

**THE "RESOURCE CURSE" IMBROGLIO: REVISITING THE PARADOX OF OIL WEALTH IN NIGERIA'S ECONOMIC DEVELOPMENT**

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**Abstract**

Oil mineral resource is unequivocally an essential impetus for national economic growth and development. Nations of the world have in one time or the other embarked on strategic search for crude oil to transform the fortunes of their economies. Nigeria is a nation massively endowed with this God-given development catalyst. However, Nigeria's inability to optimally harness her oil mineral resource like other nations such as Saudi Arabia, Kuwait, and United Arab Emirate (UAE) etc. has created room for a development paradox of endemic poverty and underdevelopment. Remarkably, Oil in Nigeria has systematically weakened the once growing Industrial and Agricultural sectors of the economy. It has energized corruption and bred poverty in the nation. It has devastated the once luxuriant ecology of the Niger Delta region; placing both human and non-human inhabitants in a precarious verge of extinction. This paper therefore undertakes a critical study of the Nigerian oil sector, and on the whole, exposes the irony of oil wealth as evident in the Nigerian development crisis. Finally, it will also bring to light certain major challenges faced by the Niger Delta region since the discovery of oil. To achieve the set objective of this paper, the research adopted descriptive, thematic and interdisciplinary research methodologies. The paper also relied heavily on primary and secondary sources of data collection.

**Key Words:** Resource Curse, Oil Wealth, Economic Development

**Introduction**

Nigeria is regarded as a wealthy nation because of its rich human and natural resources. Apart from petroleum and gas, Nigeria is potentially rich in limestone, coal, tin columbine, gold, silver, lead-zinc, gypsum, glass sands, clays, asbestos, graphite, iron ore, stone and silicon, and with a very vast spread of suitable land mass yet uncultivated. The growth of the petroleum industry has been very steady with the boom period of the 1970s, and became steady since 2003 (Olusegun, 2008). This has yielded remarkable benefit to the federal government; contributing over 90% of the country's Gross National Product (GNP), and a considerable amount of Gross Domestic Product (GDP). More so, emerging macroeconomic statistics in recent time reveals startling positive growth performance of a buoyant economy. However,

despite this range of resource deposit available in commercial quantity across the length and breadth of Nigeria, especially the massive oil wealth and, startling sector performance, there is obvious evidence of crushing poverty, ravaging more than half of the nation's population.

Cogently captured in (Igbuzor, 2004:45-51), the Nigerian poverty situation is evident in the following ways; not having enough to eat, unhygienic drinking water, poor nutrition, unfit housing conditions, high rate of infant mortality, low life expectancy, low educational opportunities, inadequate health care system, lack of productive assets, lack of economic infrastructure and inability to actively participate in decision making processes. These miseries, he further stated, are directly linked to inappropriate policies, bad governance, and corruption, low productivity often caused by lack of electricity, unemployment, high population growth and human resource development. Others are illiteracy, unemployment, ignorance, insecurity of life and property, high incidence of diseases, environmental degradation, large family sizes, and lack of adequate access to employment, as well as land and capital opportunities. Some of the serious consequences of these afore-listed challenges are evident in the crime rate, corruption and a dramatic change in rural-urban life style resulting in early child marriages, child labour and multiple modes of survival.

The Cable News Network (CNN), reported in 2010 that over eight million children in Nigeria are out of school with no education whatsoever and limited chances of getting any at all, which account for the single highest number from any one country around the world. Yet according to the report, only two (2) percent of the country's oil wealth was required to give this number of children education up to the University level (Igbikiowubo 2010:4-5). The World Bank recently presented an alarming report warning that 40% of the habitable terrain in Niger Delta will disappear in 20 years' time (Adesina, 2012:14). The region appears permanently doomed, as it bears the burden of providing the running cost of the nation. There is virtually no serious evidence of in-depth or sustained government policy geared towards sustainable development in the region, for over 50 years of sustained oil exploration and massive wealth accumulation.

### **Theoretical /Conceptual Explanations**

For the sake of clarity the paper hopes to provide theoretical / conceptual explanations on major keywords used in this paper, namely, resource curse, oil wealth, economic development.

**Resource curse:** This refers to the negative growth and development outcome associated with mineral and petroleum resources. It is the inverse relationship between high levels of natural resource dependence and growth rate in an oil-led development (Roberts, et al, 2013). 'Resource Curse thesis' posits that there is a negative relationship between endowments with natural resource (in the case of oil) as well a social and economic development (Heston, 2003). Resource curse affirms an undisputable fact that the development of oil industry in the Niger Delta region of Nigeria has resulted in the underdevelopment of the oil-bearing communities in the region. In short, the pattern of oil exploration and exploitation has brought about unquantifiable environmental hazard and gross destruction of the eco system of the area under review.

Evidently, the overacting problem of oil exploitation manifests in the ecological devastation and disequilibrium of the oil bearing communities; a consequence of the destructive activities of the oil companies through pollutions arising from gas flaring and oil spillage, and the resultant phenomena such as loss of farmlands and rivers, the onset of acid rain and contaminated air, as well as the spiritual desecration and mindless decimation of the flora and fauna leading to a general exploitation of the region (Akpolor et al, 2012). Thus, the poor state of infrastructural development in the Niger-Delta region which should have been a precursor of growth and development lends credence to the popular views of Economic Historians, Political Economists and Development Experts that the oil bearing regions of the Niger Delta suffers immensely from the toxic notion of “resource curse” also referred to as ‘resource trap’ or ‘Dutch Disease affliction’.

**Oil Wealth:** This is the significant economic benefits and revenues generated from the extraction, production, and export of oil resources. Oil wealth brings economic prosperity and socio- economic challenges (Ross, 2012). Besides, its ability to generate substantial revenue for governments and economies, considering it's high demand in international market circles (Karl, 1997), oil wealth creates opportunities for import-based economies, rentier Status, endemic corruption and poor governmental structures among States. Oil wealth has been blamed for preponderance of monolithic economies due to strong dependence on petro-dollar centered economy that neglects other sectors of the economy like, agriculture, manufacturing, and industrialization. Many oil producing states and oil bearing communities suffer severe environmental impacts, including pollution and habitat destruction (Okoko, 2007). Equally, many oil producing communities in the Niger Delta region of Nigeria are victims of 'Resource Curse' and 'Dutch Disease' due to the fact that their communities suffer chronic absence of basic social infrastructure and are also plagued with poverty and ravaging environmental hazards like pollution, oil spillage, and gas flaring.

**Economic Development:** According to Wikipedia, economic development is the process by which the economic wellbeing and quality of life of a nation, region, local community or an individual are improved according to targeted goals and objectives (<https://en.wikipedia.org>). Historically, economic development policies focused on industrialization and infrastructure, since the 1960s, and has increasingly focused on poverty reduction (Martha, 1996). Seidman, (2005), sees economic development as a process of creating and utilizing, human, financial and social assets to generate improved and broadly shared economic wellbeing and quality of life for a community or region.

Critically, increasing rate of widespread absolute poverty, inequitable income distribution and rising unemployment that characterized the 1950s and 1960s made Economist, Social Scientists and Development Experts like Todaro and Smith (2011) to perceive Economic development in the 1970s in terms of the reduction or elimination of poverty, inequality, and unemployment within the context of a growing economy. Similarly, Economic development occurs when members of any society increase jointly their capacity for dealing with their environment. Economic development depends mainly on science and technology and manner in which work

is organized (Rodney 1986). "Oil mineral resource" that brings much revenue to the Nigerian state should have served as a precursor of socio-economic development in the oil producing communities of the Niger Delta region but paradoxically, Niger Delta communities are bereft of economic development and are seriously bedeviled with mass poverty, poor living standard and rising unemployment for the youths which create room for youth restiveness, protest activities and constant conflicts between oil bearing communities in the region and Multinational Oil Co-operations (MNOCs) as well as the Nigerian state.

### **Background of Nigeria's Oil Sector and Performance**

Oil was discovered in Nigeria in 1956 after 50 years of exploration at Oloibiri in the Niger Delta region. The discovery was made by Shell-BP; at the time and also the sole concessionaire. Nigeria thus joined the rank of oil producers in 1958 when its first oil field came on stream producing five thousand, One hundred (5,100) bpd. After 1960, exploration rights in onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies. In 1965 the oil field was discovered by Shell BP in shallow water Southeast of Warri. The year 1970 marked the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production. By the late sixties and early seventies, Nigeria had attained a production level of over 2million barrels of crude oil a day. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) in 1971 and established the Nigerian National Petroleum Corporation (NNPC) in 1977. Although production figures dropped in the eighties due to economic slump, the year 2004, saw a total rejuvenation of oil production to a record level of two million, five hundred thousand (2.5m) barrels per day (Olusegun, 2008).

Around 1995, Nigeria had over Six hundred and six (606) oil fields across the Niger Delta region, of which three hundred and sixty (360) or sixty percent (60%) of the field are on-shore and two hundred and forty-six (246) or forty percent (40%) are offshore (Moffat and Olof 1995:527-538) and a tremendous potentials installed capacity for three million, seven hundred thousand (3.7m) barrels of crude oil production per day, making it the sixth largest producer of crude oil. Nigeria is also the sixth largest crude oil exporting nation among OPEC member countries, coupled with thirty-seven billion (37b) barrels of crude oil reserve, making it the eighth largest proven oil reserve in the world. Nigeria has One hundred and eighty-seven trillion (187t) cubic feet of natural gas, thus the seventh largest proven gas reserve in the world, and the single largest market in sub-Saharan Africa (Igbikiowubo, 2010:4-5).

The cumulative export earnings from crude oil up to 1969 amounted to One billion, fifteen million naira (N1.015 billion). By the end of 1975, the cumulative total export earnings from crude oil had gone up to twenty-two billion, three hundred and twenty nine million naira (N22.329billion). The highest annual export value recorded for crude petroleum during the first half of the 1970s was in 1974, when it hit seven billion, two hundred and seven million naira (N7.207b) mark. The high foreign oil earning was the fall-out of the Arab-Israeli war which started in October 1973. For the entire period of 1958-1998, Nigeria accumulated a total sum of five billion, two hundred and ninety-one million, nine hundred and ninety-eight thousand naira, (N5,291.998 billion) from the export of crude oil; of this amount, the period between 1986-

1998 alone accounted for five billion, One hundred and sixty-two million, four hundred and seventy-nine thousand naira (N5,162.479 billion), representing a current value share of 97.55%. As at 1979, the cumulative revenue collected from petroleum resources as from 1970 stood at thirty-five billion, three hundred and thirty six million (N35.336 billion) rising to one hundred and seventy-seven billion, seven hundred and five million naira (N177.705 billion) in 1989. By the year 1998, the cumulative revenue from petroleum-related taxes and other charges had reached whooping sum of two billion, seventy-five million, fifty-seven thousand naira (N2,075.057 billion), while the sector's share in total collected revenue continued to remain relatively high at an average of 73.6% and 74.6% respectively for the period 1980-1989 and 1990-1998 respectively (Orubu, 2003:41-42).

In addition to being a source of foreign exchange, the petroleum sector also contributes significantly to government revenue through royalties paid by multinational oil companies, petroleum profit tax, rents and miscellaneous fees from the granting of various forms of operating licenses such as Oil Exploration Licenses (OELS), Oil Pipeline Licenses (OPL) and Oil Mining Licenses and Leased (OMLL). Of all these sources of revenue, petroleum profit tax is the most significant, accounting on the average of about 60% or more of the total revenue from petroleum resources. Since the 1960s, the petroleum sector has also contributed significantly to the country's Gross Domestic Product (GDP). The share of the petroleum sector in GDP significantly went up, particularly since the 1970s. During the period 1975-1984, oil GDP accounted for 23.75% of the total, while the share of agricultural sector fell from 35.45% - 21% (Ubogu,1979:58 cited in Orubu, 2003:42).

One of the foremost contributions of the oil industry to the Nigerian economy is the creation of employment opportunities. Initially, Nigerians were assigned to a variety of low-cadre menial jobs in Multi-National Oil Companies (MNOC's) in Nigeria such as building of roads and bridges, clearing of drilling sites, transportation of materials and equipment, and the building of staff housing and recreational facilities. As time went on, as the petroleum industry training programmes progressed, they began to employ Nigerians in seismic and drilling operations, and in supervisory and managerial functions. However, direct oil industry employment in Nigeria is not likely to expand significantly in the future because the industry is highly capital intensive, as illustrated by the size of the capital-labour ratio in the industry, compared with other industries (Olusegun 2008).

Corruption, mismanagement and lack of political will in Nigeria, as well as poor corporate relations with indigenous communities, vandalism of oil infrastructure, severe ecological damage, and serious security challenges throughout the Niger Delta oil producing region continue to plague Nigeria's oil sector. Moreover, petroleum is an enclave industry, thus despite contributions to the nation in terms of revenue and foreign exchange earnings, and helping to boost the country's gross domestic product, this does not necessarily amount to increased economic development.

### **Impact of Oil Wealth on the Industrial Sector of Nigerian Economy**

The basis for a prosperous economy is by expanding the productive sector thereby creating productive opportunities for people to engage themselves. Unfortunately, the oil and gas industry which has generated revenue in excess of about \$500 billion in the last 54 years, has failed to catalyze industrial growth for economic development to take root in Nigeria. Rather, oil wealth has systematically disabled the industrial sector of the Nigerian economy. The operational convenience, and the huge monetary returns which the rentier system provide in the petroleum industry has eroded the desired commitment and necessary effectiveness required to develop and sustain growth of the industrial sector.

The genesis of the Nigeria industrial sector down-turn is not unconnected with the failed economic policy that followed the oil glut in the 80s, and since then emphasis on oil has not created room for drastic attempt at revitalization of the sector. In the views of Obi, (2012:10), Nigeria's industrial landscape after independence was the biggest in Africa, and more industrialized than Malaysia, Indonesia and some East European countries, among others. In the 1970s, the Nigerian automobile assembly plants dotted around the country were working, and created jobs, while technology transfer was facilitated. Today all the auto plants have closed shop while industrial estates vanished. According to Obi, these structural challenges that plaque the Nigerian economy started when the Structural Adjustment Programme (1985-1990), was initiated in 1986, which ensured the continued depreciation of the naira. This unfortunate situation sounded the death knell of the industrial outfits; thus putting in place a counterproductive economic strategy that would have been more suitable for an export-oriented economy that has high volume production for external market.

Statistics of manufacturing sector in the last 10 years indicate that the industrial sector is under-producing, with the capacity production falling as low as seven percent as at 2011. The Apapa Oworonsoki industrial complex housed industries that employed not less than five hundred thousand (500,000) workers as at 15years ago, but today those factories have closed down (Aremu, 2012:12). Nigeria has thus been subdued and become a dumping ground for foreign goods, resulting from cheap consumer imports from overvalued naira, coupled with excessively high domestic production costs due in part to unreliable electricity and fuel supply, which on the whole, is a bye-product of a weak, distorted and counter-productive policy formulation, lacking in political will and commitment.

The Manufacturing Association of Nigeria (MAN) in a survey of three hundred (300) companies found that in 2011, two million, seven hundred and fifty-two thousand, eight hundred and thirty-two (2,752,832) people were unemployed by three hundred (300) companies sampled, the number declined to one million, forty-three thousand, nine hundred and eighty-two (1,043,982) in 2008 and one million, twenty-six thousand, three hundred and five (1,026,305) in 2005. Similarly, manufacturing capacity utilization declined rapidly from 70.1 percent in 1980 to 29.29 percent in 1985. It hovered around 52.78 percent in 2005 and declined to 47 percent in 2010 with their attendant job losses. The trend is still going downwards as more companies are employing different cost-cutting measures (Emenike, 2012:4).

Domestic manufacturers, especially Pharmaceuticals and textiles, have lost their ability to compete in traditional regional markets. Many Nigerian factories would have closed except for relatively low labour cost (10%-15%). The country's high propensity to import means roughly 80 percent of government expenditures recycled into foreign exchange (Olusegun 2008). The once vibrant textile industry, the largest employer of labour has almost closed down completely as industries in Nigeria are now relocating to Republic of Benin, Ghana and other African countries. High interest rate on bank loans is a major factor; high interests are shifted to commodity prices which in turn is rendered uncompetitive vis-a-vis cheap and superior commodities from foreign countries. According to Aremu (2012:12), the Aswani market in Lagos which was formerly a textile manufacturing company has today become a market for dumping of foreign-made goods.

### **Nigeria Oil Wealth and the Agricultural Sector**

The economic wellbeing of the various national entities that make up Nigeria today depended basically on subsistent agriculture, which also provided the major commodity of trade relations. It therefore implies that a well-developed and properly managed agricultural sector would have been able to solve the problem of hunger in the country, and as well provide adequately for export demand in view of the abundant human resources and, about 75% of uncultivated landmass available for agriculture. Unfortunately, the Agricultural sector has been faltering since the early 70s till date. Agriculture which once provided huge chunk of non-oil growth in the country has suffered from years of mismanagement, inconsistent and poorly conceived government policies and lack of basic infrastructure since, the outright dependence on oil mineral resources (Olusegun, 2008).

Nigeria is no longer a major exporter of cocoa, groundnuts (peanuts), rubber, or palm oil. Cocoa production mostly from obsolete varieties and over-age trees is stagnant at about 180 tons annually, however 25 years ago, it was 300,000 tons. The economy of the Western region was once based on revenue from Cocoa, regrettably, it has been replaced by crude oil. And even more dramatic is decline in groundnut and palm oil production. Nigeria was once the biggest poultry producer in Africa, corporate poultry output has been slashed from 40million birds annually to 18 million. Import constraints limit the availability of many agricultural and food processing inputs for poultry and other sectors such as fisheries are also poorly managed. Furthermore, the Nigerian land tenure system does not encourage long- term investment in technology or modern production method. It should be noted that this same sector grossly undermined, accounted for two-thirds of employment in the country, and over 41% of GDP, reaching 9% increase in 2006 (Babatunde, 2012; Geography IQ.com, 2002-2011).

The largely subsistent agricultural sector has not kept up with the rapid population growth, and Nigeria, once a large net exporter of food, now imports a major quantity of its food products. The massive migration to the cities further led to the increasing widespread of poverty, especially in rural areas. By 2000, Nigeria's per capita income had plunged to about one-quarter of its mid -1970s far below the level at independence (Olusegun, 2008, Igbikiowubo, 2010:4-5).

Beyond the illusive prospect of the oil sector potential to catalyze growth, earnings from agriculture can improve living standards of the populace above bare subsistence level, generate profit to support industrialization and provide tax revenues for education, health, and other social programmes for development. Yet in Nigeria, oil has remained the engine for socio-economic transformation and development even when, research has shown that as an enclave industry, it is not the prime catalyst for economic growth.

### **Features of Nigeria's Economy. A Critique**

According to a report by National Bureau of Statistics (NBS), at 7.68 percent growth rate, Nigeria's economy may have emerged the third fastest growing in the world, after Mongolia (14.9 percent), and China (8.9 percent). The growth rate paced faster in the fourth quarter of 2011 than the previous three months because of a stronger performance in the non-oil sector, particularly, the telecommunication industry (Nkah 2012:14). However, the inability to translate this trend of positive economic indications in terms of reversing the crushing poverty situation that affects at least 60 per cent of the Nigerian population is what economic researchers term "growth without development". According to (Yusuf cited in Ogidan, Olajide and Adekoye, 2012:4), the citizens have waited in vain for decades to see the translation of the proverbial huge potential to reality of prosperity for the country and its people. We have seen policies, fiscal and monetary, many with good intents and contents, yet, the impact is not felt. Critically, the Nigerian economy seem to be plagued by the canker of corruption.

Hence, there is a direct linkage between corruption and the ravaging poverty in the Nigerian state, bribery and corruption has stunted the growth of the Nigerian economy through mismanagement of public funds, kickbacks and the resultant poor execution of contracts, as well as direct theft from public coffers. According to Igbikiowubo, (2010:4-5), 50 percent of Nigeria's energy revenue flows to the government, 16 percent cover operational costs, and the remaining 4 percent to investors. However, the World Bank, estimated that as a result of corruption, 80 percent of energy revenues benefit only one percent of the population. The alarming rate of corruption in Nigeria today, can be traced to the country's leadership inability to extricate itself from the contrary influence of the stupendous wealth from oil revenue from the onset, especially during the oil boom in the 1970s (Igbikiowubo, 2010:4-5).

The incipient Nigerian leadership lacked the maturity, firmness and dexterity to take over from its colonial masters in terms of effective leadership and building enduring institutions, coupled with the "theft mentality" inherited from successive governments. More so was the overriding crisis of national integration; mutual suspicion and discontent which are inimical to any prosperous state. Thus, the country's leadership was overwhelmed with the task of effectively managing its newly discovered oil wealth for national development. Without proper inclination to patriotism which remains very pivotal to nation building, naive and short-sighted politicians jostled for their share of the "national cake" thereby promoting cleptocratic governance and stashing huge amount of funds abroad and living in opulence (Igbikiowubo, 2010:4-5).

Unlike Ghana and other African countries which recently discovered oil, Nigeria's petro-dollar economy created room for leaders who looted national treasury during the oil boom era of

1960s, 70s and 80s. The continued perpetuation of lootocratic governance gave rise to an economic malaise that pillaged the Nigerian state from the mid-1980s to the present era thus, ushering in the era of austere economic situation that placed Nigerian citizens till date at the receiving end of poverty in spite of huge revenue that accrued from the oil mineral resources. There was no evidence of a single competent independent institution established to check leakages in the system and effectively prevent corruption until recently. However, this trend of corruption malady has continued unabated. Also, the leadership naivety was very evident in the exploitative concessionaire agreement between Nigeria and Shell-BP. (Igbikiowubo, 2010:4-5). Though, Nigeria consistently improved in its corruption ranking since 2001, placing the country 147 out of 180 countries in *Transparency International's 2007 Corruption Perception Index*, and 121<sup>st</sup> in 2008, the country dropped to 130<sup>th</sup> place in the 2009 index released by the *Global Corruption Watchdog* (Igbikiowubo, 2010:4-5). Also, the inaugural "Africa Fraud Barometer" found a total of 875 of fraud in Africa in 2010. Similarly, South Africa and Nigeria had the highest number of reported cases (Marais, 2011). The scenario is taking a worsening dimension in Nigeria considering grievous revelations such as the Fuel Subsidy fraud, the Pension scam, allegations in Nigeria Security and Exchange Commission (NSE), the CBN/NNPC foreign account controversy and many more, leaves nothing to be desired of an economy in dire need for economic revamping (Marais, 2011).

In the Nigerian state, the high spate of Inflation remains a potent plague which gradually erodes the purchasing power of all income earners, especially the poor and those with static income, and basically distorts economic variables. Since the post-independence era, the naira has depreciated so much that in the year 2012, exchange rate was N160 to the dollar. Inflation rate was double digit and it was stated to be 12.7 percent for the month of May 2012, while the National Bureau of Statistics has warned that the hike in electricity tariff, attendant downward pressure on crude oil prices and the high exchange rate could fuel further inflation (Adesina, 2012:25). The rising inflation trend has remained almost unpredictable and unmanageable. Monetary policy Committee (MPC) of the Central Bank of Nigeria (CBN) has, over the years, been involved in the task of ensuring that inflationary trend does not go beyond its control. It appears that the harder CBN tries to reduce the high rate of inflation plaguing the Nigerian state, their efforts seem evidently to be in vain. (Nduwugwe, 2011:32).

Also, Nigeria is off-track for meeting most of the Millennium Development Goals (MDG), especially in Northern Nigeria. Human capital remain underdeveloped as the country lag behind on goals of eliminating extreme poverty and hunger, reducing child and maternal mortality, and combating diseases such as human immunodeficiency virus/acquired immune deficiency syndrome (HIV/AIDS) and malaria. Nigeria ranked 151 out of 177 countries in the United Nations Development Index in 2004, and in 2009, Human Development Index in Nigeria is 0.511, which gives the country a rank of 158 out of 182 countries as both energy and non-energy-related infrastructure remains grossly inadequate (Olusegun, 2008, Igbikiowubo, 2010:4-5).

In the area of investment, a recent study on "Doing Business 2010" which took a survey of One hundred and Eighty-Three (183) countries conducted by international Finance Corporation (IFC), an agency of the World Bank, saw Nigeria ranked 125<sup>th</sup>. Compared to global best practices economy. Among 183 economies; Singapore was ranked number one economy in the course of the research on "Doing Business 2010". The survey focused on specific areas within each country surveyed to arrive at conclusion and Nigeria obtained the following scores - starting a business 108, dealing with construction permit 162; employing workers 37; registering properties 178; getting credit 87; protecting investors 57; paying taxes 137, trading across borders 146; enforcing contract 94; Country Risk Tier (CTR) reflects A.M. Best's assessment of three categories of risk: Economic, political and Financial System Risk (Igbikiowubo, 2010:4-5). Nigeria is also rated as a CRT-5 country with high economic risk, and very high political and financial system risk, in the last 50 years. Nigeria's political leaders hardly regard these ratings, with dire consequences of foreign investment direct inflows. The foreign investment community depends on such ratings to arrive at a final investment decision over proposed project (Igbikiowubo, 2010:4-5).

In summary, the features of the Nigerian economy is stated as follows; Current Poverty Index (CPI) is 60 per cent, (placing the country 156<sup>th</sup> in ranking out of 187 countries), Current Exchange Rate (CER) of the naira to the dollar is N162, Foreign Reserves (FR) below \$38 billion while inflation stands at 12.7 per cent from 10.3 percent level in 2011. The lending rate is 22 percent, unemployment 37 per cent (over 40 million Nigerians jobless), domestic debt is N5.6 trillion, foreign debt \$5.9 billion, while allocation to states from the Federal Account in the first quarter of 2012 was N705.77 billion (Ogidan, Olajide and Adekoye, 2012:2). The Nigerian economy portends a serious disincentive to the logic of large-scale economics which depends on economic advantage of scale centered on cheap economic cost. Therefore, considering the abysmal economic rating of Nigeria, combined with the unpredictable nature of the economy, and the lack of relevant infrastructure, foreign investors would hardly be motivated to invest in Nigeria (Ogidan, Olajide and Adekoye, 2012:2).

The high spate of youth unemployment plaguing the Nigerian State attracted the attention of the federal government under the leadership of President Goodluck Jonathan hence, Inuwa Abdulkadir, the former Minister of Youths and Sports Development warned that the 41 percent unemployment rate in the country is too high for comfort intimating that, the Arab Spring was triggered by a 25 percent unemployment rate which is far less than that of Nigeria (Nkah, 2012). The implications for a gloomy economy are the exacerbation of increasing possibility of social unrest and the rate of economic displacement. Therefore the present induced sectarian violence, high rates of political thuggery, kidnappings, armed robbery assassinations, terrorism and other vices threatening the very existence of the country, is thus not unconnected with poverty and the overblown proportion of unemployed youths roaming frenziedly the nook and cranny of the country in anxious quest for survival.

### **Oil Wealth and the Underdevelopment of Niger Delta Territories**

The Niger Delta communities have remained grossly impoverished despite being blessed with vast oil wealth, owing to the existing disconnect between the state, the transnational companies on the one hand, and the people of the oil producing communities on the other hand. Expatriates and local professionals from other parts of the country occupy and control existing oil firms in the region, while the subsistent means of economic survival of indigenes are destroyed by the exploitative activities of these oil companies. And yet, no policy is directed at welfare for these inhabitants to augment for their loss. The cost of environmental disaster in the oil rich Niger Delta region has dwarfed benefit of its income (Aresa, 2012). Before the exploration of oil in commercial quantities, agriculture formed the most dominant economic activity in the Niger Delta area, accounting for about 90% of all forms of economic activities. However, there has been an unabated damage to the environment of the Niger Delta due to uncontrolled exploitation of crude oil. Almost everywhere, large multinational oil companies operating in the oil producing region, employ inadequate standards in their relations with affected communities, This allegation is evident in the excerpt of Wole Soyinka's drama piece; a tribute to Ken Saro Wiwa; which states thus;

Those who did this thing to us, those who turned our field of garden eggs and prized tomatoes into mulch, pulp and putrid flesh... After the massacre of our youth came the plague of oil gas and new death of farmland, shrines and fishes sanctuaries, and the eternal flares that turn night into day and blanket the land with globules of soot,... (The Guardian, Nov., 2005:14).

According to the official estimate of the NNPC based on the quantities reported by operating companies between 1976 and 1996, a total of Four thousand, Eight hundred and thirty-five (4,835) incidents resulting in spillage, and at least Two billion, Four hundred and forty-six thousand, Three hundred and thirty two (2,446,332) barrels (102.7 million USD) totaling about 77% barrel spills, were lost to the environment. Shell's figure indicates that since 1989 about 190 cases of oil spillage occur yearly in Nigeria, This has been estimated to be Twenty-five million (25m) barrel spills each year (The Guardian, Thursday, Feb. 25, 2004:3). A report from the Department of petroleum resources also stated that 95% of the volume of oil spilled in the region is still not recovered (Aluko, 2004:65).

In its report the World Bank claim that the palm grooves shorelines, creeks and other habitable areas will be washed away by erosion as well as spill as a result of vandalism, system failure and crude oil theft. The federal government that is in joint venture partnerships with prospecting oil companies has admitted that Forty thousand (40,000) oil spills has occurred in the past 50 years of exploration. Ogoni land is one of the worst affected areas; everywhere there are visible signs of untouched or half-hearted cleaning jobs. The water, the fish, the air and mangrove ecosystem have all been disastrously affected, so that it will need wide-ranging and long-term effort to clean up the place (Adesina, 2012:12).

Another form of devastating pollution is that associated with gas flaring. Much of the gas produced in this area along with oil associated gas is flared every day. This unburned carbon is transported into homes and working areas and all vegetation around are destroyed. The implication of the above is that presently, useable agricultural land has been reduced drastically in the Niger Delta. A large portion of the remaining land, have been made infertile and unproductive and some have been lost with no possibility of it being ever redeemed for forest and agricultural use. The constant heat and absence of darkness has done serious damage to human, animal and plant life in the area, as nature's rhythms have been disrupted. In recent times, there has also been an increase in the incidence of certain diseases like bronchial asthma, upper respiratory tract disease, gastro-enteritis, chronic bronchitis, cancer, diseased lung function, blindness, impotence, miscarriage and premature deaths, and children suffer from hearing problems because of the noise associated with gas flaring (Aluko, 2004:65, Adesina, 2012:12).

Also, the negative trend associated with the prospection of crude oil in the Niger Delta, such as urbanization, industrial development centered on oil, deforestation, etc. are not only exposing the delicate ecosystem to harsh climate vulnerability, but are also deepening the region's vulnerability to natural disasters. The rise of oil cities and oil jobs in the region have generated migration, urban sprawl, housing, traffic-congestion, increased human and industrial pressure on the already bad situation, (Umeh 2012:30). More so, oil revenue has continued to fuel ethnic violence, agitation and militancy. There have been frequent communal disturbances which disrupts crude oil production as oil communities' clamour for higher stake in oil operations. There are reported cases of massive smuggling of petroleum products across the borders in quest for foreign exchange and to take undue advantage of the lower domestic prices vis-a-vis neighbouring countries prices.

### **Oil Wealth and Nigeria Economic Growth: Prospects**

Relying on information from the National Bureau of Statistics, in spite of the effects of the global financial crisis and economic down-turn, the Nigerian economy remains the largest economy in the African continent and 26<sup>th</sup> largest in the World following the rebasing of its Gross Domestic Product from 1990 to 2010 constant prices (Okonjo-Iweala, 2010). Growth of the non-oil economy continues to be strong, and remains at over seven percent since 2001. And even though the exponential growth record of the economy has not translated into development and poverty eradication, considering the huge reserve of human and natural resources, Nigeria stands in a vintage position to build a prosperous economy, reduce poverty significantly, and provide the health, education and infrastructural services.

In the oil and gas sector indicators are that the Nigerian gas master plan which sets the parameters for natural gas utilization and monetization is poised to radically impact industrial growth. Also, the Petroleum Industry Bill (PIB), if well implemented will radically improve indigenous participation in oil and gas exploration and production business. This will not only help in the retention of capital for domestic use, it will also speed up the process of industrialization. In a bid to tackle the power challenges in the country, the then Federal

Executive Council approved two contracts worth 100b for the construction of gas pipeline. The Council also approved the award of a contract for consultancy service for the development of 25-year National Port Master-Plan for the Ministry of Transport and the Nigeria Port Authority, to enhance the NPA's ability to provide satisfactory services in furtherance of its effort to cope with the emerging international trend and the effect of globalization on the maritime industry. The plan would form the basis for strategic policies in effective utilization of resources and effective service delivery (Obalonye, 2012:7).

Also, by way of developing the Nigerian industrial sector, foreign companies benefiting from lucrative public sector contracts and the nation's massive market have been instructed to start setting up factories to manufacture some equipment in Nigeria. The CBN in the year 2010, embarked on far-reaching reforms to restore confidence in the Nigerian banking sector. The reform programme is contained in a 10-year blueprint for reforming the financial sector based on four pillars, namely; financial sector stability, enhancing equality of banks, healthy financial sector evolution and ensuring financial sector contribution to real sector (Igbikiowubo,2010).

Despite the security challenges currently facing the country, which have made some investors to express worries about the investment climate in Nigeria, investors are still very much interested in Nigeria. During the period under review, the government of the Netherlands said it would increase its investment inflow into Nigeria by 100 percent from the current 8 billion dollar (about N1.656 trillion) to 16 billion (3.3 trillion) within the shortest possible time (Nkah, 2012:14).

In the agricultural sector, the then-President, Goodluck Jonathan, affirmed that ensuring self-sufficiency of Nigeria in rice production was a priority of his administration and that with the priority he has given to rice production in the country, there will be no need for the importation of the staple food from foreign countries by the time of his departure from office in 2015.

Nigeria's effort at fighting corruption is yielding positive result, thus restoring confidence in the nations' economy. The Economic and Financial Crimes Commission (EFCC), in collaboration with the Pension Reform Task Team (PRIT) uncovered N151 pension frauds across the country. Also remarkable stride was recorded in the fuel subsidy probe, where high profile incidence of corruption has been uncovered (Nkah, 2012:12).

### **The Way Forward for Nigeria's Economic Development**

Aligning with the Organization of Economic Corporation and Development (OECD) report on Nigeria, the World Bank and leading local economists, there is need for some form of structural adjustment to be directed at bringing down our expenditure outlay and re-finance our capital investment priorities. Also existing structure for fighting corruption should be strengthened, and all possible leakages addressed. For growth to take effect, there is consensus among several countries' risk analysts that the following must be addressed; (a) enhancing the investment climate (b) infrastructure, incentives and policies affecting agricultural productivity; and (c) equality and relevance of tertiary education (Igbikiowubo 2010:4-5). There is also the urgent need for Nigeria to diversify the oil market while, high priority should be given to Africa; instead of concentrating on European countries and the United States.

With regard to the Niger Delta region, what is required is a 'political will' to clean up the region and ensure sustainable development. In this regard, the Federal government should be more committed to ensuring that existing laws regulating the excesses of oil companies operating in the region are strictly complied with, and as a condition for any more oil allocation, the environment from which this oil is produced must be secured for agriculture and fishing. Also, government should give immediate attention to the indigenes of the region to reduce unrest, while establishing institutions that will ensure that the Multinational Oil Companies carry out necessary corporate social responsibilities to the oil bearing communities in the Niger Delta region. Government should also boost security on the high sea where crude oil products are being smuggled; this will help reduce chronic loss of crude oil products through bunkering. Suffice to say that the prompt passage of the Petroleum Industry Bill (PIB) is very crucial for the well-being of the region and entire oil sector.

### **Conclusion**

In this research work, we have taken a critical look at Nigeria's economic growth and development in view of the abundant oil wealth the Nigerian state possesses and has exposed the contradiction of oil resources on economic development. It is evident that the inability of the oil sector to catalyze growth and development since its inception, results from poor governance, lack of political will and corruption. Specifically, the decline of industrial and agricultural sectors emanate from the wholesome dependence on the oil sector for revenue in meeting financial obligations of government at all levels, Local, State and Federal. The Niger Delta crisis has remained a significant part of academic discourse due to obvious neglect of the oil producing communities who are suffering from untold ravaging effects of sustained environmental degradation, impoverishment and security challenges.

Since the current democratic dispensation, development programmes in the short and long run has been attempted by way of NEEDS, SEEDS and LEEDS under Olusegun Obasanjo's government, the 7 point Agenda of Umaru Musa Yaradua and the policy framework that centered on Vision 2020 of President GoodLuck Jonathan. However, it is worthy to note that Nigeria's problem has not been the lack of robust and well-articulated development policy blue-prints, but a strong political will and discipline to carry it out to the latter. The persistent economic malaise plaguing the Nigerian state over the years, has proven that government efforts appear grossly inadequate, considering huge natural resource availability and the deepening economic woes confronting the nation in the form of spiraling inflation, constant devaluation of the naira and high cost of living.

To avoid a looming economic doom, and the resultant anarchy it will generate, especially as it relates to unemployment crisis and the^ poverty situation currently ravishing the nation, urgent policy steps must be taken by the national government to overhaul the entire economy and maximize the abundant human and natural resources at its disposal for national development.

The federal government should without further delay embark on fundamental restructuring of the Nigerian state in order to address such issues as "true federalism, resource control, revenue

allocation formula, which can ensure sustainable peace and development in the Niger Delta in the post-amnesty era (Nkwocha, 2012: 287).

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