CORRUPTION IN THE OIL AND GAS INDUSTRY: IMPLICATION FOR ECONOMIC GROWTH

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Abstract

The paper examines corruption in oil and gas industry as implication for economic growth. Library research method was adopted for this study. The finding of the study is that the level of corruption in Nigeria has significant impact on economy growth. The implication of this finding is that economy cannot grow fast without zero tolerance in corruption. The study concluded that despite efforts of ICPC and EFCC corruption still remain problem to Nigeria economy. The study recommends that all the public loots should be thoroughly investigated and offenders once found guilt should e prosecuted and the loots taken back on the value of what has been stolen.

Keywords: Corruption, oil and gas industry, economic growth

Introduction

One of the greatest threats to economic and political development of any nation is corruption (Mohammed, 2013). Corruption has been identified as one major obstacle militating against rapid growth and development of the Nigerian economy (Nagari, Umar & Abdul, 2013). It undermines good government, fundamentally distorts public policy, leads to the misappropatriation of resources, harms the private sector and private sector development, and particularly it hurts the poor (Ajao, Dada & Olaoye, 2013). They also state that as a result of the negative effects of corruption on development, Nigerian government and international organizations seek for solution on how to combat the menace. Researchers has that corrupt practices have been perpetrated in governance, public and private places since the pre- colonial era to the colonial period and through independence to present Nagari et al., 2013). Corruption is an ancient practice that has been traced back to pre-biblical time and made itself known in the ancient civilizations of developed and developing countries (Nwankwo, 2014).

Corruption is a disease, which eats into political, cultural and economic growth of any country and destroys the functioning of various organs of the government.

The rise of public administration and discovery of petroleum and natural gas are two major events seen to have led to a litany of ignoble corrupt practices in the country (Wikipedia, 2014). Corruption steals money social programmes and services through bribery, kickbacks and inflated pricing of contracts and public projects (Obioma, 2012). He also notes that corruption breeds crises in the country turn out to constitute some of the greatest dangers to the security of the nation.

The level of corruption and poor governance prevailing in the Nigerian system still remain high, albeit there are so many efforts by economic and financial crime commission (EFCC), independent corrupt practices and related offences commission (ICPC), Transparent international, World Bank and many other organizations to reduce it (Akinwale, 2012).

Baghebo and Atima (2013) stress that since the Royal Dutch shell discovered oil in the Niger Delta in 1956, precisely in Oloibiri, in Bayelsa state, the oil industry has been marred by political and economic strife largely due to a long history of corrupt military regimes, civil rule and complicity of multinational corporations, notably Royal Dutch Shell.

Ribadu (2006) as cited in Ajao, Dada and Olaoye (2013) say that the history of corruption in Nigeria is strongly rooted in the over twenty nine (29) years of military rule, out of forty six (46) years of her statehood since 1960. According to him, successive military regimes subdued the rule of law, facilitated the wanton, looting of the public treasury, decapitated public institutions and free speech and instituted a secret and Opaque culture in the running of government business. The result was total insecurity, poor economic management, abuse of human rights, ethnic conflicts and capital flight. Prior Studies have looked at corruption in Nigeria (Bakare, 2011. Lawal & Victor, 2012; Ogundiya, 2009; and Mohammed, 2013).

However, no prior study has focused on corruption in the oil and gas industry in Nigeria. Hence there is need for this study.

The focus of the exercise is on corruption in the oil and gas industry in Nigeria, keeping constant the existence of corruption in the other aspects of the Nigerian society economic, social, political, religious, academic institution and corruption in the services, etc. the nature, types, consequences, efforts made to reduce corruption in the oil and gas sector in Nigeria.

Literature review
Conceptual framework

Corruption is defined as the abuse of public office for private gain,

dishonesty for personal gain, dishonest exploitation of power for personal gain; depravity; and extreme immorality (Usman, 2011). It connotes the abuse of public roles or resources or the use of illegitimate forms of political power and influence, by public or private parties (Ogundiya, 2009). Lawal and victor (2012) argue that corruption is the biggest problems Nigeria has a bane to good governance, which has invariably translated into corrosive and perpetual poverty among the citizenry. This is as a result of the fact that the money that is supposed to be expended on social needs and infrastructures to engender development circulates among and within the few privileged and thereafter, taken abroad form investment.

Corruption involves the injection of additional but improper transactions aimed at changing the normal course of events and altering judgments and positions of trust (Ojukwu & Shopeju, 2011). It consists in the does and receivers use of informal, extral-legal or illegal acts to facilitate matters. Public debates recently in Nigeria have centered on the increasing rate of corruption resulting from inappropriate public finance planning and implementation mostly in some of the developing countries, Nigeria inclusive which in turn reduce the level of economic growth in the country. (Nwankwo, 2014).

Corruption is seen the Wanton craze for illegal, unethical and often criminal acquisition of wealth or benefits by individuals whose main motive is ego bossing and self aggrandizement with is attendant negative consequences on the rest of the society. Ruzindana (1999) sees corruption in Africa as a problem of routine deviation from affordable standards and norms by public officials and parties with whom they interact.

Features /characteristics of corruption in oil and gas industry

A critical analysis of the characteristics/features of the petroleum industry in Nigeria, in particular, will reveal that makes it so susceptible to corruption. Among these features, according to McPherson and MacSearraigh (2007) are;

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. What is more, because they are such small fractions, they are very difficult to detect should they go missing, thus adding to temptation.

Rents
There is scarcely an industry that can touch oil for the magnitude of the rent s it generates. Largely because of the oligopolistic character of the industry, prices are typically vastly in excess of costs. 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 $4-$5 in the middle east, through $12 in the gulf of Mexico, to $15 in the north sea (international energy agency 2005, p.11). These numbers rashly in margins of $50 to more than $70 a barrel-an obvious corruption risk.

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. 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. Furthermore, given the likely scale of revenues, it is not difficult for government authorities to either buy off or intimidate those who would challenge their behavior.

Complexity
The oil industry is technically and structurally complex, and the legal 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 gains 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, terminating and poor facilities. Monopoly control creates opportunities for corrupt abuse through discretionary control of access and through the setting of fees or traffic for use.

Strategic significance
Oil is almost universally regarded as being of strategic significance. From the stand-point of producing-country government, 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.

Because of the demand and supply relationship between the consuming- country governments (mostly the developed nations) and the producing-country government (mostly the oil producing-developing nations), the former in an attempt to maintain security of oil supply from the producers tend to support the corrupt practices in the producing nations. Even where and they see corruption walking on four legs in these nation, they overlook that as long as they get their constant and continuous supply of what they want, using their economic, political and military leverage to influence the corrupt behavior or the developing nations and their governments.

Spillover effects

Corruption in a sector as rich and as powerful as petroleum can be have major negative spill over effects on the government not only of other sectors but also of the economy as a whole.

The import of the observations made above is that corruption in the petroleum industry in Nigeria is both exogenous and endogenous. Exogenous corruption is the type of corruption that manifests in the industry's external environment while endogenous is seen within the industry's own internal environment. The exogenous corrupt practices in the industry are caused by greed among the workers, management and stakeholders in the industry, the inordinate ambition to get rich quick, enjoy financial security, and improve ones welfare, with extremely low risk of sanctions. The exogenous corruption comes from the government officials in selecting contractor to build the sector infrastructure, through the process of selecting a less competent contractor because of the desire to make personal gain by the government official.

The forms of endogenous corruption in the industry, as Nwakanma (2003) observed include overpricing, inventory recycling, syndicated bidding, connivance, espionage, collusion and fraud. While overpricing is the deliberate increase in the price of a contract or procurement order, which enables the awarding or procuring officer to make illicit gain on the transaction, inventory recycling is the arrangement by which goods supplied are taken out of the company's warehouse for re-supply. Syndicated bidding is a methods of bidding for contract or procurement order. It involves the competitors meeting and agreeing on who wins the bid. Those who concede to the arrangement are paid compensation for the lost opportunity.

Connivance, in itself, is a situation in which an engineer, for example, writes an interim or completion artifacts for a job that failed to meet the employer's specifications, while espionage is the act of a manager

or employee spying or leaking sensitive information to its employers rival for the sake of a private gain. Collusion involves the collaboration of two or more managers or employees to defraud or steal from the employer. Fraud, itself, includes falsification of figures while tampering is a device used by corporate officials connected with the tendering process to gain unauthorized access to submitted bids in order to leak out information to favour competitor that would enable the person to win it.

Types of corruption in oil and gas industry

Obioma (2012) identifies the following types of corruption in the oil and gas industry.

i)   **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. Example are the foreign policies, tax breaks, price controls, awards of exclusive rights (such as oil blocks to companies and individuals),special account procedures, and the myriad of special industry of regional incentives in the petroleum industry such as the oil subsidy to petroleum marketers in Nigeria. Legal corruption of policy decisions may result from carefully cultivated close relationship between policy makers or legislators and special interest groups.

ii)   **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, for "looking the other way" in the face of corrupt behavior, or for a favorable interpretation of fiscal regulations. It may also involve direct action by administrative agencies oil their own interest, when, for example, such agencies become involved in trading government oil or in regulating access to infrastructure. The more heavily regulated the system, the higher the degree of government control, and greater the scope for administrative corruption

iii)   **Commercial Corruption:** Under this heading are the broad areas of procurement abuse,   including tender rigging, kickbacks, and cost inflation.

iv)   **Grand Corruption:** Direct theft of massive amounts of money of   through diversion of   production; products, or revenues are cases of grand corruption.

Eradication of corruption in the oil and gas industry

Obioma (2012) identifies the following steps that can be taken to eradicate corruption in the oil and gas industry.

(1)   The anti- corruption law (ICPC and EFCC, etc) should be implemented without fear or   favour. The president should start implementing the laws from his cabinet and any of his

ministers, advisers and aids found guilty should be made to face the law. The law should not be selective but holistically, Again, the corrupt national and governors who are found corrupt should not be left in this crusade against corruption.

2). Because subsidization of prices of petroleum products in Nigeria meant large profits to the country, hence a major source of corruption in the petroleum sector, efforts should be made to totally remove/controlled by a joint task force (JTF) of corrupt- free staff of immigration, air force, police, soldiers/army, customs and a special squad set up for it. Any of the men of this force found convincing or adding or encouraging corrupt practices in the business should be automatically dismissed and prosecuted.

3). Dealing with the malaise of corruption in the sector may appear complex and intractable when the management lacks transparency and accountability in managing the affairs of all oil business activities in Nigeria (from seismic survey, development, production, transportation, refining, marketing, etc). It is therefore suggested here that all culprits in any from in the sector should be immediately suspended/or dismissed, persecuted and if found guilty imprisoned. This will serve as deterrent to others and the issue of "Plea Bargain" should not be allowed or permitted in any form.

4. Fighting corruption in the petroleum sector requires resources the right skills and adequate funding. The resources needed range from moderate for informational campaigns, through serious for technical assistance to and capacity building in government agencies and civil society, to significant, where complicated investigations and surveillance are called for. Rhetoric without these resources will not go far (McPherson & MacSerraigh, 2007).

5. The cooperation of international pressure organizations such as the United Nations Development Programme (UNDP), the World Bank, the international Monetary Fund, the African Development Bank, and the like, is highly needed if corruption should be reduced in Nigeria. The provision of moral suasion and technical assistance to induce or help Nigeria in her fight against corruption by these bodies is a welcome development. Though international conferences, workshops and seminars on the subject matter- corruption, and cutting loans or other assistance to Nigeria if found guilty of continuous support to corruption in the petroleum and other sectors of the economy will make the government and her people to sit up and fight the social vice to its conclusive end.

6. The international communities can equally help more by discouraging direct foreign investment into their countries that are tied to revenue coming from the oil sector through corrupt practices.

By this method, the vendors will stop and their ill-gotten wealth confiscated and retuned to the national treasury. This means that government of developed countries should make a special effort to avoid sending mixed signals to countries like Nigeria smuggling with petroleum sector petroleum.

7. The Nigerian government should as much as possible implement to the fullest the global   extractive industries   transparency initiative (EITI) launched in 2003 by the former   prime   ministers   of United Kingdom, Tony Blair. This is because   the   initiative   is

designed to address the paradox of plenty in resource rich countries by requiring   transparency of payments made by companies and of revenues received by governments,   thereby   limiting   opportunities   for corruption and promoting accountability. Technical assistance in support of implementation is provide by an EITI Multi Door Trust Fund   managed by the World Bank through bilateral aid programmes, and in some cases, by

implementing countries themselves.

8. As much as possible, the Fiscal Responsibility Act(FRA) to serve as petroleum   management law and Fund or Future Generation (FFG) to take care of revenue   accumulation fund and other policies towards use of oil windfall revenues practiced by   such   countries   like Angola, Chad, Gabon, Equatorial Guinea and Mauritania for their countries sustainable development should be adopted in Nigeria rather than the usual

monthly sharing of the so-called excess crude fund by the federal, state and local governments, a major source of corruption in the oil sector.

In summary, Table a shows a 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 in the petroleum sector in Nigeria.

Table A: Petroleum Sector Corruption: Summary Table

Petroleum value chain	Corruption vulnerability	Warning signals	Recommended response
Exploration	- Policy formulation - Laws, contracts, fiscal terms - Licensing, contract awards - Permits, approvals	- Lack of policy clarity - Opaque incomplete large, fiscal framework - Direct, nontransparent negotiation of licenses - "Unbalanced", " odd" awards - Delays on permits, approvals	- Clear, publicly announced policies - Best practice legal, fiscal framework. - Transparent, simplified bids for license awards, published results - Transparent public reports on permitting approvals

Development and production	- Permits, approvals - Procurement - Theft of production or revenues	- Permitting delays - Limited international competitive bidding, - Nontransparent bids - "Odd" or repeat procurement awards - Rumours of abuse - Aggressive local content rhetoric - Volume discrepancies - Absence of metering	- Transparent public reports on permitting. - Transparent, competitive procurement - Publication of results - Credible channels for complaint or challenges - Regular volume audits and reconciliation
Trading and transport	- Under reporting of value or volume - Illegal rent extraction for infrastructure access	- Prices below reference benchmarks - Volume discrepancies - Opaque or lack of reporting on sales - Unusual reliance on middleman - Rumours of abuse - Queues for access to infrastructure	- Full transparent reporting of trade sales. - Transparent bidding for selection of middle man - Regular audit of sales - Volume audits, reconciliations - Transparent public rules and tariff for infrastructure access - Appeal, complaint procedures
Refining and marketing	- Down stream policy formulation, such as price controls - Black marketers, smuggling	- Price controls - Nontransparent product procurement - Queues for products, product	- Policy clarity - Price liberalization (transparent allocation of proceeds - Comp

		shortages - Volume discrepancies	etitive transparent tendering
Corporate Accounting and Finance	- Inaccurate reporting - Tax evasion - Diversion of funds - Money laundering	- Limited transparency, secrecy - Tax immunity or unusually low tax burdens - Inadequate audit	- Fully, transparent publicized audits - Qualified, independent tax and cost audits

Source: McPherson, C, and Mac Searraigh, S. (2007) Corruption in the Petroleum Sectors, p. 191.

Corruption and economic growth implication

Corruption is largely responsible for stunted economic growth of the country, and for the mass-poverty that reigns in the country (Egunjobi, 2013). The qualities of public infrastructure and services have continued to be low as a result of corruption. It under mines democratic institution, slows economic development institution, slows economic development instability (Egunjobi, 2013). Bakare (2011) argues that corruption is the one of the major factors responsible for underdevelopment of Nigeria's Economy.

Oil and gas industry

Petroleum or "Rock oil" (derived from word Petra meaning rock and Oleum meaning oil) has been known to many for the past 5,000 years (Akpan 2011). Early Chinese history reports the fires use of natural gas seepage from the ground, which were used to fuel first for boiling water.

The ancient Greeks and Romans used seepages and outcrops in the form of asphalt and bitumen for road construction, caulking of boats, lubrication and greasing of Chariot Axles (Akpan, 2011). Eventually, the term petroleum came to refer to both crude oil and natural gas. By the early 1800s, whale oil was widely use as lamp fuel, but the dwindling supply was uncertain, and people began using alternative illuminating oils called Kerosene or coal extracted from mined coal, mined asphalt, and crude oil obtained, from surface oil seepages. Therefore petroleum exploration and production industry may be said to have begun in around mid 1800s. There was an oil discovery in Ontario, Canada, in 1859, and Pennsylvania, in USA with a stream-powered, cable-tool rig with a wooden derrick used in drilling (Humid, 2012). The Nigerian oil industry is about a century old. The very first attempt was made in 1908 by a German, company known as the Nigerian Bitumen Corporation, in Araromi area of Ondo State (Alabi &

Ntukekpo, 2012. However, the initial effort was terminated in 1914 as a result of the out break of the First World War. In 1937, the second attempt was made by Anglo Dutch consortium, shell D' Archly, which later became Shell petroleum Development Company of Nigeria (Alabi & Ntukekpo, 2013). The out break of the Second World War abruptly ended this effort.

However, Nigeria can be said to be fifty one years in the oil exploration business. This is so because the very projecting for oil started between 1953 and 1956.

Oil was discovered in Nigeria in 1956 at Oloibiri in Bayelsa state after half a century of exploration. The discovery was made by shell B.P., at the time the sole concessionaire. Nigeria joined their ranks oil producers in 1958 when its first oil field came on stream producing 5, 100 barrels per day (Odularu, 2008). After 1960 exploration rights in Onshore and offshore areas adjoining the Niger Delta were extended to other foreign companies (Odularu, 2008). The success of Shell Company encouraged other companies to join in the exploration. In 1967 Agip Mobil; Gulf satrap (now ELF), Tenneco/Amuses (now Chevron) joined the explorers for oil in the onshore and off shore areas (Alabi & Ntukekpo, 2012). Other companies like Phillips, AShland, and sunray joined later.

In 1970, the end of the Biafra was coincided with the rise in the world oil price, and Nigeria was able to reap instant riches from its oil production. Nigeria joined the organization of petroleum exporting countries (OPEC) in 1971 and established the Nigerian National petroleum company (NNPC) in 1977; a state owned and controlled company which is a major player in both the upstream and down stream sectors (Odularu, 2008).

All crude oil produced was initially wholly exported unrefined while the country's needs for petroleum products were satisfied through importation. Government decided that when the daily crude oil production in the country reached 500 thousand barrels per day, the building of a refinery would be considered. When this target was attained in 1959, foreign experts were invited to conduct preliminary surveys for a suitable site around the principal ports of the coast. After due consideration to a number of factors, Ala-Eleme near Port Harcourt was chosen (Alabi & Ntukekpo, 2012). In 1962, construction started and in 1965, the work was completed at the cost of 20 million naira. Subsequently, two more refineries were constructed in Warri and Kaduna respectively as the production increased. Although these refineries are not functioning any longer as Nigeria refines its crude oil products outside the country (Alabi & Ntukekpo, 2012).

Nigeria is a big player in the international oil and gas business. As at January 2007, Nigeria's oil reserves were estimated at 36. 2 billion barrels. Niger in is the largest oil producer in the Africa and the seventh largest oil producer in the world. Its total oil production in 2006 including condensates,

natural gas liquids, and crude oil averaged 2.45 million barrels per day (b pd), with oil amounting to 2.28 million bpd (alibi & Ntukekpo, 2012). Today, Nigeria is the fifth largest oil exporting country to the United States, the fifth largest petroleum exporting country in the organization of petroleum exporting countries (OPEC) Alabi & Ntukekpo, 2012).

Contribution of oil and gas industry

Odudaru (2008) identifies the following contributions of oil and gas industry to the Nigeria economy.

Employment Opportunities

One of the first contributions of the oil industry to the Nigeria economy was the creation of employment opportunities. From the start, Nigerians were employed in a variety of non-basic activities such as the building or roads and bridges, the clearing of drilling sites, transportation of materials and equipment, and the building of staff programme progressed, they began to be employed in seismic and drilling operations, and in supervisory and managerial functions. However, direct industry employment in Nigeria is not likely to expand significantly in the future because the industry is very highly capital intensive, as is illustrated by the size of the capital-labour ratio in the industry, compared with other industries.

The very high capital-labour ratio in the oil industry means that growth in oil operations is generally reflected, not in the relative expansion of employment, but in the expansion of capital investment. This will be particularly the case when, with the passage of time and increased extraction, the need arises for increased investment in costly techniques of secondary recovery. At the moment total oil industry employment in Nigeria (including employment by ancillary firms) represents only 1.3 percent of total modern sector employment in the country.

Contribution to Gross domestic Product

In general, the contribution of an industry or branch of activity to the gross domestic product (at factor cost) during any accounting period is measured by its gross output less the cost of inputs-materials, equipment, services, etc purchased from other industries or branches of activities. (Deduction of any taxes net of subsidies paid, gives the gross domestic product at market prices). The gross output of the petroleum sector consists of the proceeds from oil exports, local sales of crude oil for local refining, and local sales of natural gas. But because of the massive involvement of foreign operators in the Nigerian petroleum industry, not all of the industry's value added is retained in the country; at the moment a substantial proportion is sent out in the form of factor payment profits, dividends, interest, fees, and

wages and salaries paid abroad. It is therefore more realistic to consider the industry's contribution to gross national product i.e. gross domestic product less factor payments made abroad. The industry's value added can also 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.

Local Expenditure on Goods and Services

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, apart from the direct stimulation given to the producers of these goods and services such injections also exert secondary influences, through the multiplier process, on the level of output and employment in other related sectors of the economy, the magnitude of the overall effect depending on the size of the initial injection and the extent of leakages out of the local economic system that may exist.

Contributions to Government Revenues

The payment of substantial revenues to the government is another important aspect of the contribution of the oil industry to the Nigerian economy. 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. At eh early stages of oil operations when the prospects of establishing a viable oil industry in Nigeria were rather uncertain, the government was in a weak bargaining position via the oil companies. Consequently, the terms negotiated at that time with the Shell-HP petroleum Company of Nigeria were favourable to the Company, and included relatively low concession rents, a 12.5 percent royalty rate, a 50150 profit sharing formula based on realized prices, and large capital allowance. The use of realized prices in the calculation of taxable profits meant that the country's oil revenues fell as oil prices fell throughout most of the 1960. But as the country's oil prospect improved and the government's bargaining power consequently increased, these terms were progressively revised to take

account of the changed conditions. These changes resulted in a significant increase in government oil revenues, particularly in 1973 and 1974. As noted above, a large part of the increase in oil revenues was accounted for by the huge increase in crude oil prices during 1973-74.

How far oil prices will continue to be high in the future will depend on the balance between the demand for and the supply of energy-in particular, on the level of economy in energy consumption, and the speed of development of substitute fuels in consuming.

Foreign Exchange Reserves

This is an important aspect of the oil industry's contribution to the Nigerian economy, which could not have come at a more opportune moment because the country is embarking upon a massive programme of industrialization and economic development which postulates huge imports of capital goods and specialized services involving massive expenditure of foreign exchange. In many underdeveloped countries, especially those that depend heavily on a narrow range of primary commodities, acute shortages of foreign exchange often exacerbated by massive declines in world commodity prices, constitute a major obstacle to effective economic development. The oil industry in Nigeria now has substantial foreign exchange reserves and is in the healthy position of being able to finance the foreign exchange cost of her development programmes. The industry's contribution to foreign exchange is not measured by the gross value of crude exports because the practice followed by the oil companies is to retain the entire proceeds from exports abroad, and to remit to the producing country only the amount needed to sustain their local operations.

Contribution to Energy Supply

Another contribution of the oil industry to the Nigerian economy is the provision of cheap and/or readily available sources of energy for industry and commerce, through the operations of the local refinery and the utilization of locally discovered natural gas. The Ele Eleme refinery, near Port-Harcourt, which came into operation in November 1965, had an initial capacity of 1.9 million tones per annum, and was designed to meet the country's main product requirements at that time, with the exceptions of bitumen, aviation gasoline, and lubricating oils. A liquefied petroleum gas plant, with a capacity of 15,000 tons per annum, was added in 1966. The refinery was damaged during the civil war but has since rebuilt and expanded to a capacity of about 2.75 million tons. It is planned further to expand the capacity of the refinery to 3.75 million tons per annum and to build two new refineries one at Warri in Bendel State (now Delta State) and the other at Kaduna in Kaduna State- during the current National Development Plan

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(1975-1980). The objective is to eliminate the scandalous shortage of petroleum products in a country that is currently swimming in oil.

The availability of huge reserves of natural gas provides a good opportunity for the supply of cheap energy to industry and commerce, Already, associated natural gas natural produced jointly with crude oil is being supplied by Shell-BP to the National Electric Power authority for thermal electricity generation; to the Nigerian Petroleum refining Company for use as fuel in petroleum refining at Ele Eleme; and to a number of industrial undertakings around the centre of oil operations. Total consumption of natural gas in Nigeria, excluding the amount used as fuel at the oil fields by the producing companies has increased from 1,100 million cubic feet in 1963 to 6,916 million cubic facts in 1973. However, annual consumption is still a tiny proportion of total production and the latter, which at the moment comes wholly from oil fields, is much less than available productive capacity.

The above brief review shows that the oil industry is making a variety of very useful contributions to the Nigerian economy, especially in the provision of revenues and foreign exchange. But when we move from the immediately apparent to the long- lasting impact- from the largely monetary contribution to the real economic impact –a completely different picture emerges which show that, notwithstanding the massive increase in oil wealth, the industry has yet to make a significant impact on economic development in Nigeria. As a recent World Bank report on Nigeria commented. "At present petroleum remains a typical enclave industry whose contribution to the (Nigerian) economy is limited largely to its contribution to government revenue and foreign exchange earnings".

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. 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.

Challenges of oil and gas industry
Odularu (2008) Identifies the following challenges of the oil industry.

Public Control and Bureaucracy
The Nigeria National petroleum Corporation (NNPC) is controlled by the Ministry of Petroleum Resources. It lacks autonomy, as a result of which decision taking is often bureaucratic and unnecessarily delayed. Therefore,

the operation of the NNPC is characterized by inefficiency especially in refinery operations, distribution and marketing.

Poor Funding of Investments

Frequent delays in the payment of cash calls to the joint venture operators have tended to discourage increase in the level of investment by the oil companies insufficiency of funds has also constrained adequate equipment maintenance and efficient refinery operations by the NNPC. The Federal Government's delays in the payment of cash calls for its IV operations in the upstream sub-sector, focusing more on maintenance rather than growth.

Communal Disturbances

There had been frequent communal disturbances which disrupts crude production as oil communities' clamour for higher stake in oil operations.

Smuggling and diversion of petroleum products

There are reported cases of massive smuggling of petroleum products across the borders is quest for foreign exchange and to take undue advantage of the lower domestic prices vis

-a- Vis neighboring countries prices.

Fraudulent Domestic marketing Practices

Some markets hoard products in periods of scarcity in order to sell in the black market at higher prices.

Products Adulteration

This is encouraged largely by price differential of some products and the proliferation of illegal sales outlets where some adulteration occurs. Others are;

➢ Relatively low level of investments in the sector, compared to its potentials

➢ High technical cost of production, due to low level of domestic technological development.

➢ Restrictions imposed by crises and production disruptions caused by host communities.

➢ Environmental degradation due to the flaring of associated gas.

Prior empirical studies

Nwankwo (2014) investigates the impact of corruption on the growth of Nigerian economy using granger causality and regression techniques. The study used gross domestic product (GDP) as a proxy of economic growth

and corruption index as proxy of corruption in the analysis. The study revealed that the level of corruption in Nigeria over the year has significant negative impact on economic growth. The implication of this study is that economy cannot growth fast without zero tolerance in corruption.

Bakare (2011) investigated the crooking out effects of corruption in Nigeria using parsimonious error correction mechanism and employed experimental research design approach for the data analysis and revealed that there is a negative relationship corruption and output growth in Nigeria. The implication of this is that Nigeria government should introduce a national re-orientation program to educe people on the crucial need to eradicate corruption in all sectors of Nigeria economy and socio-political system.

Egunjobi (2013) investigates the impact of corruption on economic growth in Nigeria in on an annual time series data from1980-2009 using regression analysis. The results revealed that corruption per worker exerts a negative influence on output per worker directly and also indirectly foreign private investment, expenditure on education and capital expenditure per worker.

Nageri, et al (2013) invested the impact of corruption on economic development in Nigeria using the ordinary least square regression technique. The results showed that corruption has a significant negative effect on economic growth and development.

Conclusion

The oil and gas industry is still the major source of revenue for the Nigerian government and her citizens. It is unfortunate that cases of corruption are here and there in the industry beginning from oil and gas exploration to refining and marketing of the petroleum products. Because the country so much depend on the oil and gas industry for her sustainable development and national economic growth, the high rate of corruption in the industry affects all other sectors of the nation's socio- political economy. Efforts have been made by the federal governments, management of the industry and other international bodies to eradicate corruption in the industry but it seems that the outputs of such efforts are far more than desired. The fight against corruption in the industry, the ability of the stakeholders to detect acts of corruption and present those guilty of committing them is essential to deter corruption. This is where the combined efforts of legal framework through the corrupt- free agencies like the Economic and Financial Crimes Commission and Independent Corrupt Practices and Other Related Offences Commission and the administrative framework of the freedom of information Bill for the press to report cases of corruption undistributed, the legislature, executives and the judiciary are high welcome. . The study recommends that all the public loots should be thoroughly

investigated and offenders once found guilt should be prosecuted and the loots taken back on the value of what has been stolen.

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