OIL JOINT VENTURE PARTNERSHIPS AND NIGERIAN ECONOMY

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Abstract
The logical outcome of the renterism of the Nigerian state is oil dependence. The Nigeria's dependent and rentier economy has ensured that oil remains the mainstay of the country's economy since early 1970. In Nigeria, oil revenue alone accounts for nearly 90 percent of the total revenue and foreign exchange earnings, and more than 90 percent of export earnings. More importantly, oil production in Nigeria has been dominated by the oil joint venture partnerships accounting for over 90 percent in the upstream oil subsector. But oil joint venture partnerships which Nigerian government entered into with the international oil companies (IOCs) through the NNPC have been hampered by shortfalls and delays in meeting cash call obligations by JV partners leading to cuts in their operations and substantial reductions in oil production and shortfalls in projections which in turn result in significant reductions in oil revenue and shortfalls in oil revenue projections. Ultimately, the reductions in oil revenue and oil revenue projection, given the Nigerian's oil dependence, lead to significant reductions in the national revenue and shortfalls in the expected revenue. The implication of this is poor implementation of national budgets and the consequent inability of the government to provide essential public services and infrastructures which reinforces oil dependence and deepens the economic hardships in Nigeria.

Keywords: Oil, joint venture, economy, revenue, rentierism, IOCs, NNPC, Nigeria

Introduction

Following the rising oil revenue in the 1970s and the need to meet OPEC membership requirements, Nigerian government through the NNPC began to enter into Participation Agreement with the international oil companies (IOCs). The results of these Participation Agreements or equity acquisitions of IOCs were oil joint venture partnerships. The oil joint venture partnerships in Nigeria is an un-incorporated joint ventures under which each partner has an undivided interest in the lease as well as oil produced and the assets employed in oil production. Therefore, the joint venture partnerships between NNPC (on behalf of Nigerian government) and international oil corporations (IOCs) are public-private partnerships (PPPs) in which NNPC is the public enterprise while IOCs are the private enterprises (Adefulu, 2008, Ameh, 2012).

The import of oil joint venture partnerships in oil dependent economy cannot be over emphasized, especially in Nigeria where oil joint venture partnerships constitute over 90 percent of oil production. By implication the JVs account for over 80 percent of Nigeria's revenue and foreign exchange earnings in a rentier oil economy where oil and gas account for nearly 90 percent of the revenue and foreign exchange earnings. Therefore, in this paper, we intend to discuss the impact of oil joint venture partnerships on Nigerian economy. To do this, we divide this paper into seven parts. The first part introduces the paper; the second part outlines the basic features of oil joint venture partnerships in Nigeria; the third part identifies and describes the theoretical perspectives for understanding Nigeria's oil dependence and involvement in oil joint venture partnerships; the fourth part reviews the history of oil exploration, production and economy in Nigeria; the fifth part traces the stages or phases of oil joint venture partnerships in Nigeria; the sixth part discusses the impacts of oil joint venture partnerships on Nigerian economy; and the last part summarizes the paper.

The Basis of Joint Venture Partnerships in Nigerian Oil Industry

Oil joint venture partnership is a contractual relationship or arrangement used by host governments or oil countries in acquiring participation interests in crude oil concessions (Smith and Wells, 1969; Nlerum, 2011). The oil joint venture arrangements in Nigeria is an un-incorporated joint ventures under which each co-venturer has an undivided interest in the lease as well as all oil produced and the assets employed in oil production. The joint venture partnerships between NNPC (on behalf of

Nigerian government) and international oil companies (IOCs) are public-private partnerships (PPPs), in which NNPC is the public corporation while international oil corporations (IOCs) are the private corporations. Thus, all rights and obligations accruing to the leasee under an oil mining lease (OML) would automatically accrue to all the joint venture partners including NNPC (Adefulu, 2008; Ameh, 2012).

The oil joint venture creates a relationship of co-ownership and co-tenancy between or among the international oil companies (IOCs) where the former produce the operator. Under the joint venture partnerships in Nigeria, joint operating agreement (JOA) or joint venture agreement (JVA) governs the relationship between the partners or parties to the agreement including budget approval and supervision, crude oil lifting and sale in proportion to equity and funding by partners. The joint operating agreement (JOA) spells out the legal relationships between the owners of the lease and lays down the rules and procedure for joint development of the area and joint property. The various joint venture projects are subject to agreements governing the relationship of the contracting parties or joint partners. The Heads of Agreement delimit the several principles intended to govern off-take, scheduling and lifting agreements for the crude oil. The Participation Agreement sets out the interests of the parties, and provides or requires that income derived from the operation is shared in proportion to the equity interests of the parties to the agreement with each party bearing the cost of its royalty and tax obligations in proportion to equity holdings. Allocations are also made from the revenue to carter for operating and technical costs or operating expenditure (OPEX) and capital expenditure (CAPEX) (Ojinaka, 1996; Ogbonna and Ebimobowei, 2012). For the equity holdings in the various joint venture partnerships in Nigeria, see Table 1 below.

Table 1: List of Joint Venture Operators, 2009-2011

Joint Ventures (JVs)	Equity Holding
NNPC/SPDC/TEPNG/NAOC	NNPC = 55% SPDC = 30% TEPNG = 10% NAOC = 5%
NNPC/CNL	NNPC = 60% CNL = 40%
NNPC/TEPNG	NNPC = 60% TEPNG = 40%

NNPC/MPNU	NNPC = 60% MPNU = 40%
NNPC/NAOC/POCN	NNPC = 60% NAOC = 20% POCN = 20%
NNPC/POCN	NNPC = 60% POCN = 40%
NPDC/SPDC	NNDC = 60% SPDC = 40%
NPDC/CNL	NPDC = 60% CNL = 40%

Source: NEITI-EITI *2009-2011 Core Audit Report*, 2013.

Whilst the memorandum of understanding (MOU) governs the manner in which revenues are allocated between the partners including payment of taxes, royalties and industry margin. In line with the provisions of the joint operating agreement (JOA), the operator usually controls and manages the joint property and operations of the lease by; one, conducting operations in utmost good faith; two, selecting its employees for the purpose of the joint operations; three, entering into any contract or placing any purchase order subject to the limitations of the JOA, for keeping accurate records and books of account; lastly, litigating and settling claim relating to the operation. Also, the operator opens and maintains a joint bank account into which the partners or parties to the Agreement shall deposit all funds required for the joint operations. More so, the operator develops and submits to the other partners or parties the proposed work programme and budgets. These agreements alongside, the oil mining lease (OML) define the relationship under the joint venture arrangements in Nigerian oil industry. Under this arrangement, the bulk of the revenue goes to the Nigerian government, irrespective of the price of crude oil in the market. A fixed margin is allocated for technical costs, while a near fixed margin is allocated to the operator and other joint venture partners (Adefulu, 2008, Ameh 2011).

At the beginning of each year, the operator presents an operating budget to the joint venture partners for approval based on the projection for running the JV for the year. Upon approval of the annual budget, the operator prepares a monthly cash calls statement, which calls on all partners to provide their respective share of the funds required to run the venture for the month in split currency of US Dollar and Nigerian Naira. If the cash is overdue the operator is also empowered to borrow on behalf of the JV

charging the defaulter interest for the loan. But if funds cannot be borrowed, the operator has to scale down operations to fit within the funding available from the partners (Adefulu, 2008; Ameh, 2011). For information on cash calls paid by NNPC to joint venture partners, see Table 2 below.

Table 2: Summary of Cash Call Paid by NNPC to JV Partners in Dollars for 2009-2011

Joint Ventures	2009	2010	2011	Total
NNPC/SPDC/TEPNG/NAOC	705,064	811,685	685,288	2,202,037
NNPC/EXXONMOBIL	60,255	638,694	321,131	1,561,080
NNPC/CHEVRON	770,408	728,075	780,692	2,279,175
NNPC/TEPNG	356,623	651,238	421,320	1,429,181
NNPC/NAOC/PHILIPS	392,595	274,751	234,401	901,747
NNPC/POOC	130,577	190,889	90,487	411,953
NPDC/CNL	3,235	883	2,024	6,142
NPDC/SPDC	298	180	1,895	2,373
Total	2,960,055	3,296, 395	2,537,238	8,793,688

Source: NEITI-EITI *2009-2011 Core-Audit Report*, 2013.

Theoretical Perspectives for Explaining Nigeria's Oil Dependent Economy and Involvement in Joint Venture Partnerships

The resource-curse (R-C) theory is the major theoretical perspective for explaining and understanding Nigeria's oil dependent economy and involvement in oil joint venture partnerships. The resource-curse thesis suggests that abundance of mineral resources is more often a curse than a blessing in mainly resource-rich countries like Nigeria. The resource curse or paradox of plenty refers to the paradox that countries or regions with an abundance of national resources tend to have less economic growth and worst development outcomes than the countries with fewer national resources (Ross, 1999; Karl, 2005; Okeke and Aniche, 2013).

Although the idea that natural resources might be more an economic curse than a blessing began to emerge in 1980s. 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 resource-poor countries. Other studies by Jeffrey Sachs and Andrew Warner have shown the

link between natural resource abundance and poor economic growth (Ezirim, 2008; Okeke and Aniche, 2013).

By building upon this, Auty (1993) and Sachs and Warner (2001) explain the economic problems in resources-abundant countries in terms of Dutch disease effects and poor performance of agricultural and manufacturing sectors accompanied by an insufficient degree of diversification and extreme vulnerability towards external shocks. On this basis Stiglitz (2005) and Karl (2005) argue that extraction of resources lowers the wealth of a country unless the funds generated are invested in other forms (Okeke and Aniche, 2013).

However, Di John (2010) identifies two main variants or models of resource-curse theory which are Dutch disease and rentier state models. The Dutch disease model is economic explanations of the resource curse while rentier state model is a political economy explanations of the resource curse (Di John, 2011). We now turn to the two models.

Dutch Disease Model as Economic Explanations of Resource Curse

The Dutch disease phenomenon stems from structured impacts of the discovery of North Sea oil on the manufacturing industry of Netherlands and Britain with subsequent de-industrialization in output and employment following their resource-booms or more specifically oil booms. The primary focus of Dutch disease model is to explain the paradox of plenty, that is, the paradox that resource-rich countries tend to have less economic growth than their resource-poor counterparts (Di John, 2011).

The Dutch disease model attributes the reason for this paradox of plenty to appreciation of real exchange rate leading to de-industrialization and volatility of revenues from natural resource sector particularly oil sector due to exposure to global commodity market swings. For example, according to Juan Pablo Perez Alfonzo, a Venezuelan politician and one of the founders of OPEC, "ten years from now, twenty years from now, you will see oil brings us ruin... Oil is devil's excrement" (Karl, 1997; Ross, 1999).

The Dutch disease model is based on the assumptions of full employment equilibrium and static technology. Therefore, the economic logic of the model is that the potential negative effects oil windfalls and accompanying appreciations of exchange rates can generate or cause de-industrialization by rendering the non-oil tradable sectors like manufacturing less competitive. The Dutch disease model therefore sees de-industrialization

as an inevitable outcome or structural change that occurs as a result of oil booms (Di John, 2011).

Di John (2011) argues that even without restrictive assumptions of full employment, oil booms can induce more investment in non-traded investments thereby discouraging manufacturing investment. The reason is that the price of non-traded goods rises relative to the price of non-oil traded goods due to exchange rate appreciation. Another explanation of Dutch disease for which manufacturing can become less competitive is through the increase in manufacturing wage rates as a result of increases in aggregate demand for labour that oil booms can generate. In the short-run, when productivity levels are fixed, unit labour costs in manufacturing increase.

Rentier State Model as Political Economy Explanations of the Resource Curse

Rentier state model is a variant of resource curse theory or political economy explanations of the resource curse which attempts to use the link between politics and economy to explain paradox of plenty. Rentier state theory (RST) thus attributes paradox of plenty to government mismanagement of resources, or weak, ineffectual, unstable or corrupt institutions possibly due to the easily diverted revenue stream from extractive industries (Okeke and Aniche, 2013)

The rentier state framework assumes that the natural resource abundance tends to generate growth restricting state intervention policies and extraordinary large degrees of rent seeking with informally negative development outcomes. Di John (2010) notes that a number of implications flow from rentierism; one, that the high level of oil rents in rentier states increases rent-seeking and corruption. Two, increases in rent-seeking and corruption in turn generate lower economic growth in that corruption lowers investment in long-gestating projects. Three, oil rents provides a sufficient fiscal base of the state thereby reducing the necessity of the state to tax citizens making governance more arbitrary, authoritarian, autocratic, paternalistic, and even predatory. Four, the absence of incentives to tax internally in turn weakens the administrative reach of the state resulting in lower levels of state authority, capacity and legitimacy to intervene in the economy (Di John, 2011).

Beblawi and Luciani (1987) classified a rentier state as a state in which at least 40 percent of the total government revenue consists of economic rents defined as the excess over return to capital, land and labour when the

factors of production are put to their next best use. Rentier states are those states which derive all or a substantial portion of their revenues from the rent of indigenous resources to external clients and creating in the same process a rentier mentality and a rentier class. The theory of the rentier state argues that countries that receive substantial amounts of oil revenues from the outside world on a regular basis tend to be oil dependent mainly from oil rents, taxes and royalties paid by IOCs and profits from its equity stakes in oil investments like JVs (Omeje, 2006; Ukiwo, 2008; Connelly, 2010; Mahler, 2010).

For Mahdavy (1970) rentier states are usually endowed with abundant mineral resources like oil and gas and therefore rely essentially on rent-seeking, that is, earning income by capturing economic rent through manipulation and exploitation rather than by earning profits through economic transactions and production of added wealth. Beblawi (1990) thus delineates three basic characteristics of a rentier state (a) rent situations must predominate (b) the rent must come from abroad or outside the country (c) the government must be the principal recipient of the external rent in the economy meaning that the rents accrue to the government directly. The implications of the above characterization is that rentierism often transforms rentier states into mono-product economies where (i) the little productive activities are largely confined at the level of primary production necessary for oil exploration (ii) there is predominance of public sector over private sector (iii) there is in the private sector the dominance of informal sector over formal sector. Oil industries in the oil rentier states tend to be enclave industries that generate few backward or forward linkages (Mahdavy, 1970; Omeje, 2010).

Consequently, Beblawi (1990:87) notes that the above state of affairs creates a rentier mentality as:

> A psychological condition with profound consequences for productivity where contracts are given as an expression of gratitude rather than as a reflection of economic rationale, civil servants see their principal duty as being available in their offices during work hours, businessmen abandon industry... the best and brightest abandon business and seek out lucrative government employment; manual labour and other work considered demeaning by the rentier is farmed out to foreign

workers whose remittances flood out of the rentier economy.

Furthermore, Beblawi (1990) identifies several other characteristics particularly associated with rentier oil states. For example, where the government is the largest and ultimate employer of labour, the bureaucracy is frequently bloated, ineffective and inefficient because jobs are given mainly for patronage purposes and political reasons. Similarly, Ifesinachi (2007) following Moore (2004) observes that in rentier state there exists little incentive to establish efficient public meritocratic bureaucracy, because the task of raising revenue from mineral resources requires few specialist and these may be imported. Even the local laws often make it impossible for foreign companies to operate independently. In order to do business, foreign enterprises engage a local "sponsor" who allows the company to trade in his name in return for a proportion of the proceeds. The hegemonic elite in rentier states thus often collaborate with forces of international capital in a way that is destructive to long-term economic growth. Oil revenue has often fueled and sustained a large rentier state type patronage system (Herb, 2002; Omeje, 2008).

Rentierism is the condition or syndrome of rent accumulation and rent dependency. Rentierism in many low-income extractive economies produces predatory hegemonic elite - the rentier elite - and a convoluted culture of accumulation and politics. Rentier accumulation thrives on large and continuous inflow of external capital earned from non-productive investments like oil and gas exploitation. As a result it often displaces other sectors of the export economy like agriculture, manufacturing, etc (Omeje, 2010). Rentier state is associated with allocation or distributive state not a production state and operates in a rentier economy (Losman, 2010). A production state relies on taxation of the domestic economy for its income while an allocation state does not depend on domestic sources of revenue because external rents liberate it from the need to extract income from the domestic economy (Buchanan, 1980; Luciani, 1990; Khouri, 2008). So long as the "prosperity" of the rentier state derives from external rents technological and organizational improvements will remain under-developed and real economic development illusory (Luciani, 1990; Smith, 2004).

Historical Overview of Oil Exploration/Production and Emergence of Oil Economy in Nigeria

The search for oil in Nigeria began in 1908 when a German company, Nigerian Bitumen Corporation drilled fourteen wells in Lagos before ceasing operations with the outbreak of World War I. The prospecting and exploration of oil in Nigeria was revived in 1937 with the establishment of Shell D'Archy Exploration Parties. In November 1938, Shell D'Archy received Oil Exploration Licence (OEL) in Nigeria. Between 1938 and 1941, Shell BP undertook preliminary geological reconnaissance. After the World War II, it continued and intensified the search for oil in Nigeria with geophysical surveys from 1946 to 1951. Shell BP concentrated its efforts or search in the Niger Delta area of Nigeria between 1951 and 1956 which paid of with the discovery oil in commercial quantity in 1956 at Oloibiri now Bayelsa State after half a century of exploration (Dickie, 1966; Frank, *et al*, 1967; Pearson, 1970; Ameh, 2011).

Subsequently, Nigeria joined the ranks of oil producing and exporting countries in 1958 when its first oil field came on stream producing 5,100 barrels per day of crude oil and recorded the first shipment of crude oil to Europe. After independence in 1960, exploration rights in onshore and offshore in the Niger Delta were extended to other oil foreign companies in 1965, the EA field was discovered by Shell in shallow water southeast of Warri, now in Delta State. With the joining of other oil companies in the exploration for oil in Nigeria, earlier in 1961, Texaco Overseas began operations in Nigeria as Shell's Bonny Terminal was commissioned. Elf started operations in Nigeria as Satrap and Nigeria Agip Oil Company (NAOC) started operation in 1962. Elf discovered Obaji field and Ubata gas field in 1963. The Gulf Oil Company (now Chevron) discovered offshore oil field in December 1963 and by April 1965 produced and exported crude oil offshore field. In 1966, Elf started production in Rivers State with 12,000 barrels per day. Phillips drilled its first dry well at Osari-1 and made its first discovery at Gilli-Gilli-1 in 1967. Three years later, in 1970, Mobil began production from four oil wells at Idoho field and Agip started production in the same year. In 1975, there was first oil lifting from Brass Terminal by Agip (Dickie 1966; Frank, *et al*, 1967; Pearson, 1970; Ameh, 2011).

By late sixties and early seventies, Nigeria had attained a production level of over two million barrels of crude oil day as oil began to gradually replaced agriculture as the mainstay of Nigerian economy. In 1971, Nigeria joined the Organization of Petroleum Exporting Countries (OPEC) as eleventh

member. In the same year, Nigeria established Nigerian National Oil Corporation (NNOC) which later became Nigerian National Petroleum Corporation (NNPC) in 1977 in order to strengthen and establish government control in the industry. The NNOC was charged with the responsibility of overseeing upstream and downstream activities or operations in the sector. The NNOC was also established to manage the government's stake in the oil industry exploration facilities, construction and marketing of the government's equity crude as it began to acquire participatory interest in operation and assets in the international oil corporations (IOCs) in 1971. Despite the initial boom in oil industry, production figure dropped in the eighties due to slump in oil market which peaked in nineties onwards (Okubote, 2001; Nwokeji, 2007).

An Evolution of Oil Joint Venture Partnerships in Nigeria

Not until 1972, the role of the Nigerian government in oil industry remained regulatory and supervisory. During this period oil industry remained entirely in the hands of international oil companies (IOCs) with state involvement restricted to regulation such as domestic price control on refined products, collection of fees on exploration licences and production leases and taxes, rents and royalties on crude oil. As from 1972, Nigeria began to enter joint venture contracts by acquiring interest in the oil concessions giving to international oil companies (IOCs) in 1950s and 1960s (Adefulu, 2008; Ameh, 2012).

Initially, Nigeria began to enter into Participation Agreement by acquiring 35 percent shares in international oil corporations (IOCs) in 1973 in order to meet the OPEC's requirements as contained or provided in Resolution XVI, Article 90 of June 1968. In the second Participation Agreement, the Nigerian government increased its equity in international oil companies (IOCs) to 55 percent in 1974. As such the Nigerian Participating Joint Ventures (PJVs) gave the Nigerian National Oil Company (NNOC) 55 percent share in all fixed and movable assets of the international oil companies (IOCs). The rights and obligations accrued under these agreements have been transferred to the Nigerian National Petroleum Corporation (NNPC) when it replaced NNOC in 1977. NNPC is owned one hundred percent by the Federal Government of Nigeria (FGN) (Okwandu, Agundu and Achigbu, 2005; Adefulu, 2008).

Subsequently, in 1979, the third Participation Agreement increased NNPC equity to 60 percent in the joint ventures (JVs). The fourth Participation

Agreement was undertaken the same year as BP's shareholding was nationalized, leaving NNPC with 80 percent equity and Shell with 20 percent in the joint ventures as Shell-BP became Shell Petroleum Development Company of Nigeria (SPDC) as agreement consolidating NNPC/Shell joint venture was signed in 1984. All these Participation Agreements were meant to increase the state control and participation in the upstream sector in line with OPEC requirements leaving the international oil companies (IOCs) as operators of the various oil blocks. Thus, the Participation Agreements heralded the arrangement known as joint venture partnership in Nigerian upstream oil subsector in which international oil companies (IOCs) are operators while NNPC is co-venturer or partner though reserves the right to be an operator. The joint venture partnerships in Nigerian oil industry is meant to restrict or limit the control of international oil companies (IOCs) over petroleum resource in Nigeria (Nwokah and Ezirim, 2009; Asada, 2010).

In 1988, National Petroleum Investment Management Service (NAPIMS) was created by NNPC as subsidiary to carryout activities of NNPC on behalf of the Federation. NAPIMS oversees the Federation investment in the joint venture companies (JVCs) or Nigeria's investment in the joint venture partnerships with IOCs. Thus, NAPIMS is the NNPC subsidiary that manages the government equity holdings or Participation Agreement in the joint venture partnerships with IOCs. NAPIMS acts as portfolio manager in the joint ventures (JVs) and therefore was set up to earn margin arising from investments in the JVCs and other agreements with IOCs, and protects the Nigeria's strategic interests in the JVs. NAPIMS ensures that the joint ventures operations are in line with operating agreements. NAPIMS is therefore established to optimize the benefits accruing to the Nigerian government from its investments in the upstream subsector of oil industry through effective cost control and supervision of joint ventures (JVs). NAPIMS is mandated to actualize government agenda in the operation of JV assets (NNPC, 2012).

However, the fifth Participation Agreement in 1989 returned NNPC's equity to 60 percent, leaving Shell with 30 percent, and Elf and Agip with 5 percent each. The sixth Participation Agreement in 1993 reduced NNPC's equity holding to 55 percent, increasing that of Elf to 10 percent while Shell and Agip remained at 30 percent and 5 percent, respectively (Adefulu, 2008; Ameh, 2011). Currently, NNPC holds 60 percent equity in all the joint ventures (JVs) except the one operated by Shell in which it holds 55 percent. In Nigerian upstream oil subsector, therefore, NNPC represents the interest

of the Nigerian government in the joint ventures (JVs) whereas the respective IOCs operate different ventures with varying participatory interests (Ameh, 2012). For a summary of Nigerian government participation agreement in the international oil companies, see Table 3 below.

Table 3: Federal Government Participation Agreement in the IOCs

Year	Equity Acquisition and Participation Agreement
1973	First Participation Agreement as Federal Government acquired 35 percent shares in oil companies.
1974	Second Participation Agreement as Federal Government increased equity to 55 percent.
1979	Third Participation Agreement as NNPC increased equity to 60 percent in the joint ventures. Fourth Participation Agreement as BP's shareholding was nationalized leaving NNPC with 80 percent equity and Shell with 20 percent in the joint ventures as Shell-BP was changed to Shell Petroleum Development Company of Nigeria (SPDC).
1984	Agreement consolidating NNPC/Shell joint venture.
1989	Fifth Participation agreement (NNPC=60%, Shell=30%, Elf=5% and Agip=5%).
1993	Sixth Participation Agreement (NNPC=55%, Shell=30%, Elf=10% and Agip=5%.

Source: Adapted from Shell Petroleum Development Company (SPDC), *Information Handbook*, 2005.

The Implications of Oil Joint Venture Partnerships for Nigerian Economy

It is not perhaps by accident that the advent of oil joint venture partnerships coincides with the emergence of oil as the mainstay of Nigerian economy in the early 1970s. Oil revenue alone constitutions nearly 90 percent of the total revenue and foreign exchange earnings, and more than 90 percent of export earnings of Nigeria since 1970 ensuring the waning of agriculture as the mainstay of Nigeria economy. For example, the total oil revenue generated into the Federation account from 2000 to 2009 amounted to ₦34.2 trillion while non-oil was ₦7.3trillion representing 82.36 percent and 17.64 percent, respectively. The mean value of oil revenue for the ten-year period is ₦3.42 trillion compared to non-oil revenue at ₦732.2 billion (NNPC Annual Statistical Bulletin, 2010; Luqman and Lawal, 2011). For information on percentage of oil and gas export, see Table 4 below.

Table 4: Oil and Gas Export in Nigeria's Total Export, 1960-2008 (Million, Naira, ₦M)

Year	Total Export	Non-Oil Export	Oil and Gas Export	% of Oil and Gas
1960	339.4	330.6	8.8	2.3
1965	536.8	400.6	136.2	25.3
1970	885.7	376.0	509.6	57.5
1975	4,925.5	362.4	4,563.1	92.6
1980	14,186.7	554.4	13,632.3	96.0
1985	11,720.8	497.1	11,223.7	95.7
1990	109,886.1	3,257.6	106,626.5	97.0
1995	950,661.4	23,096.1	927,565.3	97.5
2000	1,945,723.3	24,822.9	1,920,900.4	98.7
2005	7,246,534.8	105,955.9	7,140,578.9	98.5
2006	7,324,680.5	133,594.9	7,191,085.6	98.1
2007	8,120,147.9	169,709.7	7,950,438.3	97.9
2008	9,774,610.9	94,316.7	9,680,194.2	99.0

Source: Culled from Luqman, S. and Lawal, F.M. (2011) "The Political Economy of Oil and the Reform Process in Nigeria's Fourth Republic: Successes and Continue Challenges" *Journal of Arts, Science and Commerce* 2 (2): 59-76.

The major sources of petroleum revenue are sale of crude oil and gas, petroleum profit tax (PPT), royalties, licencing fees, returns from JVs equities, among others. The main focus of petroleum profit tax (PPT) is the upstream sub-sector of the petroleum sector which deals with oil exploration, prospecting, development and production (EPDP). In 2009 alone, petroleum profit tax (PPT) attracted 85 percent tax rate on export and 65.75 percent on domestic sale of oil and gas. Oil is thus the dominant source of government revenue and as such the dominant factor in Nigeria's economy. Yet the problem of low economic performance of Nigeria in 1980s cannot be attributed solely to instability of earnings from the oil sector (the oil glut) but to a failure by successive government to utilize productively and efficiently the financial windfall from the export of crude oil in the 1970s to develop other sectors of the economy or diversify the economy and reduce reliance on oil revenue. The oil boom of the 1970s led to the neglect of non-oil tax revenues and agriculture as well as expansion of the public sector, shrinking of the private sector and deterioration in financial or fiscal discipline and accountability. Consequently, oil dependence exposed Nigeria to oil price

volatility of the 1980s which threw the country's public finance into disarray (Gboyega, Sorade, Le and Shukla, 2011; Okezie and Amir, 2011). For information on percentage oil revenue in Nigeria, see Table 5 below.

Table 5: Percentage Oil Revenue in Nigeria, 1960-2008 (Million Naira, ₦M)

Year	Total Revenue	Oil Revenue	Non-Oil Revenue	% of Revenue
1960	223.65	0.00	223.65	0
1965	654.34	0.00	654.34	0
1970	634.00	166.00	467.40	26.1
1975	5,514.70	4,271.50	1,243.20	77.4
1980	15,223.50	12,353.30	2,880.20	81.1
1985	15.050.40	10,923.70	4,126.70	72.5
1990	98.102.40	71,887.10	26,215.30	73.2
1995	459,987.30	324,547.60	135,439.70	70.5
2000	1,906,159.70	1,591,675.80	314,483.90	83.5
2005	5,547,500.00	4,762,400.00	785,100.00	85.8
2006	5,965,101.90	5,287,566.90	677.535.00	88.6
2007	5,715,600.00	4,462,910.00	1,200.800.00	78.0
2008	7,868,590.10	6,530,630.10	1,335,960.00	82.9

Source: CBN Annual Statistical Bulletin (Golden Jubilee Edition) December, 2008 in Luqman, S. and Lawal, F.M. (2011) "The Political Economy of Oil and the Reform Process in Nigeria's Fourth Republic: Successes and Continue Challenges" Journal of Arts, Science and Commerce 2 (2): 59-76.

All available information thus show that Nigerian rentier economy is not diversified. Nigeria is indeed a mono-cultural economy due to over reliance in oil revenue. Oil sector is very critical and crucial such that without oil revenue, Nigerian government may not be able to carry out certain public expenditure and survive economically or even politically (Gboyega, Sorade, Le and Shukla, 2011; Okezie and Amir, 2011; Oyejide and Adewuyi, 2011).

To further demonstrate the enormous importance of oil to Nigerian economy, the country with over 35 billion barrels of oil reserve is the eight largest oil producing country in the world producing over 2.3 million barrels of crude oil per day. There are about a total of 159 oil fields and 1481 oil wells in operation in Nigeria. No wonder the national budget is based on the expected revenues from oil. Projected oil prices and quantity to be exported are the benchmark for Nigerian budget (Ikejiani-Clark, 1995; Mahler, 2010). For more information on crude oil reserve in Nigeria, see Table 6 below.

Table 6: Proven Crude Oil Reserve Estimates in Nigeria

Years	Crude Oil Reserve (Billions of Barrels)	Years	Crude oil Reserve (Billions of Barrels
1988	16.0	1997	25.0
1989	16.0	1998	27.0
1990	17.5	1999	28.0
1991	18.5	2000	30.0
1992	19.0	2001	30.5
1993	20.5	2002	32.0
1994	21.0	2003	33.0
1995	21.0	2004	33.5
1996	23.5	2005	35.0

Source: 1. NNPC, *Nigerian Oil Industry Handbook and Directory*, 2004.
2. NAPIMS, *Petroleum Industry Statistical Information*, 2006.

Not surprisingly, and perhaps to again underscore the strategic importance of oil to Nigerian economy, the military government in 1978 created the land use decree which vested ownership of state lands under the control of military governors appointed by the Federal Military Government. This eventually led to section 40 (3) of the 1979 Constitution which declared all mineral and national resources like oil, gas and others found within the boundaries of Nigeria to be legally property of the Nigerian federal government. The trend continued in the 1999 Constitution of Federal Republic of Nigeria as amended. True to the logic of a rentier state, the Nigerian government becomes the landlord controlling all the natural resources within its territory including crude oil. All the royalties and rents from exploration and production of crude oil by oil firms (as tenants) accrue to the Nigerian government. Thus, enormous amount of money is paid to Nigerian government by the oil companies operating in the upstream oil sector as rents and royalties.

Among all the various arrangements for exploration and production of oil in Nigeria like production sharing contract (PSC), service contract (SC), sole risk (SR), independents, marginal fields (MF), etc; joint venture partnerships are dominant in Nigerian oil industry and currently account for over 90 percent of total oil and gas production in Nigeria. For example, the joint venture operated by Shell with 58 OMLS alone accounts for about 50 percent of Nigeria's daily production amounting to over 2.3 million barrels of oil per day (Adefulu, 2008; Ameh, 2011). Given that oil revenue constitutes nearly 90

percent of Nigeria, the import of the dominance of oil joint venture partnerships in Nigerian oil industry and economy cannot be over emphasized. By accounting for over 90 percent of total oil and gas production in Nigeria, oil joint venture partnerships by implication account for 90 percent of oil revenue and by extension roughly 80 percent of Nigerian revenue. In essence, oil joint venture partnerships are very strategic to Nigeria economy. For information on percentage petroleum exports of Nigeria, see Tables 7 and 8 below.

Table 7: Petroleum Exports as Percentage of Total National Exports

Year	1963	1965	1970	1975	1981	1991	2000	2006
Percentage	11	26	58	93	97	97	99	98

Source: UN Comtrade Database culled from Mahler, A. (2010) "Nigeria: A Prime Example of the Resource Curse? Revisiting the Oil Violence Link in the Niger Delta" *German Institute of Global and Area Studies (GIGA) Working Paper Series*, 120.

Table 8: Percentage Composition of Nigerian Export

Component	2004	2005	2006	2007	2008	2009
Oil Exports (%)	97.5	98.3	97.8	97.9	99.0	95.8
Non-oil Exports (%)	2.5	1.7	2.2	2.1	1.0	4.2

Source: CBN *Annual Report and Statement of Accounts* culled from Sanusi, S.L. (2010) "Growth Prospects for the Nigerian Economy" A Convocation Lecture Delivered at the Igbinedion University Eight Convocation Ceremony, Okada on November 26.

As has been noted above, the Nigerian government through the NNPC entered into joint venture with international oil companies in the upstream subsector of the oil industry. But NNPC has not been able to fund its equity proportion of the JV cash call obligations or budgets due to underfunding and delays in approval of budget by the National Assembly. For example, the overall budget for 2006 was still awaiting approval or permission three months into the budget year. This is usually as a result of national budget delay that approves fund for NNPC which cause work slowdowns, delay in contract signings and often incur extra cost (NEITI, 2009).

Thus, the oil joint venture operations are being hampered or hindered by the bureaucratic nature of NNPC as a public corporation. This results in budget delays and cuts, and NNPC's inability to fund its participating interests. For example, NNPC has complained that $7.5 million approved for

it by the National Assembly for inland basin exploration among others in the 2012 budget was grossly inadequate. NNPC stated that even the $230,000 that was approved for it in 2011 budget was equally inadequate, and out of $269 million proposed for 2012 budget, the National Assembly only approved $75 million (Daily Independent, June 5, 2012).

Consequently, the joint venture operators complain that for all the capital investment process, execution is often delayed and frustrated by difficulties linked to the government's annual budgets, which approves funds for NNPC's share of joint venture investments. Government approval is usually late, funding is intermittent, contracts get delayed, and costs tend to rise (NEITI, 2009). Moreso, under the joint venture partnerships, Nigerian government was burdened by upstream cash call commitments and thus, had difficulty meeting its cash calls obligations. The government often resorted to overdraft from banking institutions to execute joint venture projects. This often results to underfunding leading to deferment of contractors' payments, cuts or cancellation of oil exploration and production (Nlerum, 2011).

For instance, in 2004 alone the government funding for all the joint venture operations in Nigerian upstream oil industry stood at $3.4 billion, while projections for 2005 was $4.4 billion. Yet there have been perpetual complaints of underfunding by the various operators of the JOAs. Even the international oil corporations (IOCs) do not always meet the monthly cash calls on their equity holding meaning that they also contribute to budget shortfalls. Operators resort to borrowing on behalf of the JVs, charging the defaulters interest for the loans. In some cases, NNPC meets its cash call obligations by allowing the operator to lift some of its crude oil though this right is subject to giving adequate notice. If funds cannot be borrowed the operators have to cut or scale down operations to fit into the available fund from the JV partners.

Consequently, given the dominance of oil joint venture partnerships in Nigerian oil industry, the cuts in operations of the JV partners result in substantial reduction in oil production and shortfalls in projections. The reduction in oil production and shortfall in oil production projections in turn result in significant reductions in oil revenue and shortfalls in oil revenue projections. Ultimately, the reductions in oil revenue and oil revenue projections, given the dominance of oil revenue in Nigerian oil dependent economy leads to serious reduction in national revenue and shortfalls in expected revenue. The implication of reduction in revenue therefore is poor implementation of national budgets and inability of the government to

provide essential social services and infrastructures. The inability for government to provide for essential public service and infrastructures reinforces oil dependence and deepens the economic crisis in Nigeria.

Concluding Remarks

We have noted that the logical implication or outcome of the renterism of the Nigerian state is oil dependence. The Nigeria's dependent and rentier economy has ensured that oil remains the mainstay of the country's economy since early 1970. In Nigeria, oil revenue alone accounts for nearly 90 percent of the total revenue and foreign exchange earnings, and more than 90 percent of export earnings. No wonder the national budget is based on the expected revenues from oil. Projected oil prices and quantity to be exported are the benchmark for Nigerian budget.

However, oil production in Nigeria has been dominated by the oil joint venture partnerships accounting for over 90 percent in the upstream oil subsector. The importance of oil joint venture partnerships in Nigeria's oil industry thus cannot be over emphasized. But oil joint venture partnerships which Nigerian government entered into with the international oil companies (IOCs) through the NNPC have been hampered by shortfalls and delays in meeting cash call obligations by JV partners leading to cuts in their operations and substantial reductions in oil production and shortfalls in projections which in turn result in significant reductions in oil revenue and shortfalls in oil revenue projections. Ultimately, the reductions in oil revenue and oil revenue projection, given the Nigerian's oil dependence, lead to significant reductions in the national revenue and shortfalls in the expected revenue. The implication of this is poor implementation of national budgets and the consequent inability of the government to provide essential public services and infrastructures which reinforces oil dependence and deepens the economic hardships in Nigeria.

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