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OIL AND GAS MANAGEMENT IN NIGERIA: LESSONS FOR GHANA*

BY

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1.0 INTRODUCTION

Nigeria has a population of about 130million people and an abundance of natural resources, especially hydrocarbons. It is the 10th largest oil producer in the world, the third largest in Africa and has the most prolific oil producer in the Sub-Saharan Africa. The Nigerian economy is largely dependent on its oil sector which supplies 95per cent of its foreign exchange earnings.

The upstream oil industry is Nigeria's lifeblood and yet it is also central to the civil unrest in the country, which gained worldwide publicity with the trial and execution of Ken Saro Wiwa, and eight other political activists in 1995. The upstream oil industry is the single most important sector in the economy. According to the 2008 BP Statistical Energy Survey, Nigeria had proven oil reserves of 36.22billion barrels at the end of 2007 or 2.92per cent of the world's reserves. The Nigerian government plans to expand its proven reserves to 40 billion barrels by 2010. Most of this is produced from the prolific Niger River Delta. Despite problems associated with ethnic unrest, border disputes and government funding, Nigeria's wealth of oil makes it most attractive to the major oil-multinationals, most of who

are represented in Nigeria, with the major foreign stakeholder being Shell. Nigeria produced an average of 2355.8 thousand barrels of crude oil per day in 2007, 2.92per cent of the world total and a change of -4.8per cent compared to 2006.

According to the 2008 BP Statistical Energy Survey, Nigeria had in 2007 proven natural gas reserves of 5.29trillion cubic metres, 2.98per cent of the world total. Due, mainly, to the lack of gas infrastructure, 75per cent of associated gas is flared and 12 per cent re-injected. Nigeria has set a target of zero flare by 2010 and is providing incentives for the production and use of gas. The government also plans to raise earnings from natural gas exports to 50 percent of oil revenues by 2010. It has been reported in the 2008 BP Statistical Energy Survey that Nigeria had 2007 natural gas production of 34.97 billion cubic meters, 1.18 per cent of the world total.

Nigeria's downstream oil industry is also a key sector including four refineries with a nameplate capacity of 438,750 bb/d. Problems such as fire, sabotage, poor management, lack of turnaround maintenance and corruption have meant that the refineries often operate at 40per cent of full capacity, if at all. This has resulted in shortages of refined product and the need to increase imports to meet domestic demand. Nigeria has a robust petrochemicals industry based on its substantial refining capacity and natural gas resources. The petroLeum industry is focused around the three centres of Kaduna, Warri and Eleme.

Until 1960, government participation in the industry was limited to the regulation and administration of fiscal policies. In 1971, Nigeria joined OPEC and in line with OPEC resolutions, the Nigerian National Oil Corporation (NNOC) was established, later becoming NNPC in

1977. This giant parastatal, with all its subsidiary companies, controls and dominates all sectors of the oil industry, both upstream and downstream. In April 2000, the Nigerian government set up a new committee on oil and gas reform to deal with the deregulation and privatization of NNPC. Seven subsidiaries of NNPC were to be sold including the three refineries, the Eleme Petrochemicals Company Ltd, the Nigerian Petroleum Development Company and the partially owned oil marketing firm, Hyson Nigeria Ltd.

Nigeria is a member of OPEC and is its 12th largest producer. The petroLeum industry in Nigeria is regulated by the Ministry of Petroleum Resources. The government retains close control over the industry and the activities of the NNPC, whose senior executives are appointed by the ruling government. As in many other developing-world federations with "twentieth-century constitutions" and large regionally concentrated hydrocarbons, multi-ethnic Nigeria has entrusted the ownership, regulation and redistribution of its oil and gas wealth in the federal government (Watts: 98). At the same time, the country's fiscal federalism architecture constitutionally and statutorily guarantees the devolution of considerable amounts of centrally collected oil and gas revenues to the federation's state and local governments.

This paper is to discuss the oil and gas management in Nigeria: Lessons for Ghana. The paper is structured into five parts with part 1 being the introduction while part 2 scoops the literature on the economics of natural resources and its management globally. Part 3 will situate the Nigeria's multifaceted crisis of oil and gas governance and all related issues. Part 4 will sieve out the lessons for Ghana while part 5 summarizes and concludes the paper.

**The views expressed in the paper are those of the author and do not in any way represent the official position or thinking of the Central Bank of Nigeria. The author acknowledges the comments and criticisms of anonymous reviewer.*

1.0 LITERATURE REVIEW ON THE ECONOMIC MANAGEMENT OF NATURAL RESOURCES

Economists globally believe and they are concerned that economies dominated by natural resources would somehow be disadvantaged in the drive for economic progress (Prebisch, 1950, 1964; Singer, 1950). Baldwin (1996) based his concern upon the deteriorating terms of trade between the “centre” and the “periphery” coupled with concern over the limited economic linkages from primary product exports to the rest of the economy.

In the 1970's, it was driven by the impact of the oil shocks on the oil exporting countries (Neary and Van Wijnberger 1986; Mabro, 1980). In the 1980's, the phenomena of “Dutch Disease” (the impact of an overvalued exchange rate on the non-resource traded sector) attracted attention (Corden, 1984). Finally in the 1990's, it was the impact of revenues from oil, gas and mineral projects on government behavior that dominated the discussion (Ascher, 1999; Auty, 1990; Steven, 1986)

The common thread running through all these concerns are that the development of natural resources should generate revenues to translate into economic growth and development. Thus the revenues accruing to the economies should provide capital in the form of foreign exchange overcoming what was seen as a key barrier to economic progress. The development theories, especially the requirement for a “big-push” (Rosenstein-Rodan, 1943 and 1961; Murphy et al., 1989) capital constraint (Lewis, 1955; Rostow, 1960) and dual-gap analysis (Joshi, 1970; Elshibley and Thirwal 1981) supported these concerns.

However, the reality appeared to be the reverse. Countries with abundant natural resources appeared to perform less well than their more poorly endowed neighbors. Thus “resource curse” began to enter the literature (Auty 1993). These concerns had caused the IMF/World Bank to get involved with some non-governmental organizations (NGO) to work out the way forward in encouraging a “resource blessing”

rather than “resource curse” by creating the “*Extractive Industry Review*” based in Jakarta to consider whether the World Bank group should, as a matter of principle have any involvement with the project of assessing the negative effects of oil, gas and mineral projects on developing countries.

Among financial investors in oil, gas and mineral projects, there is growing concern that the negative effects of “resource curse” could actually threaten the economies of the projects. This could be because the presence of “resource curses” increases the political risk associated with the project. Finally, this renewed interest is being fuelled by the fact that a number of countries are about to receive large amounts of revenue from such projects. Hence there is real concern and policy deliberation over how these revenues might be used as a positive rather than a negative force. These countries include some of the newly independent states of the former Soviet Union such as Azerbarjan and Kazakhstan, a number of African countries such as Angola, Chad and Ghana, the most recent; and some in South East Asia such as West Papua and East Timor.

However, in the literature, there are references to countries that allegedly managed to have “resource blessing” and avoided the “resource cursed”. For example, some states with large extractive industries-like Botswana, Chile and Malaysia have overcome many of the obstacles and implemented sound pro-poor strategies (Hope, 1998; Jiwaji, 2000). The literature is replete with the analysis on “resource curse” but very few analyses on the “resource blessing” or “resource impact”. Countries such as Botswana, Chile, Indonesia and Malaysia are success stories and the lessons of these countries should be relevant for Ghana to adopt in order to avoid the Nigeria's pitfall and have success story as well.

The literature uses a variety of criteria to establish the impact of Oil, gas and mineral projects. The economic criteria approach is the best in doing analysis for the economies with diverse resources and large

population. The first is what happens to the rest of the traded economy as oil, gas and mineral projects involve the depletion of an exhaustible resource. One definition of sustainability requires that when the resources are depleted, other sectors of the economy have the strength to continue to generate value added. The second is what happens to people's well-being as the project develops.

Much of recent literature (Auty, 2001; Sachs and Warner 1995, 1997 and 1998) looks at what happened to percapita GDP as a means to determine economic performance. This approach is potentially flawed as GDP clearly include the value of the oil, gas and minerals. There is a tendency in the literature to use periods that distort the results. For example, one source bases the argument about poor performance on per capita GDP growth between 1955-97 (Auty, 2001). Yet in this period, real oil prices fell from \$42.70 to \$20.04 (BP, 2000). Where oil is significant in GDP, it is hardly surprising that per capita GDP registers a fall. Given the linkages that exist between gas and oil prices, a similar argument applies to gas. In theory, GDP measured in real terms should account for this but a cursory look at real GDP pattern for oil exporters illustrates it does not. Thus, the key variable to consider is the non-oil gas or mineral traded GDP since it is this that must eventually sustain the economy. Such a criterion also makes sense in the context of “Dutch Disease” when it is precisely that traded sector which is expected to suffer and contract. Consequently, the literature seems flawed and what should be the focus of measuring import should be the “traded economy criterion” (Steven P, 2003) which is the real per capita growth of agriculture, manufacturing and services.

The second approach-“peoples' well being” is more difficult to translate into operational criterion. Obviously, poverty levels and poverty reduction are keys but poverty data are of very mixed and generally poor quality. However, the UNDP criteria could come be useful, such as infant mortality, life expectancy and illiteracy, etc.

3.0 NIGERIA'S OIL AND GAS MANAGEMENT

Nigeria ranks among the top 10 nations in proven oil and natural gas reserves, worldwide. The number of international petroleum companies operating in Nigeria has increased from a single producer (Shell BP) in 1958 to more than 24 producers in 2007. The top four companies- Shell Petroleum Development Company (Shell), ExxonMobil, Chevron Nigeria Limited (CNL) and Total (formerly Elf Petroleum Nigeria Limited or EPNL) - accounted for nearly 83 percent of Nigeria's total petroleum production in 2008, an indication that the Nigeria petroleum industry is dominated by few international firms. The new players to emerge in recent years include the Korean national Oil Company, Addax Petroleum Development (Nigeria) Limited, China National Oil Company, Express Petroleum, Cavendish, AENR, Consolidated Oil Limited (Conoil), and AMNI International (AMNI) (Ariweokuma, 2008).

The changing structure of the industry coupled with the dominated control of the government fiscal revenue has a strong influence on the management of the oil and gas sector in Nigeria. Oil royalties, Petroleum profit tax, domestic crude sales, and others Petroleum revenues were only 26 per cent of federally collected revenues in 1970, but rose dramatically to 81 per cent in 1980. They represented 73.3 per cent in 1990, 83.5 per cent in 2000 and an estimated 79 per cent in 2007 (before the leap in prices in 2008). The expansion of the Petroleum industry from the seventies produced fundamental changes in the structural configuration and fiscal architecture of the Nigerian Federation.

3.1 Ownership and Jurisdiction

In terms of ownership and jurisdiction, the current 1999 Nigerian Constitution as amended affirms the Federal Government's proprietorship and control of all minerals, mineral oils and natural gas in, under or upon any land in Nigeria, its territorial waters, and exclusive economic zone. All such minerals, oils and gas shall 'vest in the Government of the Federation (GoF) and shall be managed in such a manner as may be prescribed by the National Assembly.' Accordingly, the

Constitution places under the Federal Government's list of exclusive legislative powers all matters relevant to the regulation and management of the Petroleum industry. These include export duties, incorporation and regulation of corporate bodies, mines and minerals (including oil fields, oil mining, geological surveys and natural gas) and taxation of incomes, profits and capital gains.

Although ownership and control of all onshore and offshore mineral resources is constitutionally and statutorily vested in the Nigerian Federal Government, the federation has historically included arrangements for the compensation of oil bearing units through the payments of portions of centrally collected mineral revenues to those units on a derivation or unit-of-origin basis. However, whereas the constitutional framework of the First Republic had explicitly made both onshore and offshore Petroleum resources subject to the derivation rule, a 1970 military decree limited the application of the derivation principle to revenues from onshore resources only, while the post military constitutions since 1979 (including the current 1999 Constitution as amended) have been silent on the issue. In response to demands by the Niger Delta states for the application of the derivation rule to offshore oil and gas revenues, the federal government in 2001 approached the Supreme Court for a determination of the issue. In its ruling in April 2002, the Court validated the Federal Government's position that the derivation principle should apply to onshore resources only because natural resources in Nigeria's continental shelf belong to the federation as a whole and, therefore, cannot be said to be derivable from the adjoining littoral states for revenue allocation purposes. However, following strident agitation in the Niger Delta against the Court's ruling, the federal government crafted a political deal that culminated in the enactment by the National Assembly of the "Allocation of Revenue (Abolition of Dichotomy in the Application of the Principle of Derivation) Act of 2004" This provided that an area of "two hundred meter water depth isobaths contiguous" to the littoral states would deemed to belong to those states for

the purpose of the derivation principle. This Act, however, provoked another round of litigation and till date the ownership and jurisdiction still belong to the federal which has led to conflicts and the exaggerated position of the Niger Delta crisis up to 2009 (Suberu, 2008).

3.2 Exploration and Production Regime

The Federal Government's absolute powers over the Petroleum industry have been exercised primarily through four government institutions, namely, the Presidency (the president and his top advisors), the Ministry of Petroleum (sometimes called the Ministry of Energy, Mines and/or Power), the Department of Petroleum Resources (DPR), and the Nigerian National Petroleum Corporation (NNPC). The President, who has often served as his own Minister of Petroleum (usually supported by a junior-level Minister of State for Petroleum), and his senior advisors on Petroleum matters, along with the top leadership of the NNPC, "form the inner circle for oil sector decision-making" (Gilles 2009).

The DPR functions as the official industry regulator, with the responsibility to oversee or supervise the activities of all companies licensed to operate in the industry, including the NNPC. It is charged with processing all applications for licenses and leases in the industry, ensuring compliance of all industry operators with applicable national regulations and good oil producing practices, enforcing safety and environmental standards, keeping and updating records on Petroleum industry operations, ensuring timely and adequate payments of all rents and royalties to the government, promoting and monitoring progress towards the indigenization of (or the enhancement of 'local content' in) the oil industry, and providing appropriate technical advice on oil industry matters to the government. Reflecting the disorganization that often characterizes the Nigeria Petroleum industry, the DPR existed as a unit within the NNPC until 1988, "creating the untenable situation of the regulator being subordinate to the industry's largest player (Gilles, 2009).

The NNPC is the commercial and

business agency of the federal government in the Petroleum sector, with the most important oil and gas projects in the industry typically involving joint venture arrangements, production sharing contracts and related commercial partnerships between the NNPC and one or more oil multinational companies. NNPC is involved in two broad types of exploration and production arrangements with the oil multinationals. First, the concessionary arrangements, either a Joint Venture Agreement or a Memorandum of Understanding, are governed basically by royalty and taxation plus a government (NNPC) majority participation interest. The rewards to the federation in terms of revenues are based on posted price and gross oil and gas production in the form of bonuses, royalty payments, taxation of profit, and equity interest participation. A major problem with the joint venture structure has been the repeated failures of NNPC to find its share of capital and operating expenses. Consequently, the second contractual fiscal agreement, including Production Sharing Contracts (PSC) and Service Contracts (SC) was invoked. Under the PSC, the international oil company provides the funding for exploration and development operations in offshore Nigeria with the profit shared according to agreed arrangements subsequent to the recovery permitted company costs, subject to the specified cost recovery limit. The first production-sharing contract was signed in 1973 with Ashland Oil. The contractual terms and instruments included a 40 percent cost oil recovery limit, a 55 percent Petroleum profit tax, and 70/30- profit oil split in favour of the government.

Recent audits of the Petroleum industry, under the auspices of the Nigerian Extractive Industries Transparency Initiative (NEITI), have reinforced longstanding concerns and criticisms regarding the capacity of the federal political executive, the Department of Petroleum resources and the NNPC to effectively execute their administrative and management functions within the Petroleum industry. These structures have highlighted major shortcomings in the governance of the industry, including

weak "DPR capacity, NNPC intrusion into regulatory and policy-making functions, lack of NNPC oversight and accountability, and weak incentives for efficiency and performance (Gilles, 2009). The Petroleum Industry Bill is designed to address these institutional inefficiencies.

The Petroleum Bill proposes three new sets of oversight institutions for the oil and gas sector in Nigeria. First, the Bill establishes the Nigerian Petroleum Directorate (NPD) as the overarching and coordinating Petroleum policy-making institution in place of the Ministry of Petroleum resources. Second, three regulatory institutions, the Nigerian Petroleum Inspectorate (NPI), the National Midstream Regulatory Agency (NAMIRA), and the Petroleum Products Regulatory Authority (PPRA) are proposed to regulate all matters related to the upstream, midstream and the downstream sectors, respectively. The third institution envisioned in the Bill is a restructured, commercially focused new national oil company. The goal is to reposition the NNPC on a level comparable to the status of successful National Oil Corporations (NOCs) in Malaysia, Venezuela, Norway, Algeria, Mexico, Brazil and Saudi Arabia. The relative absence of operational and strategic autonomy of the NNPC from the national government in comparison to successful NOCs elsewhere is appalling. Separating regulatory functions from commercial operations should help to reduce the prevailing ambiguities in regulatory responsibilities that have beclouded oil and gas operations in Nigeria over the years.

3.3 Macroeconomic challenges

Petroleum has transformed Nigeria from the diversified, agro-based economy that it was up till the sixties to the mono-resource; petroleum based economy that it has become since the 1970s. While Nigeria has earned billions of dollars exporting oil and natural gas, the industry has not generated the type of multiplier effects necessary to facilitate sustainable national development and economic growth. The "*Dutch Disease*" phenomenon, which traditionally afflicts natural resource dominated economies, has ravaged the Nigerian

political economy. What is more, the petroleum economy has made the federation more like a unitary state than a federation in a fiscal sense. Expanded access to oil revenues has increased the financial dependency of the constituent states and localities (which derive 90 per cent of their finances from federal revenue transfers), accentuated the disparities in central revenue transfer to them, and led to an underdevelopment both of alternative sources of sub-national revenues (partly because the fiscal effort criterion in the allocation formula is not worth much) and of effective budget formulation, accounting, recording, and reporting systems (owing to the easy availability of shared revenues). As things stand, the poor quality of public financial management at the sub-national level, where approximately half of national public spending takes place, represents a huge macro-economic challenge in Nigeria (IMF, 2009).

The oil legacy has also imposed significant costs on the Nigerian economy through petroleum and energy price distortions, corruption and inefficiencies, and fiscal instability due mostly to crude oil price volatility (Adenikinju, 2009). The subsidization of domestic petroleum prices has become a huge cost to the national economy especially with rising share of imports in domestic petroleum product supply. The subsidy has remained one of the most convoluted and protracted socio-economic policy issues and macroeconomic challenges facing Nigeria, defying attempts at its resolution by successive governments. The Petroleum subsidy increased from N278.9 billion in 2006 to N633.2 billion in 2008.

Since 2004, the Federal government has spearheaded a political agreement between all tiers of government to implement an oil-price based fiscal rule. In response to significant fiscal instability, the rule adopted an approach that is based on relative conservative estimates of the oil price for each budget with "*excess revenue*" being saved for stabilization. The oil price rule "broke the link between public spending and oil prices and created an oil-savings cushion (the Excess Crude Account)

of \$18billion... as well as foreign reserves that peaked in September 2008 at \$62 billion" (IMF, 2009). This is after government had used oil-saving to pay out Nigeria's international debt and negotiate debt forgiveness in 2006. The benefits of this rule became evident with the sudden decline in global crude oil prices from a high of \$147 in July 2008 to about \$45 in December 2008; the federal government had based its budget on an oil price of \$45 and was able to draw monies from the excess crude fund to stabilize spending during downturn.

A country that wants its future generations to benefit from an exhaustible resource such as petroleum, must transform this non-renewable resource into a renewable one by investing in productive capital in the form of machines, energy and transportation infrastructure, water resources and sanitation, and human capital formation and development. Of course appropriate institutions must collect the revenue stream in order to build the national wealth in a transparent manner. Thus, one of the key macro-economic strategies for sustainable growth in a mono-resource economy is effective management of revenue flow during times of rising resource prices and the use of resource revenue to develop lasting infrastructure to support the economy. The success stories of Chile, Malaysia, Botswana, and Indonesia in the late 1990s came from such effective management and control of mineral revenue flows as revenue increased with resources prices (Stevens 2003).

Nigeria seems to be pursuing fiscal discipline at the federal level, but such discipline is yet to hold firm at the state and local government levels, where the worst corruption probably now occurs. The Federal Government has incorporated the oil-price fiscal rule into the Fiscal responsibility Act of 2007, which seeks to institutionalize budgetary transparency and accountability, promote effective management of the public sector, and reduce leakages in the economy (CBN, 2008). But reflecting pressures by the state governors, the National Assembly agreed to make the Act inapplicable to the states on constitutional autonomy ground. Yet,

the expected voluntary implementation of fiscal responsibility regimes by the sub-units is progressing only slowly. The current stabilization regime also does not seem to have a truly integrated structure in terms of federal, state and local spending; the states seem to have taken a bigger hit during the downturn than did the federal government.

3.4 Environmental and Social Issues

Nigeria's centralized petroleum industry governance framework leaves the oil-bearing communities with no constitutional or statutory rights, voice, or even consent on oil and gas industry projects in their communities. This centralization extends to decisions regarding the use of land for the oil industry, which "are completely taken out of the hands of those who have lived on and used it for centuries" (Human Rights Watch 199:71). Such total exclusion of the Niger Delta communities from participation in oil and gas decision has combined with the environmental, socio-economic, and political deprivation of the region, to animate the militant campaign for regional and local "*resource control*" in Delta.

On the environmental degradation, there are numerous reports on the impact of the Nigerian gas and oil industry severe damage on the environment and the livelihood of many of those inhabiting the oil producing communities (Amnesty International 2009). Nigeria recorded the highest gas flaring rates in the world, the oil spillage or leakages arising from non-replacement of corroded, high pressure oil pipelines-vandalized /saboteur effected pipelines have tremendously affected the environment. With these developments the Petroleum industry operators are statutorily required to observe highest international environmental safety standards in their activities but these are lacking because all the rules binding the operations are loosely enforced owing to massive corruption of governments at the three tiers of the Government. This development had made inactive all the productive resources such as the fishing and farming. This has increased the levels of poverty unemployment and created

socio-economic inequalities in the area.

In the reflection of these inequalities, there had emerged profound discontentment and what had emanated is the intensive agitation which has led to the Movement for the Emancipation of the Niger Delta (MEND)- an umbrella for a group of militants in the region. These groups held the production of the oil companies to ransom in the last 3 years and thus affected the revenue of the Federal government from oil. The recent rehabilitation of the militants had brought some level of respite to the oil producing area of the Niger Delta.

On the transparency and accountability, the major source of corruption in the oil industry include the systematic favoritism and endemic non-transparency perpetuated by the federal executive and its agencies in the allocation of licenses for the exploration, prospecting and mining of oil; large scale bribery of government officials for approvals of major oil sector contracts; the bureaucracy and inefficiency of the government officials; the direct bunkering or theft (with apparent official complicity) of crude oil from pipelines, flow stations, and export facilities; and massive irregularities and abuses in the operations of the NNPC, its subsidiaries, and associated bodies like Petroleum Technology Development Fund (PTDF) and the NDDC.

Although there are no systematic data on corruption in Nigeria, it was acknowledged that the return of civilian rule and the implementation of macro-economic reforms by the Obasanjo administration has arguably reduced the scale of corruption at the federal level, but not at the sub-national level, where the end of centralized military rule has apparently increased, rather than reduced, the opportunity for gubernatorial misconduct.

4.0 LESSONS FOR GHANA

The governance status in Ghana is quite consolidated that the discovery of oil will not have any impact to distort the good governance. In addition, it is gratifying that Ghana was not under the military rule as at the time of

commercialization of the oil. In order that Ghana makes the oil resource a "blessing" and not a "curse" the following issues must be put into perspective as they have formed the "Dutch Disease" that Nigeria has been attacked with over years:

The revenue from oil must be used for the development of the economy - infrastructure maintenance etc.

There must be a creation of sovereign wealth fund with adequate legal backing to save for the raining day.

There must be adequate fiscal discipline and wise spending on "necessary projects" and not "prestige projects". In this wise, the National wage structure must be tailored towards the economic absorptive capacity.

The macro-economic policy must be market driven in such a way that the economic environment would be conducive to private investment and must continuously promote market-oriented sustainable development. Ghana must do everything right in terms of macro-economic policy to avoid economic overheating and exchange rate appreciation.

Ghana has an advantage of population which is small compared with Nigeria's population. She is more united, peaceful and ethnicity is underplayed

Ghana political and bureaucratic elites have adopted/acquired a "development orientation" and as it is, she is a "developmental state". This is because she has a thriving democracy, peace and security and availability of basic infrastructure particularly electricity

Ghana's consensual democracy has shown a very high level of transparency in public revenue acquisition and disposable while corruption remained below the level common in most developing economies

Ghana's educational standard has been rated high and so there are crop of experienced bureaucrats and expertise at that level too. Most of their educated people work in the civil service and they work in close collaboration with their political leaders to avoid corruption.

Ghana has a growing economy and squeaky-clean image, so she is investors delight and a success story.

However, oil has a way of smearing reputation and the petro-dollars that come from it increases the temptation to be corrupt, and often, the intense scramble for a slice of the wealth could sometimes stir conflict

In summary, Ghana must avoid the pitfall of the Nigerian oil sector where oil has harmed economies rather than prosper the economies. Ghana must not do away with his non-tradable

goods especially Gold even though it has added little to her economies.

The environmental disaster observed in Nigeria must not happen in Ghana even though there is the history of the environmental problem in the Gold mining areas. Ghana must use the oil revenue to diversify her economies.

5.0 SUMMARY AND CONCLUSION

This has presented the status of Nigeria as it relates to the oil industry and the current status of the sector as it relates to economic growth and development. The paper was able to establish that the literature considers the oil shock and "Dutch Disease" as issues that countries producing oil must address to avoid the management of the oil becoming a "curse". Countries with experiences of natural resources being a "blessing" was cited-Botswana, Chile, Indonesia and Malaysia. In part 3, the paper dwelt on the details of the Nigeria's oil and gas management. This part brings out the pitfalls in terms of the restructuring that occurred during the civil war, the ownership structure, the exploration and production regime, the macro-economic challenges and fiscal indiscipline of the government. The environmental and social issues were discussed by highlighting the environmental degradation, the socio-economic deprivation and the emergence of Emancipation for the Niger Delta (MEND) militant group. Part 4 dealt with the lessons for Ghana and emphasized the need to use the revenue for infrastructural development and to save for the raining day- in short fiscal discipline.

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