

# Evaluating the Impact of Anti-Corruption Policies on Revenue Transparency and Accountability in Nigeria's Oil Sector

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## Abstract

The oil sector is critical to Nigeria's economy, accounting for the majority of its government revenue and foreign exchange earnings. However, it has long been plagued by systemic corruption, undermining its potential to drive equitable development. This study evaluates the impact of anti-corruption policies on revenue transparency and accountability in Nigeria's oil sector. It explores key frameworks such as the Nigerian Extractive Industries Transparency Initiative (NEITI) and the Petroleum Industry Act (PIA), along with international contributions like the Extractive Industries Transparency Initiative (EITI). By analyzing transparency tools, institutional roles, and the socio-economic effects of these measures, the research highlights both progress and persistent challenges. Findings indicate improvements in transparency mechanisms and stakeholder confidence, particularly in oil-producing regions, but emphasize the need for stronger enforcement and independence of oversight institutions. The study concludes with recommendations for closing policy gaps and aligning governance practices with international standards.

**Keywords:** Nigeria's oil sector, anti-corruption policies, revenue transparency, accountability, NEITI, Petroleum Industry Act, EITI

## 1. The Importance of Oil and Corruption in Nigeria

The oil sector is the cornerstone of Nigeria's economy, playing a pivotal role in its economic growth and governance framework. As Africa's largest oil producer, Nigeria derives over 90% of its foreign exchange earnings and approximately 60% of its government revenue from crude oil exports. This dependency on oil has transformed the sector into both a lifeline for the economy and a major source of vulnerability. The revenue generated from oil is critical for funding infrastructure development, public services, and socio-economic programs. However, despite its economic significance, the oil sector's benefits have been unevenly distributed, with large portions of the population still living in poverty. Fluctuations in global oil prices further exacerbate Nigeria's economic instability, highlighting the country's over-reliance on a single resource. Diversification efforts have been limited, leaving the oil sector at the center of Nigeria's economic planning.

At the same time, the oil sector has become a breeding ground for corruption, significantly undermining its potential to drive equitable development. Corruption in Nigeria's oil industry is deeply rooted, manifesting in various forms such as embezzlement of public funds, bribery, nepotism, and mismanagement of resources. High-profile scandals, including cases of oil revenue diversion and illegal bunkering, have tarnished the reputation of the sector. For example, billions of dollars in oil revenues have reportedly been lost due to underreported production and opaque revenue streams. This systemic corruption has eroded public trust and undermined institutional effectiveness, limiting the government's ability to harness oil resources for national development.

One of the most glaring challenges is the lack of transparency in contract awards and revenue reporting.

Contracts between the government and international oil companies (IOCs) often lack public scrutiny, creating loopholes for rent-seeking behaviors. Additionally, revenue leakages due to underreported oil production volumes and poorly regulated subsidy regimes further drain national resources. These governance issues are compounded by the weak enforcement of existing laws and regulations. Agencies tasked with overseeing the sector, such as the Nigerian National Petroleum Corporation (NNPC), have often been accused of complicity in corruption, further deepening the sector's credibility crisis.

The consequences of corruption in the oil sector extend beyond economic inefficiencies to social and environmental injustices. Oil-producing regions, particularly in the Niger Delta, bear the brunt of environmental degradation caused by oil exploration activities. Despite contributing significantly to national revenue, these regions often lack basic infrastructure, healthcare, and education facilities, fueling resentment and conflict. Militancy and sabotage in these areas have not only disrupted oil production but also highlighted the failure of the government to address the socio-economic disparities exacerbated by corruption.

In conclusion, the dual importance of Nigeria's oil sector as an economic pillar and a locus of systemic corruption underscores the urgent need for reform. Addressing these governance challenges is critical to ensuring that the sector contributes effectively to national development and equitably benefits all Nigerians. Efforts to combat corruption must focus on enhancing transparency, strengthening institutional accountability, and ensuring that oil revenues are utilized for the collective good.

## **2. Frameworks and Policies Addressing Corruption**

To address the pervasive corruption in Nigeria's oil sector, several key policies and frameworks have been introduced to enhance transparency and accountability. Among the most significant is the Nigerian Extractive Industries Transparency Initiative (NEITI). Established in 2004 as part of Nigeria's commitment to the global Extractive Industries Transparency Initiative (EITI), NEITI aims to improve governance by ensuring better management of oil, gas, and mineral resources. The initiative mandates regular audits and public disclosure of payments made by oil companies and revenues received by the government. Through its periodic reports, NEITI has exposed numerous revenue discrepancies, unreported oil production volumes, and cases of financial mismanagement within the sector. By fostering public awareness and accountability, NEITI has become a cornerstone of Nigeria's anti-corruption efforts, pushing for reforms to close revenue gaps and streamline resource management.

Another pivotal policy is the Petroleum Industry Act (PIA), enacted in 2021 after decades of deliberation. The PIA seeks to restructure and modernize Nigeria's oil and gas sector by addressing inefficiencies and ensuring a more transparent governance framework. Key provisions of the PIA include the establishment of new regulatory bodies, such as the Nigerian Upstream Regulatory Commission (NURC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), tasked with enforcing transparency and accountability. The act also introduces measures to curb corruption by reducing discretionary powers in contract awards, mandating competitive bidding processes, and implementing stricter oversight mechanisms. Additionally, the PIA seeks to address long-standing grievances in oil-producing regions by creating a Host Community Development Trust, which allocates a percentage of operating companies' profits to local development projects. By codifying these measures into law, the PIA represents a significant step toward aligning Nigeria's oil sector with global best practices.

International frameworks like the Extractive Industries Transparency Initiative (EITI) have also played a crucial role in setting benchmarks for transparency in Nigeria's oil sector. As a member of the EITI, Nigeria is required to meet rigorous standards for public disclosure of resource revenues and governance practices. EITI encourages member countries to adopt transparent reporting mechanisms, such as reconciling company payments with government receipts, and to engage civil society in oversight. Nigeria's compliance with EITI standards has enhanced its credibility on the global stage, attracting foreign investment and fostering greater accountability. For instance, EITI's framework has influenced NEITI's methodology for auditing oil revenues and promoting stakeholder collaboration. Moreover, EITI membership has compelled Nigeria to adopt international norms in resource governance, creating a foundation for more sustainable and equitable management of oil revenues.

Together, these frameworks and policies reflect Nigeria's commitment to tackling corruption and improving governance in its oil sector. However, their success depends on robust implementation, adequate funding, and sustained political will. While NEITI and the PIA provide the legal and institutional tools necessary for reform, their impact will ultimately hinge on the extent to which they are enforced and integrated into the broader governance system. By aligning domestic initiatives with international standards, Nigeria has the potential to transform its oil sector into a model of transparency and accountability.

## **3. Transparency Improvements and Mechanisms**

Significant advancements have been made in Nigeria's oil sector to improve transparency, driven by the

implementation of specific tools and platforms designed to monitor oil revenue flows. One notable innovation is the adoption of digital revenue monitoring systems, such as the NEITI Data Dashboard. This online platform provides real-time access to data on oil production, revenue, and payments by companies, offering a centralized system for stakeholders to track transactions in the sector. Additionally, the development of the Beneficial Ownership Register, another milestone under the Nigerian Extractive Industries Transparency Initiative (NEITI), has enhanced transparency by revealing the true owners of oil and gas companies operating in Nigeria. By reducing the anonymity often associated with shell companies, this register addresses a key loophole used for tax evasion and illicit financial flows. These tools represent a shift toward greater openness and accountability, allowing civil society, media, and the public to scrutinize oil sector activities.

Beyond digital tools, policy-driven platforms have also contributed to greater revenue transparency. For instance, the Petroleum Industry Act (PIA) mandates periodic publication of financial reports by regulatory bodies, such as the Nigerian National Petroleum Corporation (NNPC). The NNPC has since transitioned into a limited liability company, NNPC Limited, under the PIA, and has committed to annual audits and public disclosures of its operations and revenues. These measures aim to eliminate the historical opacity surrounding the corporation's financial activities and align its practices with global corporate governance standards. By making previously inaccessible data publicly available, these initiatives have set a foundation for more rigorous accountability.

A comparison of revenue reporting practices before and after the implementation of these transparency mechanisms highlights significant improvements. Historically, Nigeria's oil revenue reporting was characterized by inconsistent data, lack of public disclosure, and widespread discrepancies between declared and actual revenues. For example, prior to NEITI's audits, significant portions of oil proceeds went unaccounted for due to underreported production volumes and weak oversight. This lack of transparency created opportunities for corruption and revenue leakages. However, since the introduction of NEITI's periodic audits and the PIA's regulatory reforms, the sector has seen a marked improvement in the accuracy and consistency of revenue reporting. NEITI's reports have uncovered discrepancies and prompted corrective actions, leading to better alignment between company payments and government receipts.

The post-reform period has also witnessed increased stakeholder confidence in the oil sector. By standardizing revenue reporting processes and enhancing public access to information, these mechanisms have reduced opportunities for mismanagement and rent-seeking behaviors. While challenges remain, particularly in enforcing full compliance across all operators, the tools and platforms implemented have undoubtedly laid the groundwork for a more transparent and accountable oil sector in Nigeria. These changes not only improve governance but also position the sector as a more attractive destination for foreign investment, signaling progress toward long-term sustainability.

#### **4. Institutional Roles in Accountability**

Oversight institutions play a critical role in ensuring accountability and combating corruption in Nigeria's oil sector. Among these, the Economic and Financial Crimes Commission (EFCC) and the Department of Petroleum Resources (DPR) have been pivotal in driving governance reforms. The EFCC, established to address economic crimes and corruption, has actively investigated and prosecuted cases of misappropriation of oil revenues. Its efforts include uncovering financial irregularities within the Nigerian National Petroleum Corporation (NNPC) and prosecuting high-profile cases involving public officials and oil company executives. By targeting illegal financial flows and enforcing anti-corruption laws, the EFCC has brought greater scrutiny to oil sector operations and increased pressure on stakeholders to comply with transparency standards.

The Department of Petroleum Resources (DPR), now restructured under the Petroleum Industry Act (PIA) as the Nigerian Upstream Regulatory Commission (NURC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), has been instrumental in monitoring and regulating oil exploration, production, and revenue collection. These agencies are tasked with ensuring compliance with industry standards, overseeing licensing processes, and preventing revenue leakages. The DPR historically introduced systems like the National Oil and Gas Excellence Centre (NOGEC) to enhance operational efficiency and improve data management. These initiatives have strengthened institutional oversight, making it harder for companies and individuals to exploit regulatory gaps.

Despite these contributions, oversight institutions face significant challenges that undermine their effectiveness. One major issue is limited institutional capacity. Agencies like the EFCC and DPR often lack the necessary resources, technical expertise, and funding to carry out their mandates effectively. The complexity of the oil sector, coupled with inadequate staff training and outdated technological infrastructure, hampers their ability to monitor and enforce regulations comprehensively. For instance, poor coordination between agencies has sometimes resulted in overlapping responsibilities and inefficiencies, creating loopholes for corruption to persist.

Another critical challenge is political interference, which undermines the independence and autonomy of these

institutions. Powerful political actors and vested interests in the oil sector often exert undue influence on oversight bodies, diluting their capacity to enforce accountability. In some cases, investigations into high-profile corruption cases have been stalled or dropped due to political pressure, signaling a lack of commitment to reform at the highest levels of government. This interference not only erodes public trust but also emboldens corrupt practices within the sector.

In conclusion, while institutions like the EFCC and DPR have made notable strides in promoting accountability in Nigeria's oil sector, systemic issues such as resource constraints and political influence continue to hinder their impact. Strengthening these institutions through increased funding, capacity building, and ensuring their independence is essential to achieving sustained transparency and accountability in the oil industry.

### **5. Local and National Impacts of Anti-Corruption Measures**

Anti-corruption measures have begun to influence both local and national dynamics in Nigeria's oil sector, particularly through enhanced transparency and accountability mechanisms. One significant impact has been on revenue allocation in oil-producing regions. Historically, these regions, particularly the Niger Delta, have faced severe environmental degradation and socio-economic deprivation despite contributing substantially to national oil revenues. The introduction of initiatives such as the Host Community Development Trust under the Petroleum Industry Act (PIA) aims to address this disparity by mandating that oil companies allocate a portion of their annual profits directly to community development projects. This measure has improved the flow of resources to grassroots communities, enabling investments in infrastructure, education, and healthcare services. By institutionalizing transparency in revenue allocation, these policies have reduced the diversion of funds and empowered local stakeholders to demand accountability from government and corporate actors.

In addition, the public disclosure of oil revenue streams facilitated by the Nigerian Extractive Industries Transparency Initiative (NEITI) has further strengthened revenue allocation frameworks. Communities now have greater access to data on financial transactions, which allows them to monitor how oil revenues are managed and allocated at the state and local levels. This increased transparency has fostered a sense of empowerment among community members, encouraging them to participate in governance processes and hold officials accountable for the use of public funds. However, challenges remain, as some local development projects are undermined by inefficiencies and corruption at the implementation stage, highlighting the need for stronger enforcement mechanisms.

At the national level, anti-corruption measures have also influenced public perceptions of governance and trust in institutions. Transparency initiatives, such as NEITI's periodic audits and the Beneficial Ownership Register, have increased visibility into the previously opaque operations of the oil sector. These reforms have signaled a commitment to addressing long-standing issues of corruption and inefficiency, gradually restoring public confidence in the government's ability to manage the sector responsibly. Public awareness campaigns associated with these measures have also educated citizens about their rights and the importance of transparency, fostering greater civic engagement.

However, public perceptions of anti-corruption efforts remain mixed. While many acknowledge the progress made in enhancing transparency, skepticism persists due to the slow pace of reforms and the continued prevalence of high-profile corruption scandals. In oil-producing regions, trust in governance is often undermined by the unfulfilled promises of equitable revenue distribution and the persistent influence of powerful elites who manipulate resource allocation for personal gain. Additionally, the lack of visible improvements in living standards for many citizens contributes to ongoing disillusionment with the effectiveness of anti-corruption measures.

In conclusion, the implementation of transparency-focused policies has had a measurable impact on both local and national levels by improving revenue allocation frameworks and increasing public awareness. However, to sustain these gains and rebuild trust in governance, further efforts are needed to strengthen enforcement mechanisms, ensure the equitable distribution of resources, and deliver tangible socio-economic benefits to affected communities.

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