

Corruption in the Nigerian Oil and Gas Industry and Implication for Economic Growth

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Abstract
This is an exploratory study that seek to examine the effect of corruption in the oil and gas industry to the economy growth of Nigeria. This study adopted the resource-curse theory, which state that plenty of mineral resources is more often a curse than a blessing, particularly in developing countries like Nigeria. To achieved the purpose of these study, a review of empirical works, Corruption Perception Index Report of Transparency International and some corruption cases in Nigeria was explored. This paper discovers that corruption had being part of our socio-political and economic life in Nigeria as shown by the corruption perception index from 1996 to date and that majority of corruption cases in the oil and gas industry has increased in amount over the years. Generally, corruption impaired economic growth by diverting investment fund meet for public goods and services into private gains by few individuals. This study recommend that the award of oil block, contract, licensing and production right should follow due process and that the awarding of oil block to individual should be discourage rather they should be awarded to corporate entities with wide spread ownership.
Keywords: oil and gas, Corruption, Economy growth, Resource-Curse.

Introduction

Oil and gas industry is the mainstay of the Nigerian economy, it plays a vital role in shaping the economic and political destiny of the country. Revenue from this industry amount to 70% - 90% of the total foreign earning from export activities annually (NNPC, 2014). Nigeria economy revolves around the business activities of its oil and gas industry as it generates the vast majority of government revenues. Its major activities (acquisition, exploration, production and development) are characterised by huge capital expenditures, high technological expertise and the ability to manage investment risks. Funding of these industrial activities cannot be undertaken by developing countries like Nigeria, whose main source of revenue before the discovery of crude oil in large commercial quantities were not sustaining the developmental needs of the state.

Oil and gas exploration, development and production operations have been a threat to the quality of life and hence, command expenditures on health, safety and environment. However, most oil rich developing countries lack the resources, technical expertise and capabilities to manage the large investment risks (Saidu & Sadiq, 2014). Johnston, 1994 (as cited in Saidu & sadiq 2014). opined that foreign oil companies with sufficient capital, expertise, and technology as well as investment risks capabilities are issued with licenses to explore and develop oil in the oil-rich developing countries. Nigerian oil and gas industry has witness high amount of capital inflow from Foreign Direct Investment (FDI).

The impact of these foreign direct investment has little or no effect on the economic development of Nigeria as a result of lack of accountability, transparency and high spread corruption in all sector of Nigeria economy. Corruption is generally defined as the misuse of public power for self benefit. Ijewere, 1999 (as cited in Usman, 2011) state that the cause of under-development in the African continent is due to mismanagement of resources than the lack of them. Aghalino, 2006 (as cited in Usman, 2011) explained that, in Nigeria, "oil is thicker than blood". Indeed, in Nigeria oil is blood and blood is oil considering the level of attention and conflicts it has generated over the years Usman, (2011). Corruption is manifested in every phase and sector of the Nigerian socio-political economy but it is more pronounced in the petroleum sector in the country. Because Nigeria so much depends on the petroleum sector as her source of living, income, economic growth and development, any corrupt practice in the sector by any person or party automatically affects all other sectors of the economy.

Nigeria, the country that has earned and retained the number one crude oil producer in Africa, and has indeed moved up to become the world's seventh largest exporter of crude oil and the 10th biggest holder of process gas reserve (The Punch Newspaper April 24, 2008: 24) has paradoxically not only ranked among the poorest countries in the world (Omotola, 2006), but also one of the most heavily indebted countries of the world until 2005 when Paris club of creditors 'magnanimously' cancelled substantial part of its foreign debt, which has started heaping again. External debt as at the end of first quarter 2014 stood at US$9166.02million. Despite its massive earning from oil, about 70% of its estimated 150 million people live in abject poverty on less than $2 US per a day, with Nigeria consistently being ranked higher from year 1999 to 2007 corruption perception index reports (Adomako, 2008).

Despite series of anti-corruption crusade, corruption has been a 'normal way of life' in Nigeria. According to Adomako (2008) there is an historical symbiotic relationship that exists between oil and corruption in Nigeria. Most of the proceeds from the Nigerian oil wealth ends up in the pockets of their leaders. Nigeria's problem has been how to spend its money and not absence of money. These factors has undermined the developmental strive of the nation generally.

Nigerians have been wallowing in abject poverty with inadequate infrastructural and social amenities, poor standard of living, low per capita income, and all other forms of poor human development index; often attributed to corruption, unaccountability and lack of transparency leading to cases of under-paid revenues and unaccounted oil produce in the Nigerian oil and gas sector as a result of structural fiscal/financial leakages with the collaboration of oil multinationals and high level officials in Nigerian petroleum sector (Okeke & Aniche, 2013).

In the light of the above, the objective of this study is to assess the effect of corruption in the oil and gas industry on economic growth and performance of Nigeria. Given the fact that the oil sector is a very crucial sector in the Nigeria economy, there is need for the evaluation of economy effect of corruption in relation to oil and gas revenue generated in Nigeria. This study conceptualise the concept of corruption , background of oil and gas industry in Nigeria, prevalence of corruption in the oil and gas industry, oil and gas industry and Nigerian economy growth and performance, review of related study and anti-corruption regulation.

Literature Review

Theoretical framework

This study is based on resource-curse theory, which state that plenty of mineral resources is more often a curse than a blessing, particularly in developing countries. The resource-curse thesis was first used by Richard Auty in 1993 to describe how countries rich in natural resources were unable to use that wealth to boost their economies and how these countries had lower economic growth than countries without abundance of natural resources.

Sachs and Warner, (2001) expanded on this theory and stated that there is a link between natural resource abundance and poor economic growth. The disconnection between natural resource wealth and economic growth can be seen by looking at examples from the oil producing countries like Nigeria (Okeke & Aniche, 2013).

"The resource-curse, or the paradox of plenty or Dutch disease so-called, refers to the paradox that countries and regions with an abundance of natural resources tend to have less economic growth and worse development outcomes than the countries with fewer natural resources. The reason for this paradox of plenty or Dutch disease is attributed to government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions possibly due to the easily diverted actual or anticipated revenue stream from extractive industries, appreciation of the real exchange rate leading to deindustrialization, volatility of revenues from natural resource sector due to exposure to global commodity market swings" (Okeke & Aniche, 2013).

Stiglitz (2005) and Karl (2005) also argue that extraction of resources lowers the wealth of a country unless the funds generated are invested in other forms. That is revenue from oil and gas needs to be reinvested in other sector of the economy to create a balance between the surplus unit and the deficit unit. The nature of corruption in Nigerian oil and gas sector characterized by under-payment of taxes, royalties, and bribery by the oil and gas companies to NNPC and CBN resulting in the discrepancies in quoted figures, have significantly contributed to oil resource curse in Nigeria (Okeke & Aniche, 2013).

Conceptual framework

Economic growth

Olamade, (1999) (as cited in Akinlabi, Babatunde & Awoniyi 2011) views economic growth as long-term change in an economy's productive capacity. The productive capacity of the economy is the output that could be produced if all of the economy's resources were fully and efficiently employed. Friedrich (1972) see economic growth as an expansion of a system in one or more dimensions without a change in structure and development as a renovating process leading to the structural transformation of the social system.

Investopedia defines economic growth as an increase in the capacity of an economy to produce goods and services compared from one period of time to another. Economic growth is the continuous improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improved productivity (innovations in products and processes) (Department for Business, Innovation and Skills, 2011). Economic growth can occur due to an increase in the number of goods or services but such an increase must be sustained over a long time. It can also occur due to production of more expensive goods and services, and natural resources.

Oil and Gas Industry and Nigerian Economy Growth

The discoveries of oil in the late 1950s and the oil boom in the early 1970s made Nigeria one of the world's top 10 oil exports, the Nigerian economy has followed the boom/burst cycles of the world oil market. It is unfortunate that rather than bringing the country to a position of wealth and prosperity (increase in socioeconomic welfare of the citizens), the many years with oil money have not brought the population an end to poverty nor have they enabled the economy to break out of what seems like perennial stagnation in the non-oil economy (a case of growth without development syndrome).The reason being corruption at all levels of the nation's socio-political economy (Obioma, 2012).

The revenue from oil and gas sector has dictated the pace and structure of growth of Nigerian economy since its discovery. 'These influx of oil revenues have brought in low per capita income for generality of the people and affluence and high living standards for the privileged few citizens of the nations concerned' (Obioma, 2012) . These poor growth performance among these resource-rich countries is linked to rent seeking, corruption (Tornell & Lane, 1999) and weak institutional Structure and quality. Existing studies indicate that oil exporters historically have benefited from terms-of-trade gains, but these gains generally have not been used to place countries on a sustainable growth path, rather cases of high inflation, large exchange rate appreciation, and the erosion of the competitiveness in non-oil sectors as well as conflicts and rent seeking behaviour (Collier & Hoffler 2002).

Although, over the past years oil and gas industry has made a variety of contributions to the Nigerian economy. These have included the creation of employment opportunities; local expenditure on goods and services; contributions to government revenues, to gross domestic product, and to foreign exchange reserves; and the supply of energy to industry and commerce (Odularu, 2008).

The oil industry is highly capital intensive, and as such human labor is at the low side considering the peculiarity of it operation. Currently the total oil industry employment in Nigeria (including employment by ancillary firms) represents only 1.4 per cent of total modern sector employment in the country (Odularu, 2008). The industry's value added can be obtained by adding together the various payments to the government in the form of rents, royalties, profit taxes, harbor dues, etc.; the wages and salaries of employees paid locally; and any net retained earnings.

The oil industry's periodic injection of purchasing power through its local expenditure on goods and services is another of its important contributions to the Nigerian economy. Apart from direct payments to the government, oil industry expenditure in Nigeria takes the form of payments of wages and salaries, payments to local contractors, local purchases of goods and services, harbor dues, vehicle licenses, telephone and postal charges, local rents, educational grants and scholarship awards, donations and subventions, and other minor social charges Cumulative expenditure on these items totaled about N950 million by the end of 1974 (Odularu, 2008). The significant increase in government receipts in recent years is a reflection of three factors: increased crude oil production in Nigeria; the huge increase in crude oil prices and the more favorable fiscal arrangements obtained by the government as a result of its improved bargaining position over the years (Odularu, 2008).

The availability of huge reserves of natural gas provides a good opportunity for the supply of cheap energy to industry and commerce. As a recent World Bank report on Nigeria commented. Although, the industry's value added is helping to boost the country's gross domestic product, but the latter is not necessarily synonymous with increased economic development (Oyekunle, n.d). The increase in the oil industry's value added is essentially a reflection of the significant increase in crude oil production since the end of the civil war and, more especially, of the huge increase in oil prices since 1973 factors which are quite independent of the level of development of the local economy (Odularu, 2008).

Akinlo, (2012) show that oil industry can contribute to the economic development of the oil producing nation. 'Huge revenues from oil enables the governments of the oil producing countries to spend and invest massively without recourse to taxation. Revenues from oil, if properly utilized, could serve as a "big push" for development (Baghebo & Atima, 2013; Akinlo, 2012) . Through provision of intermediate inputs to the rest of the economy. These intermediate inputs include crude oil, gas and liquid feed stocks, as well as oil and gas into the refining, petrochemical and electricity and energy intensive industries respectively (Al-Moneef,2006).
Through the market contribution from oil. The market contribution relates to the demand by oil sector for various inputs of goods and services provided by local sources. The foreign investment (FDI) effect is very important. Oil activity often leads to inflow of foreign resources such as FDI and portfolio investment. He also state that Nigerian economy has the potentialities of becoming one of the twenty leading economies of the world before the year 2020 if their abundant crude oil wealth, human and natural resources are properly managed and corruption mitigated (Al-Moneef,2006).

Corruption

A world free of corruption is associated with public and private servants who intend to serve the public or employer, be it through intrinsic motivations, incentives, threats of penalties, or peer pressure. Corruption is generally defined as the misuse of public power for private benefit. Private benefit relates to receiving money or valuable assets, but it may also encompass increases in power or status. Public power is exercised in a variety of sectors, such as the judiciary, public procurement, business regulations and granting of permits, privatization, foreign exchange (including customs, trade permits, and international financial transactions), taxes (including the granting of tax exemptions), police, subsidies, public utility (water, electricity, telephone, garbage collection, health care), and government services (health, education). Misuse can either relate to a behaviour that deviates from the formal duties of a public role (elective or appointive) (Lambsdorff, 2007).

Adewale (2011), corruption is an act of diverting the resources that should have been used for developmental purposes of the society to private or personal use. This diversion of the nation's economic resources for personal benefits had variously contributed to the leakage of capital from Nigeria for illegal deposits abroad. Corruption means the following depending on the circumstance it is applied:

- Nepotism, favouritism, bribery, graft, and other unfair means adopted by government employees and the public alike to extract some socially and legally prohibited favours (Dwivedi, 1967 (as cited in Obioma, 2012));
- Behaviour which deviates from the formal duties of public role because of private, pecuniary or status gains; or violates rules against the exercise of certain types of private gains (Nye, 1970) (as cited in Obioma, 2012);
- 'The pervasion of integrity or state of affairs through bribery, favour or moral depravity. It involves the injection of additional but improper transactions aimed at changing the moral course of events and altering judgments and position of trust. It consists of the doers and receivers' use of informal, extra legal or illegal acts to facilitate matters' (Otite, 1986) (as cited in Obioma, 2012);
-The International Monetary Fund (IMF) defined corruption as, "abuse of public authority or trust for private benefit. Is an act indulged in not only by public officials but also by those in positions of trust or authority in private enterprises or non-profit organizations"(IMF, 2000);
-Transparency International (TI) in its Source Book 2000 defines corruption as "the misuse of entrusted power for private benefit".

In summary corruption is a means of achieving personal or private benefits or gains without following laid down rules and regulation governing that particular circumstance or situations. Corruption divert money from social programmes and services through bribery, kickbacks and inflated pricing of contracts and public projects. Corruption spreed crises in the country when those saddled with the management of public affairs of the country turn out to constitute some of the greatest dangers to the security of the nation (Obioma, 2012). When they loot the treasury and become wealthy, rather than being investigated and reprimanded where necessary, they are acclaimed and worshiped.

Corruption Perception Index - CPI

CPI is the ranking of countries according to the extent to which corruption is believed to exist. The corruption perception index was created in 1995 by Transparency International. It ranks almost 190 countries on a scale of low to high, with low indicating high levels of corruption and high indicating low levels. Developed countries typically rank higher than developing nations due to stronger regulations. Nigeria appear on the list in 1996, claiming the bottom list meaning the most corrupt nation in the world. Since then Nigeria always fare on the last bottom list indicating there is high cases of corrupt practice in the country and with poor or weak regulation and anti-corruption agency. The table 1 below show the ranking of Nigeria on the CPI from 1996-2014.

Table 1: Nigeria ranking in the Corruption Perception Index from 1996- 2014.

year	Ranking	No. of country surveyed	year	Ranking	No. of Country surveyed
1996	54th	54	2006	142nd	163
1997	52th	52	2007	147th	180
1998	81st	85	2008	121st	180
1999	98th	99	2009	130th	180
2000	90th	90	2010	134th	178
2001	90th	91	2011	143th	183
2002	101th	102	2012	139th	176
2003	132nd	133	2013	144th	177
2004	144th	146	2014	136th	175
2005	152nd	159			

Source: Compiled from the Transparency International Corruption Perception Index Report 1996-2014.

The above table show that Nigeria ranking in the CPI by the Transparency international since 1996 has always fare in the bottom line of most corrupt countries in the world. The position indicate high rate of corruption in the Nigerian public sector and general perception of corrupt practice in Nigeria all over the globe.

Background of oil and gas industry in Nigeria

Oil and gas is the natural resources found beneath the soil which could be drilled and refined for industrial, mechanical, technical, and commercial purposes . Crude oil is defined as a mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities (Usman 2010). oil was discovered in 1956 at Oloibiri in the present Bayelsa state by the international oil merchant, Shell D'Arcy. In 1958, commercial quantity of about 5,200 bpd was exported. This was followed with the production and exportation of 175,000 bpd, in 1960 (Usman, 2011). Nigeria joins Organisation of Petroleum Exporting Countries (OPEC) in 1971.

Nigeria oil and gas sector is divided into upstream, Midstream and downstream sectors. The upstream deals on mining, exploration, exploitation, production, and exportation of crude oil. The service sector provides technical, engineering, and consultancy services mainly to aid the upstream in the drilling, exploration and production activities. Nigeria's average yearly production of crude oil is about 710 million barrels. Nigeria present oil reserve of 33 billion barrels is expected to last for about 49 years if no additional reserve is added, and Nigeria has proven natural gas reserves of 187 trillion standard cubic feet, the 7th largest gas reserve in the world (Usman, 2011). The federal government is represented by the Nigeria National Petroleum Corporation (NNPC) and its subsidiaries who transact oil business through Joint ventures (JV), Production Sharing Cost (PSC) and Risk Sharing Cost (RSC) (USman, 2011).

The Midstream Ventures include: Greenfield Refinery Initiative: NNPC Greenfield Refinery Projects Division (GRPD) came into existence late 2005 as a strategic response to a lack of visible progress on the 18 Licenses issued by Government for Private Refineries in 2002 and also, the negative consequences of massive importation of petroleum products against the backdrop of low capacity utilization in the existing three (3) refineries (445KBD capacity).

Vision Statement is to promote the development of Oil and Gas Process Plants for the elimination of domestic and regional deficits in petroleum products and Hydrocarbon derivatives. Mission Statement is to develop Industrial Parks for the establishment of Oil and Gas conversion Plants and associated utilities through strategic alliances and profitable businesses that will participate competitively in domestic, regional and International markets (NNPC, 2014).

The downstream sector concentrates on the refining of crude oil into usable products through distillation, conversion, extraction, and other special treatments to produce petroleum products and petroleum gas. The sector also covers Nigeria petrochemical plants and the four refineries located in Port Harcourt (two), Warri (one,) and Kaduna (one). The refineries have total refining capacity of 445,000 barrels daily; PHRC 210,000, WRPC 125,000, and KRPC 110,000 per day (Louis, 2009). However, these refineries have been unable to meet with their refining capacities because of decades of neglect, lack of turnaround maintenance, vandalism, and corruption among other mitigating factors (Usman, 2011).

'At the onset, the Government was merely a fiscal and regulatory agent in the oil and gas industry' (Okubote, 2001). It was not until 1971 when it established the Nigerian National Oil Corporation, NNOC, that the Government started to take active participation in the industry by acquiring participating interests in the operations of the multinationals in response to the policy of OPEC as per its Resolution XVI of 1968 regarding the control of each member country's oil and gas industry. 'By mid-1970s, the multiple role of the Corporation as an agent of Government in the management of its assets, as well as, a direct operator of its own venture was established'(Okubote, 2001). Apart from managing the assets of the Government in the JVs, the Corporation was also responsible for marketing Government equity crude while ensuring compliance with OPEC quota limitation.

This multiple role of the Corporation was expanded as the industry became more complex and new entrants, as well as, novel relationships were entered into (Okubote,2001).

In 1974, NNOC commenced active exploration and drilled its first exploratory well offshore in the Niger Delta. This well was in the deepest water at the time and within one year, the Corporation had drilled as many as six wells in the same terrain. In1977, NNOC was merged with the Ministry of Petroleum Resources to form the Nigerian National Petroleum Corporation (NNPC), which effectively combined the operational and regulatory arms of the industry in one body apparently in an attempt to inject professionalism into the regulatory sector. In 1979, NNPC commissioned the first and second phases of its national product pipeline and depot network while acquiring interest in some of the major product marketing companies in the country (Okubote,2001).

In 1988, the NNPC was commercialised into 11 strategic business units, covering the entire spectrum of oil industry operations: exploration and production, gas development, refining, distribution, petrochemicals, engineering, and commercial investments (NNPC, 2014). Currently, the subsidiary companies include: 1. Nigerian Petroleum Development Company (NPDC); 2. The Nigerian Gas Company (NGC); 3. The Products and Pipelines Marketing Company (PPMC); 4. Integrated Data Services Limited (IDSL); 5. National Engineering and Technical Company Limited (NETCO); 6. Hydrocarbon Services Nigeria Limited (HYSON); 7. Warri Refinery and Petrochemical Co. Limited (WRPC); 8. Kaduna Refinery and Petrochemical Co. Limited (KRPC); 9. Port Harcourt Refining Co. Limited (PHRC); 10. NNPC Retail; 11. Duke Oil. (NNPC, 2014).

The industry is also regulated by the Department of Petroleum Resources (DPR), a department within the Ministry of Petroleum Resources. The DPR ensures compliance with industry regulations; processes applications for licenses, leases and permits, establishes and enforces environmental regulations (NNPC,2014).

In the same vein, the regulatory arm of the Corporation (Inspectorate Division) was taken to the Ministry and that structure has remained much the same today. The restructuring however afforded the NNPC the opportunity to expand its operations especially in the hitherto largely neglected area of gas investment for which the Nigerian Gas Company (NGC) was created with the objectives of gathering, treating and marketing natural gas in the country (Okubote,2001).

Oil and Gas Industry and Prevalence of Corruption

The Nigerian Petroleum sector has been a pot of gold to the nation and the outside world since independence (Nigerian Tribune Monday, 5 July, 2010:27). However, the history of oil exploration in Nigeria has been characterized by almost an equal measure of progress and impediment, blessings and curse, hope and hopelessness, wealth and poverty, as well as inability of successive government to translate the good fortune of oil to build an efficient modern society (Nigerian Tribune, Monday, 5 July, 2010: 28).

Ayoola (2005) (as cited by Usman, 2011) reiterated that, "the commonest form of corruption in Nigeria used to be filled with just bribery but in recent years this has been overtaken in level of prevalence by embezzlement and theft from public funds, extortion, abuse of discretion, abuse of public power for private gain, favoritism and nepotism, conflict of interest, extortion, and illegal political party financing". Generally, various kinds of corrupt practices exist in Nigeria. These include; embezzlement, fraud, diversion of funds, gratification, nepotism, falsification of documents, outright theft of government property, favoritism, willful absenteeism, awarding contracts to 'front' companies, lodging public funds in private accounts, over-invoicing, approval of sub-standard projects, disregard of due process (Usman, 2011).

McPherson & MacSearraigh, 2007 (as cited in Obioma 2012) outline the following characteristic of the Nigerian oil and gas industry that make it highly susceptible to corruption:

Complexity: The oil industry is technically and structurally complex, and the legal, commercial, and fiscal arrangements governing revenue flows are typically even more complex. This makes it relatively easy for those who manipulate revenue flows for political or personal gain to conceal their activities.

Natural Monopolies: The sheer scale of the oil and gas industry and its supporting infrastructure often result in natural monopolies in areas such as pipeline transport, teminaling and poor facilities. Monopoly power and control creates opportunities for corrupt abuse through discretionary control of access and through the setting of fees or traffic for use.

Volume of Transaction: Oil is a very big business as dollar (Naira) volumes in the industry are huge but the very small fractions of transaction values in the petroleum sector can equate to very large sums of money, representing a very serious temptation to corruption (Obioma, 2012).

Rents: There is scarcely an industry that can touch oil for the magnitude of the rents it generates. Largely because of the oligopolistic character of the industry, prices are typically vastly in excess of costs (Obioma, 2012). The average price of a barrel of crude oil on international markets during 2006 has been in the range of \$65-\$75, while costs per barrel range from \$4-\$5 in the Middle East, through \$12 in the Gulf of Mexico, to \$15 in the North Sea (International Energy Agency 2005, as cited by Obioma, 2012). These numbers result in margins of \$50 to more than \$70 a barrel-an obvious corruption risk (Obioma, 2012).

Concentration of Revenue Flows: Certainly at the production level, petroleum revenue flows to the government tend to be concentrated, coming from relatively few taxpayers, mostly foreign rather than domestic (Obioma, 2012). In this sort of environment, the accountability to the populace of government agencies in receipt of the revenue flows is limited. Concerns of the general public, in particular challenges to account for the use of the revenues, can be ignored with impurity.

Strategic Significance: Oil is almost universally regarded as being of strategic significance. From the stand-point of producing-country governments, oil is one of the "commanding heights" of the economy, an argument that is used in support of wide-ranging government involvement in the sector. 'Government intervention ranges from ownership of the resource through policy formulation and legislation, control of access to infrastructure, and regulation of operations to the establishment of national oil companies. Each of these areas of government involvement may spawn innumerable opportunities for corruption' (Obioma, 2012).

Spillover Effects: Corruption in a sector as rich and as powerful as petroleum can be expected to have major negative spillover effects on the governance not only of other sectors but also of the economy as a whole (Obioma, 2012).

Obioma, 2012 categorizations four level of corruption in the Nigerian petroleum sector as follows: Policy Corruption: This involves corrupt influence on the design of sector policies, as well as the enactment of sector laws and taxes in a manner intended to provide political or personal gains at the public expense. Administrative Corruption: This is the abuse of administrative office to extract illegal benefits in exchange for approval covering a wide range of commercial and operational activities. Commercial Corruption: Under this heading are the broad areas of procurement abuse, including tender rigging, kickbacks, and cost inflation. Grand Corruption: Direct theft of massive amounts of money through diversion of production; products, or revenues are cases of grand corruption (Obioma, 2012).

This levels of corruption cut across all industrial sectors of the Economy. In any case, many institutions and individuals are involved. Among them in the oil sector corruption in Nigeria are the oil producing-country governments (the executive, legislative and judiciary), the oil companies themselves, the banks and the big men (that is, the powerful individual influence peddlers or arrangers) that act as condict pipes or media/channels of corruption in the sector (Obioma, 2012) .

Corruption risk areas in Nigerian oil and gas industry

Gillies, 2009 outline five areas that stand out as possible loci of corruption in Nigerian oil and gas industry. They are: the awarding of licenses; the awarding of contracts; bottlenecks and inefficiencies; the role of bunkering; the exportation of crude and importing refined products.

Awarding of licenses: Without well-regulated award procedures, the allocation of licenses for exploration and production might represent possible opportunities for corruption. 'Nigeria's Petroleum Act gives the Minister of Petroleum full authority over the allocation of licenses for the exploration, prospecting, and mining of oil. There are, therefore, no legally mandated processes or oversight mechanisms for the allocation of blocks' (Gillies, 2009). During military rule, most licenses were awarded on a discretionary basis by the head of state. The oil block national cake sharing fiesta could take twists according to the mood of the Commander-in – Chief at the particular time (Mashika, 2014).

Awarding contracts: Due to high capital influx in oil and gas industry there is bound to be malpractices in the award of contract within and outside the industry. Gillies, (2009) Oil sectors also involve the award of numerous large-scale contracts, primarily to oil service companies. Nigerian government retains a high degree of control over such transactions. Government officials can benefit from procedures that favour companies in which they have a financial stake and officials can also give preference to companies owned by their allies, and then seek repayment through other business deals or political favours (Gillies, 2009).

Bottlenecks and Inefficiencies: 'Oil and oil service companies frequently confront costly delays and inefficiencies in their dealings with Nigerian state institutions. Though they do not constitute corruption per se, such delays create the motive and opportunity for "greasing the wheels", or paying bribes to speed along procedures. Most contracts are subject to a three tier approval process consisting of NAPIMS, the NNPC Group Executive Council, and the NNPC Board, with larger awards also requiring Federal Executive Council approval' (Gillies, 2009). The average time for the review of contracts is 24 months, while the global industry average is closer to six to nine months (Ajumogobia, 2008). This bottleneck ensures that top NNPC officials remain the gatekeepers of the industry. Protecting this arrangement often contradicts profit maximisation within the national oil company. As a result, its functions remain inefficient, politicised, and susceptible to capture by individual interests (Gillies, 2009).

Bunkering (theft) of oil: Bunkering is the theft of crude oil directly from pipelines, flow stations, and export facilities (Gillies, 2009). Most sources quote around 100,000 bpd - 200,000 bpd lost via bunkering in Nigeria, a quantity equal to the entire oil production of Cameroon (Gillies, 2009). Some estimates, however, run as high as 600,000 bpd (Gentile, (2007) . It is widely perceived that both government and oil company representatives are complicit in bunkering activities. Groups of well-armed young men typically execute the pipeline sabotage, but their activities are overseen by powerful figures. Other methods of bunkering (e.g. the loading of more crude than is reported onto export vessels) would likely require some level of official complicity. Bunkering inflicts serious costs. It lowers the amount of crude Nigeria exports, thereby reducing the revenues which accrue to the state. The security risks and damage to equipment associated with bunkering dissuade investment into onshore exploration and production (Gillies, 2009).

Exporting crude and importing refined products: NNPC issues "lifting" or export contracts to international oil trading companies, several NNPC-affiliated companies, and a few foreign governments. The traders buy the crude from NNPC at market price and sell it on to refineries and other buyers worldwide. Similarly, NNPC also awards licenses to import refined petroleum products such as petrol, kerosene, and diesel. These export and import transactions yield high levels of fungible returns, and the lack of transparency surrounding them creates considerable opportunities for corruption (Gillies, 2009).

Petrol and kerosene prices are subsidised by the government. Proponents of the subsidy argue that it represents the only tangible benefit of oil wealth for most Nigerians. The subsidy and weak market regulation create enormous distortions and opportunities for corruption (Gillies, 2009).

Few Cases of Corruption in Nigeria

The frequent increase of corruption cases both in the oil and gas industry and other sectors of Nigeria economy gives room for questioning the efficiency and effectiveness of Independent Corrupt Practices and Other Related Offences Commission (ICPC), Economic and Financial Crimes Commission (EFCC) and other securities agencies. And as well our judiciary system . James Ibori, former governor of Delta state was discharged and acquitted in a Nigerian court for over 170 count charges in December 2009 filed against him by Economic and Financial Crimes Commission, but was jailed for 13 years in a British court on April 17, 2012 for fraud and money-laundering and for embezzling N12.6 billion. This exposed the weakness and defects of our entire (political, legislative,security and Judicial) systems.

Punch Editorial Board, (2012) state that two members of the House of Representatives, Farouk Lawan and Boniface Emenalo, were accused of demanding and collecting $620, 000 bribe from an oil tycoon, Femi Otedola, to get rid of his company from the list of those found wanting during the investigation into petrol subsidy fraud. These are people entrusted with responsibility of sanitizing the oil sector now joining the bandwagon of corrupt public officer. Although, the report revealed how an astounding sum of N2.58 trillion amount in excess of 50 per cent of Nigeria's current N4.4 trillion national budget was spent on a budgetary item that was supposed to cost the taxpayer just N240 billion. The probe also revealed that about N1.7 trillion out of the N2.58 trillion could not be properly accounted for and must therefore be returned to the government till (Punch Editorial Board, 2012).

Omitaomu, 2014 state how the former CBN governor Mr. Sanusi accuse Minister of Petroleum Resources, Diezani Alison-Madueke of mismanagement of $3.5 billion (N577 billion) of Nigeria's money without budgetary approval. Mr. Sanusi also said that for all crude oil sales within the period of 2012 and july 2013 the NNPC paid only 24 per cent proceeds into the federation account, and diverted the remaining 76 per cent which cannot be accounted for. It found out that the unremitted misappropriated fund was $20 billion (N3.3 trillion) (Omitaomu, 2014) .

The well-known Halliburton scandal involving nearly most of the Nigerian leaders, as shown on Table 2 below, was blew open in Nigeria after a US oil service company, pleaded guilty to paying around US $180 million in bribes to the top Nigerian government officials, to secure four contracts, worth over US $6 billion, to build Liquefied Natural Gas (LNG) facilities in Nigeria.

Table 2: The Halliburton Scandal indicating the beneficiaries and the amount

S/N	Periods	Beneficiaries (company / Individual)	Amount involve
1	1994 - 1995	General Sanni Abacha (former Nigeria Military Dictator)	$40 Million
2	1996 - 1998	Dan Etete (former Minister of Petroleum under Abacha)	$2.5 Million
3	1996 - 1998	M. D. Yusuf (Former Inspector General of Police and Chairman of LNG)	$75,000
4	1998	General Sanni Abacha's brother, Abdulkadir Abacha	$1.887 Million
5	1999 - 2000	Atiku Abubakar (former Vice President, 1999 – 2007) and Don Etiebet, ex Petroleum Minister)	$37.5 Million
6	2001 - 2002	Olusegun Obasanjo and Atiku Abubakar, and Funsho Kupolokun(Former President, Vice President and GMD, NNPC respectively)	$74 Million
7	2001 - 2002	Bodunde Adeyanju, ex personal assistant to Obasanjo.	$5 Million
8	2001 - 2002	Ibrahim Aliyu, a retired federal permanent secretary (Urban Shelter and Intercellular)	$11.7 Million
9	2001 - 2002	Mohammed Gidado Bakare, a retired Chief Planning Officer	$3, 108, 675
10	March, 1999	Nasir Ado Bayero, Son of the Emir of Kano (Gosmer International, Risers Brothers)	$600,000
11	1999 - 2000	Shinkafi and Glosmer International	$195,000
12	March, 1999	Edith Edeghoughou	$290,000
13	March, 1999	Zertasha Malik and Grety overseas	$600,000
14	March/June,1998	Grety Overseas and Riser Brothers	$1.12Million
15	2001 and 2002	Principal officials of the Nigerian Federal Inland Revenue Service	$2.4 million
		Total amount involve in the bribery scandal.	$181,650,675

Source: Usman, 2011.

Review of empirical Study

Adewale (2011) investigates the crowding-out effects of corruption in Nigeria, covering the periods from 1996 to 2009, he uses simulation approach to investigate the economic implications of corruption in Nigeria, employs Error Correction Mechanism (ECM) to overcome the problem of spurious regression. He founds that all the econometric test applied in the study show statistically significant relationship between the model, thus, he concluded that corruption retards economic growth in Nigeria, that is corruption has a crowding-out effect on growth.

Baghebo & Atima, (2013) in their study using the Ordinary Least Square (OLS) technique was used in obtaining the numerical estimates of the coefficients in different equations using e-views. It was discovered that the variables: oil revenue and corruption index impacts negatively on Real GDP, while FDI and External DEBT have positive impact on the growth of the economy. This means that the resource curse theory is proven to be true in Nigeria

Nageri, Umar & Abdul (2013) in their study examined the magnitude of the impact of corruption on Nigeria economy and found that Corruption Perception Index the proxy for corruption has been hampering development proxy by the Nigeria's GDP to the tune of over $116billion reduction in GDP on average, also the rank of Nigeria on the corruption cadre has also negatively affected growth and development in Nigeria to the tune of more than $1billion reduction in GDP on the average.

Ajie & Wokekoro (2012), in their study of the impact of corruption on sustainable economic growth and development in Nigeria using the method of ordinary least square, found among others, that weak institution of government; dysfunctional legal system; lack of transparency; high poverty/unemployment rate and political interference on the operations of anti-corruption agencies constitute the major causes of systemic corruption in Nigeria.

Obayelu (2007), examine the effects of corruption and economic reforms on economic growth and development: lessons from Nigeria, found that there have been significant reductions in the level of corruption in the country through the introduction of government anti-corruption instruments. Besides, he found a negative correlation between levels of corruption and economic growth thereby making it difficult for Nigeria to develop fast.

Mo (2001) in his study, he estimated a indirect and direct effect of corruption on economic growth using a long term growth rates of per capital GDP from 1970 to 1985. The study identified three transmission channels namely, investment, human capital and political stability. The result indicates that one unit increase in the corruption index reduces the growth rate by about 0.545 percentage point. However, the direct effect of corruption becomes insignificant in both ordinary least squares (OLS) and two-stage least squares (2SLS) estimation after controlling other variables.

Mnhuda (2013) investigating the relationship between corruption, poverty and economic growth in Nigeria. The study employed regression analysis and granger causality test, it was discovered that there is an existence of cointegration chance tanging a long run causality relationship between corruption, poverty and economic growth in Nigeria.

Anti- Corruption Regulation.

Despite the establishment of anti-graft agencies, such as Independent Corrupt Practices and Other Related Offences Commission (ICPC) in 2000, and Economic and Financial Crimes Commission (EFCC) in 2003 after the Financial Action Task Force on Money Laundering (FATF) named Nigeria amongst the twenty three non-cooperative countries frustrating the effort of international community to fight money laundering (EFCC Establishment) Act, 2002), corruption has continued to weaken institutions, discourages investment and retards economic development (Nageri, Umar & Abdul,2013). These anti-graft agencies and the police rather carry out selective arrest of corrupt practices of those who are not in good terms with the government of the day, which mall the primary objectives of their establishment.

Corrupt practices impair oil and gas industrial performance. Gillies, (2009) outline five approaches to advance anti-corruption reform in Nigerian oil sector: the legal and regulatory framework; open and competitive award procedures; process and revenue transparency; investigation and prosecution of corruption; and oversight and accountability measures.

The legal and regulatory framework: The existing legal framework grants discretionary authority to top officials and does not clearly delineate roles and responsibilities among the sector's actors. The industry regulator, the Department of Petroleum Resources (DPR), suffers from low capacity and the confusing assumption of regulatory functions by NNPC itself (Gillies, 2009). NNPC reforms of 1988 created 11 subsidiary units meant to function as semi-autonomous businesses. Through this exercise DPR become a separate institution under the ministry of petroleum rather than a unit within NNPC.

Open and competitive award procedures: Licenses to acquired explortory right and produce oil, contracts for oil-related services and, more generally, government contracts funded by oil revenues all represent highly valuable assets. Bribery, favouritism, and contract non-performance frequently mar these license and contract transactions in Nigeria.

Process and revenue transparency: The international movement which promotes extractive industry transparency has increasingly moved towards emphasising transparency throughout the resource value chain.

Investigation and prosecution of corruption: The three areas of reform outlined above seek to reduce opportunities for corruption. Investigation and prosecution aim to uncover corruption and ensure that appropriate repercussions ensue.

Oversight and accountability: Effective oversight by accountability institutions (legislature, judiciary, anti-corruption institutions, civil society, media and citizens) is crucial for stemming oil sector corruption in Nigeria. The effectiveness of these actors depends on both their capacity and their level of meaningful access to the sector's governance processes (Gillies, 2009) .

Nigeria Extractive Industries Transparency Initiative (NEITI)

The Nigeria Extractive Industries Transparency Initiative (NEITI) is a national subset of the global movement, known as the Extractive Industries Transparency Initiative (EITI). The EITI was established in June 2003 to achieve sustainable development and poverty reduction in resource-rich countries plagued by the phenomenon of 'resource curse'. It does so by promoting transparency and accountability in the management of revenues accruing from extractive industries (NEITI, 2012).

The Federal Government declared Nigeria's acceptance of the principles and criteria of the global Initiative and made public its decision to implement the EITI in Nigeria on November 7, 2003. This led to the establishment of Nigeria Extractive Industries Transparency Initiative (NEITI) in 2004 to domesticate the implementation of this global initiative in Nigeria. And on May 28, 2007, a specific law was enacted to enforce the implementation of the Initiative in the country's oil and gas and mining industry. This was the NEITI Act, 2007 (NEITI, 2012).

The objective of the EITI Association is to make the EITI Principles and the EITI Criteria the internationally accepted standard for transparency in the oil, gas and mining sectors. There are today 45 member countries including Nigeria and the United States with International Headquarters in Oslo, Norway. The underlying philosophy of the EITI Association is the belief that strengthened transparency of natural resource revenue can reduce corruption; and, moreover, that prudently managed revenue from extractive industries can transform economies, reduce poverty, and raise the living standards of entire populations in resource-rich countries.

Objectives of NEITI

Under the NEITI Act 2007, the primary objectives of the NEITI are five.

- To ensure due process and transparency in the payments made by all extractive industry companies to the Federal Government and statutory recipients.
- To monitor and ensure accountability in the revenue receipts of the Federal Government from extractive industry companies.
- To eliminate all forms of corrupt practices in the determination, payments, receipts and posting of revenue accruing to the Federal Government from extractive industry companies.
- To ensure transparency and accountability in the application of resources from payments received from extractive industry companies.
- To ensure conformity with the principles of the Extractive Industries Transparency Initiative.

The Proposed Petroleum Industry Bill

A bill for an Act to provide for the establishment of the Legal and Regulatory framework, Institutions and Regulatory Authorities for the Nigerian petroleum industry; establish Guidelines for the operation of the upstream, midstream and downstream Sectors (PIB, 2012).

The Petroleum Industry Bill proposes a number of reforms in the petroleum industry. The current laws include the Petroleum Act of 1969; Petroleum Profit Tax Act of 1959; and Nigerian National Petroleum Corporation (NNPC) Act 1977 among other legislations (PIB, 2012). The proposed laws involve an overhaul of the existing petroleum laws including the fiscal system.

This is intended at encouraging local participation in the petroleum industry and maximizing government take in giant fields among other things (Lukman, 2009).

Objectives of the PIB

(1) The objectives of this Act are to:

(a) enhance exploration and exploitation of petroleum resources in Nigeria and to promote petroleum production for the benefit of the Nigerian people;

(b) create a conducive business environment for petroleum operations;

(c) establish a progressive fiscal framework that encourages further investment in the petroleum industry whilst optimising accruable revenues to the Federal Government of Nigeria;

(d) establish a commercially oriented and profit driven National Oil Company;

(e) deregulate and liberalise the downstream petroleum sector;

(f) create efficient and effective regulatory entity;

(g) promote transparency, simplicity and openness;

(h) promote the development of Nigerian Content in the petroleum industry;

(i) protect health, safety and environment;

(j) optimise domestic gas supplies, in particular for power generation and industrial development (PIB, 2012).

" Looking at the objectives of the bill and the re-structuring of how petroleum issues will be handled in the bill, it is fair to conclude that the bill is just what Nigerians need to derive the needed benefit from petroleum resources, but such conclusion may not hold waters, time only will tell if the bill will translate into the intended purpose in reality" (Baghebo & Atima, (2013)

Kalejaye (2014) state that the non-passage of the Petroleum Industry Bill in 2014, almost 6 years of its initial proposal in 2007 by National Assembly has been viewed by industry players as a major threat to the growth and development of the Nigeria Content Act. Indigenous players believed that the unending delay of the bill has stalled potential investment climate and slowed the growth in Nigeria's oil and gas sector. Therefore, considering the strategic importance of International Oil Companies (IOCs) in the Nigerian oil and gas industry coupled with the paucity of domestic technical know-how, lack of finance, and the extent of reliance of the Nigerian economy on oil revenue, it becomes necessary to evaluate the extent to which investment in the upstream oil and gas sector would be affected by the PIB-proposed fiscal terms (Saidu & Mohammed,2014).

Nigeria has been unable to utilize its resources for the good of the people, the consequence being that the nation lags behind in most development indicators, and is one of the least developed in the world (Saidu &Mohammed, 2014). Studies such as the World Bank Report (2010) have stated that as a result of corruption, 80% of Nigerian energy revenue benefits only 1% of the population. This means that 99% of Nigerians do not benefit from oil revenue. Therefore, as the Report notes, "Nigeria with all its oil wealth has performed poorly, with GDP, per capita today not higher than at independence in 1960". This means that an average Nigerian was better off before independence in 1960. There have been five oil boom cycles in the world within the past 50 years, in the 70s, 80s, 90s, 2000s and recently, in 2010. Unfortunately Nigeria has been unable to effectively utilize these periods to move up the manufacturing and economic development ladder, and to achieve appreciable levels of sustainable development, but has instead regressed in developmental terms, thereby contributing to energy poverty and underdevelopment in sub-Saharan Africa (Saidu &Mohammed, 2014).

The breakdown of the petroleum value chain, their vulnerability to corruption, warning signals and recommended responses to be put into use by Nigeria if corruption should be eradicated or reduced in the petroleum sector in Nigeria are outline in the findings, conclusion and recommendation.

Findings

From the review of empirical works, the figures showed on table 1- 2 and corruption cases analysed in this paper we made the following findings:

1. that corruption had being part of our socio-political and economic life in Nigeria since independence as shown by the corruption perception index from 1996 to date, maintaining the 10th - 20th bottom list for several years;
2. that corruption cases in the oil industry has increased in amount over the years, in some case the amount equate 50% of national budget and this has negate economic growth given the increased in GDP over the years;
3. that the anti-corruption institutions in Nigeria are not helping in the fight against corruption rather they are used for a selected few who are not in the government good book.

Conclusion and Recommendation

From the analysis of the literature review above, we made the following conclusion as regards the effect of corruption in the oil and gas industry to the economic growth of Nigeria. Nigeria so much depends on the oil sector for her sustainable development and national economic growth, the high rate of corruption in the sector affects all other sectors of the nation's socio-political economy from realizing their set economic objectives. Efforts put in place by all levels of governments in the management of corruption in the oil and gas sector are insufficient in eradicating corruption in the sectors. But it seems that the outputs of such efforts are far more than desired (Obioma, 2013).

All anti-corruption agencies should carry out their primary assignment without external influence. They should not be used as a weapon against those who oppose the ruling government.

The award of oil block, contract, licensing and production right should follow due process without government and its agents interference. And the awarding of oil block to individual should be discourage rather they should be awarded to corporate entities with wide spread ownership.

Government at all level should join hands to ensure that the proposed PIB is approved and all its content are implemented for the well being of their citizens, which will help to curb Corruption, either involving public sector actors or enabled by their weaknesses.

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