencies, like the World Bank, International Monetary Fund (IMF), the Group of 8 Industrialised Nations (G8); and it has put its signature to such initiatives as the Africa Peer Review Mechanism (APRM) and Millennium Development Goals (MDGs). There is therefore the need to use the various direct and indirect platforms provided by these and other international institutions and initiatives to pressure the government of Nigeria to improve its resource management mechanisms and open up more windows of participation for non-state actors. At the bilateral level, countries like Norway are now sharing their experiences on best practices on natural resource management with Nigeria via the NEITI framework; and other countries should give some attention to the transferring of resource management techniques to Nigeria.

Improving the Non-Oil Sector's Contribution to National Resources

There is also a need to have more contributions from the non-oil sector for the national GDP. Best practices indicate that countries that have oil resources and have given their attention to improving their non-oil sector have built up a more stable and prosperous economy for the long term. Countries like Norway, Indonesia and, following the Norwegians, East Timor are proof that paying more attention to the non-oil sector will undoubtedly increase transparency and accountability in the management of this national resource.

Concluding Remarks

This paper has looked at the genesis of the resource curse, and has considered in some detail the works of various writers from economic, political and developmental perspectives. The pre-eminent position of oil revenue in Nigeria's economic development has also been analysed. And we have looked at the effects of the resource curse from both a global and local perspective, seeing how corruption, government complacency, neglect of education, excessive borrowing/debt overhang, the Dutch disease, violence in oil-producing communities, among other things may occur.

The policy entry points that have been considered include a comparative analysis of what other countries with oil revenues did or are doing to avert the resource curse syndrome, while we have also looked at the EITI, the MMSD, NEITI, NEEDS, and at other economic and political policies and initiatives. The post-1999 initiatives of some government institutions to engage non-state actors has also been given a critical examination, and a conclusion reached is that most of these initiatives have lacked institutional support and ownership, and they cannot survive by themselves; for more adequate safeguards so as to avoid corruption and promote accountability and transparency in the management of Nigerian's oil resources are needed.

Policy recommendations have been made to deal with the identified - yet missing - gaps in oil resource management, and to improve economic, political and social development indices while at the same time providing adequate windows for non-state actors to engage in the policy making process as a whole.

However, it is important to note that the implementation of such policies is done in a holistic manner, though this alone cannot lead Nigeria to the state dream of Eldorado by itself. Beyond the recommendations made herein, there is need for Nigeria to improve its system of governance, improve the level and impact of citizens' participation in the governance process, commit itself to a national code of ethics and 'integrity', to create an atmosphere of genuine national pride, to have political tolerance, regular, free and fair elections, economic freedoms, respect for the rule of law, human rights, a real commitment to the eradication of poverty and ignorance and a closing in of the wide gap between rich and poor in the society.

Above all, the Nigerian state must wake up to its developmental responsibilities. The present, blind reliance on the prescriptions of the World Bank and the International Monetary Fund coming without an adequate, vigorous and participatory local context is as dangerous as having a lack of commitment to development. The solution to the lingering crisis of poor resource management and underdevelopment in Nigeria cannot be solved by a 'renaming of institutions' or a multiplicity of institutions for political patronage but by a clear commitment to service delivery for development that is not in the interests of or for the benefit of society's special few.