



## AN ASSESSMENT OF LOCAL CONTENT POLICY ON NATIONAL DEVELOPMENT IN NIGERIA

**Musa Zakari**

*Dr. Obasola Fatunla, Ikegbu Margaret Chinyere  
Department of Political Science, Nasarawa State University Keffi  
Corresponding Email: [musazakarimni@yahoo.com](mailto:musazakarimni@yahoo.com)*

### Abstract

This study examines the important of Local Content Development Act to the socio-economic of Nigeria. The study utilized content analysis research method. Secondary sources method of data collection was used to gather information for the study. The study reveals that, Local Content Development Policy ensures that all the indigenous oil companies were involved in some form of linkages with indigenous companies or institutions as well as foreign companies outside the borders of Nigeria. The findings of the study shows that, the oil and gas industry can play active role in delivering jobs, stable environment, healthy communities and vibrant economy by building economic and social value in the communities where they operate. The study therefore recommends that, the sincerity of government about the local content issue must be reflected in attractive fiscal policy or measures such as reduction in import duties for steel and chemicals and other consumables as well as tax holidays for indigenous oil and gas and related firms.

**Keyword:** Oil and Gas Development, Local Content (LC) Policy, National Oil Corporation and Nigerian Petroleum Industry

### INTRODUCTION

There has been a continuous debate in many developing oil-rich countries on the adoption of Local Content (LC) Act and the value-added created by LC policy within the domestic oil and gas industry. The dominant perspective on the regulatory role of LC policy is that the policy is a mechanism through which the benefits of a country's endowed resources on economic development could be increased and also for trickling the wealth generated to the country's people. The adoption of LC policy in the oil and gas industry is also seen as a strategy to increase the participation of indigenous oil firms in the supply chain of the sector, to improve backward linkage development (a means by which procurement of locally produced inputs and services is increased), and also to create more employment opportunities for the local workforce. Local value creation is considered to be a more important contribution of the extractive sector than its direct contribution to economic growth. For instance, countries such as Norway, Venezuela, and Malaysia have greatly benefited from their oil and gas wealth. These resources have been used to transform their economies, particularly in terms of local firms' increased participation, infrastructure development, job creation and backward linkage development. Local value creation from the oil sector in these countries ranges from 45% to 75% (UNCTAD, 2006: 11).

Oil-based wealth has contributed to economic growth in Nigeria since the discovery of the resources in the late 1960s. Total revenues from oil export in the year 1970 were US\$718 million. The revenues increased to US\$47.9 billion in 2005 and US\$94.6 billion in 2012 when crude oil was trading around US\$90 per barrel that year OPEC (Report, 2013). Recent records show that the oil industry accounted for approximately 74.4% of Nigeria's exports in the first quarter of 2015,

yielding earnings of about US\$14.2 billion. This represents approximately 76% of the revenues accrued to the government and also accounts for more than one-third of the country's gross domestic product (GDP) (NBS Report, 2015). However, the country's oil resources have not had a significant economic impact on the majority of the population because a large proportion of activities in the sector, particularly service contracts are handled by foreign oil companies (Ihua, 2010). The need for resource-rich Nigeria to assume control of the exploration, exploitation and production activities in the oil and gas sector and to harness the potentials of this most strategic industry in order to generate more value-added, seems to be receiving much desired attention from all the stakeholders. This need is equally expressed in Nigeria's desire to domicile a substantial amount of the average \$18 billion per annum exploration and production spending and stem the tide of capital flight which, over the years, has made Nigeria a junior partner in her joint venture arrangements with the International Oil Companies (IOCs).

Therefore, the main aim of this study is to examine the progress of the local content act 2010 and how it has impacted on development and performance of the economy.

### **Statement of the Problem**

Nigeria's rising profile in oil and gas production was rather fast and steady such that she soon became a formidable force within OPEC. Oil exploration, which started onshore has tremendously improved the nation's daily production capacity to about 2.2 million barrels per day, and raised her proven reserves to about 37 billion barrels. However, despite Nigeria's ever-growing profile and wealth, the country remains one of the poorest, and technologically backward, nations in the world. This is basically because the much-taunted wealth has not translated into improved welfare. One reason for this is that over 90 percent of the yearly industry expenditures escape the domestic economy as capital flight. For a country with over four decades' experience in oil and gas exploration and production activities and proven recoverable reserves of about 37 billion barrels, her inability to use the resource wealth as a means for national development and poverty reduction has perhaps been the greatest challenge facing successive administrations. These challenges have their expression in how Nigeria can derive maximum benefits from oil and gas operations through optimal use of local competences and resources as practiced in Indonesia, Brazil, Norway and Venezuela, for example. Although these countries started oil exploration and production activities after Nigeria they have largely recorded remarkable success in their efforts to grow the local content in this strategic industry.

In recognition of the anomaly in the Nigerian Oil and Gas Industry, the Federal Government introduced the Local Content (LC) Policy in the year 2000, and precisely a decade after, signed the enabling legislation. The essence was to increase the local content and consequently boost development and competitive capabilities of indigenous firms in the Oil and Gas Industry. The success of LC policy depends on the ability of the policy to achieve its targets. From the above statement, this means that, Nigerians are yet to reap the full benefit of the oil wealth and this has call for serious concern from shareholders. The study therefore seeks to examine the importance of Local Content Development Act to the socio-economic of Nigeria.

### **Method and Materials**

Historical research method was used for this paper. That is, some basic historical documents were relied upon for purposes of data collection for this study, this includes; National Assembly Amendment Act, Local Content (LC) Policy; 2010 -2015, Local Content Development Act (LC) (2010). Secondary method of data were used to collect the data, data were sourced from published Journals, unpublished materials, newspapers, magazines and the internet site.

### **Literature review**

The Nigerian Oil and Gas Development Law 2010 defines local content as "the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards. It is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria's strategic developmental goals. The scheme, which has the potential to create over 30,000 jobs in the next 5 years, is geared to increasing the domestic share of the \$18 billion annual spending on oil and gas from 45% to 70%, in addition to enhancing the multiplier effects on the economy, through refining and petrochemicals. The technology, equipment,

personnel and risk was their own both in exploration, exploitation, processing and management of product. All efforts in the industry were owned by foreigners and the country only owned the resources (Ozigbo, 2008). Thus, Nigeria depended on royalties from the operators. Under this arrangement, only the Nigerian government earned money directly from the oil and gas business. At that time, the educational and technological advancement of the country had not reached the stage which they could participate in the industry. LCPs are a requirement that “a given percentage of domestic value added or domestic components be embodied in a specified final product (Grossman, 1981). They are regarded as a form of productive development policies whose goal is to “strengthen the productive structure of a particular national economy (Alberto & Andrés, 2006). They are designed to increase local participation in foreign direct investment by directing the utilization of indigenous companies in goods and services procurement, the employment of locals and the use of local raw materials by investors. Other measures include tariffs, taxes, pricing, licensing and concession systems that are skewed in favour of local industries or aimed at facilitating the creation of local content by investors as well as local firm reservations for certain inputs and services (Cathleen, Hufbauer & Schott, 2014). In practice, they require firms, particularly multinational firms operating within a country’s territory, to give “first consideration” or “deliberate preference” to the country’s nationals in matters of employment and training and in the procurement of goods and services. The requirements are either embedded in contractual agreements between governments and companies or enacted legislatively. In some cases, they are established in bidding rules as a precondition for winning contracts or embedded more indirectly in regulation and tax regimes through provision of incentives to local industries or to other companies that support local participation (Stanislaw, 2011).

There are several arguments in favour of LCPs. They can help to correct market failures (Tordo, 2013). which arise “when there is a distortion that keeps the market from allocating resources efficiently and adjusting to a steady state”, with the result that “domestic industries cannot gain the necessary technology and capacity to compete on the open market without outside intervention and protection (Di-Caprio & Gallagher, 2006). The market fails from a domestic perspective, because the lack of domestic skills to serve the needs of the industry results in inefficient allocation of resources in the market. By requiring companies to invest in the development of particular local skills, LCPs can help to correct this market failure because such requirements help to ensure that skills are available to meet the demands of the market. Besides, there is an inherent good in a country developing its own technical skills to meet the demands of its industries. It enhances entrepreneurship and can contribute to poverty reduction.

LCPs can help domestic firms in developing countries integrate themselves into global economic networks. This is confirmed by studies which show that in the 1990s, both local “productivity-enhancing entrepreneurship” and state support to local development helped East Asian firms to achieve significant positions in global economic networks (Gereffi, 1995). It has also been argued that LCPs can contribute to the productivity and competitiveness of domestic firms through knowledge transfers that take place from foreign firms to domestic firms (Morrissey, 2012). Other proponents observe that most advanced economies utilized industrial policies similar to LCPs to boost their domestic economy while in the early stages of their industrial development (Whitfield, 2015). After reviewing how countries like China, Chile and even the United States benefited from industrial policy (which later came into serious dis favour), Rodrik concludes that “developing new industries often requires a nudge from government. The nudge can take the form of subsidies, loans, infrastructure, and other kinds of support. But scratch the surface of any new successful industry anywhere, and more likely than not you will find government assistance lurking beneath (Rodrik, 2010). This view is shared by many leading economists,

One of the most frequently cited argument against the use of LCPs is their potential incompatibility with international trade measures applicable to members of the World Trade Organization (WTO). Particular mention is made of the agreement on Trade-Related Investment Measures, the General Agreement on Tariff and Trade, and the Agreement on Subsidies and Countervailing Measures (ASCM), all of which endorse the “national treatment” principle, which obliges member countries to treat one another as they would their own nationals. However, there are some limited exceptions for least developed and developing countries in the application of this rule. With regard to the ASCM, for example, domestic subsidies violate WTO rules only when they adversely affect the domestic commerce of another WTO member state (Cimino, Hufbauer & Schott, 2014). Few domestic subsidies meet this threshold, based in part, on the difficulty, for the complaining party, of showing evidence of “adverse effects” as well as on the fact that the definition of subsidy under the rules is narrow (Cimino, et al, 2014:3). This has led some scholars to suggest that countries should instead of using traditional LCP program, make use of subsidies to support their domestic firms “on a time-limited basis (Cimino, et al,

2014:3). Rodrik has argued that even though LCPs breach international trade and investment principles, they are an essential part of the “policy space” that developing countries ought to be allowed to pursue their economic development goals (Rodrik, 2007). This view is echoed by another commentator who notes that “fair trade” in the sense of a “level playing field” does not necessarily mean applying the same set of trade rules and conditions to every nation, but also means recognizing that some countries are so disadvantaged that they need “reasonable accommodation” under the international trade system (Lee, 2016). An analogy to this is the adoption of differential income tax rates according to levels of individual income in most developed countries, which is not necessarily regarded as “unfair” because it is justified by the principle of “reasonable accommodation” for the poor rather than condemned as “unjustifiable discrimination” against the rich (Lee, 2016:463). Fortunately for developing countries, however, the WTO rules impeding the application LCPs are rarely enforced Cimino et al, 2014).

In addition, LCPs are said to be a poor instrument for addressing the inadequate contribution of the extractive sector to local economic development, for it creates distortions, inefficiency and corruption (Lee, 2016:463). As one commentator has noted, however, these arguments are generalizations. Inefficiency, for instance, may be as a result of “technological strangeness” – i.e., “the ability of the rest of the economy to develop service capacity through backward linkages and the speed at which such capacity can be created (Lee, 2016:463). Moreover, these problems can be dealt with through a well-designed local content framework that takes into account the socio-political and economic climate in which it is to be applied. Corruption, for instance, can be addressed through the integration of transparency measures into the policy and the avoidance of setting corruption-inducing unrealistic targets for companies.

Other arguments abound. For instance, it is believed that imposing quantitative conditions on companies regarding the hiring of locals when the existing local labour lacks the skills to carry out the desired task would not only discourage investment (Nwaokoro, 2011), but also could put undue pressure on companies. As one industry perspective puts it, the issue is probably not just one of numbers of Nigerian employees or even of the proportion of Nigerians in senior technical or managerial positions. The real fuel for the controversies around the employment of Nigerians is most likely the fact that as more Nigerians are employed and progress to senior positions, they inevitably seek more opportunities for advancement and therefore the pressure to provide even more opportunities for Nigerians continues to increase. The push for the employment of more Nigerians thus feeds on itself (Oguine, 2011).

Over time as the country’s socio-economic status grew, joint venture agreements were drawn between Nigeria and the participating oil companies in the industry aimed at partnering all aspects of the trade with Nigerians with the view to transferring technology as work progresses. The Nigerian Petroleum Industry has come of age yet foreign participation was still found to dominate the scene in all aspects including carriage of crude oil. Scholars and industry experts confirmed low local content as the major cause of the situation. This drove the Nigerian Government to initiate the Local Content Policy in the year 2000 (Ihua, 2010:13). The government pushing for increased local content in the Petroleum Industry gave a legislative backing in early 2010 through the enactment of the Local Content Act (Ozim, 2010).

Local Content (LC) in the Petroleum Industry has been defined as a set of deliberate orientation and actions to build domestic capacity and sustainable culture of service quality and capabilities exceeding customers’ expectations and comparable to international standards through key indigenous personnel and management. A more comprehensive definition was offered by the NNPC (2006), as “The quantum of composite value added or created in the Nigerian economy through the utilization of Nigerian human and material resources for the provision of goods and services to the Petroleum Industry within acceptable quality, health, safety and environment standards in order to stimulate the development of indigenous capabilities”. It can also be defined as the integrated contributions to myriad of operations or inputs in the crude oil and natural gas extraction process, which are made by Nigerian personnel, local contractors, wholly owned Nigerian companies or by Nigerian registered companies in which Nigerians effectively own a majority of the equity (Nwosu, Nwachukwu, Ogaji, & Probert, 2006).

Thus, Local Content Policy generally seeks to promote a framework which ensures that local competencies are built (to internationally acceptable standards) through the active participation of Nigerians, and the deployment of local resources and raw materials, in oil and gas related activities. Local Content helps to drive employment, develop local skills, transfer technology, promote R&D performance, and create wealth in the petroleum industry. This is however subject to demonstration of capacity in equipment, personnel and other aspects of handling the contract. Where these

criteria are met, such a Nigerian company shall be given preference over a non-Nigerian company. A Nigerian company is any company with ownership and/or infrastructure in Nigeria that allows it to conduct manufacturing and service production in the country; that is, a company with staff who are Nigerians. In a nutshell, the essence of Local Content Act is to give Nigerian oil companies first consideration in the award of contracts and employment, and to contribute significantly to human capital development in the Petroleum Industry.

Oyejide and Adewuyi (2011) on the implications of Local Content Policy and the extent of the linkages that the oil sector has created with the rest of the Nigerian economy, found that the linkage between the oil servicing firms and the oil majors as well as with the local research centres or universities to be weak, although Local Content Policy has made some significant impacts in the oil sector in terms of contract awards (Vaaland, Soneye, & Owusu, 2012). investigated how local content can be enhanced in the oil and gas industry in a developing country like Nigeria. The empirical base was in-depth interviews of professionals directly or indirectly related to the Nigerian oil and gas industry. The interviews revealed barriers for indigenous companies in accessing the industry. These were related to three major capabilities; capital, competence and delivery possibilities. It is suggested that the barriers can be solved by recognition of the interdependencies between actors associated with these capabilities. The actors include in addition to the foreign companies and the indigenous companies, educational institutions, legal system, educational and R and D institutions, financial institutions, industrial regulators and providers of infrastructure.

### **Useful Provision of Local Content Development Policy in Nigeria**

In March of 2010, President Goodluck Jonathan signed into law the Local Content Development Act 2010. The Act, among other things envisaged to tackle the problem of insufficient value addition to the Nigerian economy arising from the near lack of local capacity/capability in the industrial sector especially in the petroleum industry (Bello, 2010). The Nigerian Oil and Gas Development Law 2010 defines local content as “the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards (Gbegi, & Adebisi, 2013). It is framed within the context of growth of Nigerian entrepreneurship and the domestication of assets to fully realize Nigeria’s strategic developmental goals. The scheme, which has the potential to create over 30,000 jobs in the next 5 years, is geared to increase the domestic share of the \$18 billion annual spending on oil and gas from 45% to 70%, in addition to enhancing the multiplier effects on the economy, through refining and petrochemicals (Balouga, 2012).

According to Balouga (2012:5), the Local Content Policy action started in 1971 through the establishment of the Nigerian National Oil Corporation, (NOC). NOC was established as a vehicle for the promotion of Nigeria’s indigenization policy in the petroleum sector. It later became Nigerian National Petroleum Corporation (NNPC) in 1977 through NOC’s merger with the petroleum ministry. NNPC flagged off the actual local content initiative through acquisition of interests in the operations of the Indigenous Oil Companies (IOCs). These interests grew to about 70%, with the responsibility of controlling all acreages and other activities. Although conscious efforts were made in the past through Regulation 26 of the 1969 Petroleum Act, enforcement of local content policy, the springboard for sustainable economic transformation of Nigeria, was mere paper work. For an industry that contributes 80% of Nigerian government revenues and 95% of its foreign exchange this is entirely unacceptable to the Nigerian government hence the clamor for change (Gbegi, 2013:7).

### **Enforcement of Local Content Development Policy in Nigeria**

The Nigerian local content initiative did not take off until recently. The Obasanjo administration’s renewed efforts at making a difference in the appalling state of Nigerian content were evident in the privatization of the Nigerdock and the repositioning of the Nigerian Petroleum Development Company (NPDC), an arm of NNPC. Already the privatization of Nigerdock has proved the company’s capability as a serious player in emerging deepwater offshore activities with its success story in constructing the Bonga Buoy (the world’s largest).

Another milestone recorded in the effort at growing the nation’s local content level is the Globestar yard’s fabrication of the jacket for the Amenam platform, Saipem yard’s Okpoho platform and ChevronTexaco’s Meren-X well jacket and helipad fabricated by Transcoastal Nigeria. These developments have helped to create jobs, build capacity and stimulate



the nation's economy. Fabrication is probably the most developed manufacturing area in the Nigerian petroleum industry. For several years, many structures and parts have been fabricated in yards located mainly in Warri, Lagos and Port Harcourt. This has come to stay, but it suffers a number of limitations. Limited capacity installation and technological innovation could continue to plague the industry even as it is striving to mature into relatively more demanding deepwater fabrication. Transportation in the oil and gas industry covers road haulage, marine transportation and pipeline transmission. Airline transportation relating to the industry is still firmly in the hands of foreign companies. Local and international companies are active in marine transportation services for swamp and offshore operations. Road haulage is the most popular means of transportation for onshore operations because of the poor state of rail transportation in the country. The full implementation of the cabotage law is, therefore, expected to provide more opportunities for local participation. Investment in Nigeria's oil industry currently amounts to about \$18 billion annually. This investment trend is expected to continue annually beyond 2012. The creation of the Nigerian content support fund is timely. This fund is designed to operate a free zone concept and provide working capital for local companies, thereby bringing down the cost of funds. Post consolidation, Nigerian banks as syndicates have offered between \$200 and \$600 million in \$1.2 billion projects. Other projects have been solely funded by Nigerian banks with no international participation.

Pre-consolidation, Nigerian banks were offering \$60 million participation in \$1.0 billion of the oil majors' key projects. Based on the directives of the NNPC, Nigerian engineering and service companies, as well as fabrication yards have invested hundreds of millions of dollars on skill acquisition and enhancement, and capacity expansion. Yet despite all these efforts, bottlenecks in the system still prevent meaningful fabrication work being awarded to Nigerian firms. If these projects are awarded to the existing Nigerian yards not only can they demonstrate their ability to deliver to international standards of quality and safety but they also can substantially build long-term industrial capacity, provide employment and global competitiveness which is currently in the hands of the overseas yards. Perhaps government's most outstanding effort so far is in the development of a unique blueprint for the successful implementation of a Nigerian content policy in the oil and gas industry. This policy is referred to as the Nigerian Oil and Gas Development Law 2010. One of the outstanding features of this blueprint is the conceptualization of a proper definition of Nigerian content, which enjoys general acceptability in the industry. Going by this definition the mistake of confusing local front with local content will be substantially reduced as local content seeks to reward local investment and competence at the expense of mediocrity. This policy, which makes it imperative that exclusive consideration be given to Nigerian indigenous service companies which demonstrate ownership of equipment, Nigerian personnel and capacity to execute jobs in the Nigerian oil and gas industry, is fashioned after the Norwegian model. It presents a template for companies' classification and a value matrix to measure local input. It also spells out the responsibility of the respective institutions charged with the effective delivery of the Nigerian content.

### **The Role of Local Content Policy on National Development**

Creating linkages between the oil and gas sector and other sectors of the Nigerian economy has been found to be a concrete solution to the problem of low technological capacity and poor business performance (Oyejide & Adewuyi, 2011) further stressed that the overall objective of the policy is to promote local value addition, build local capacity and improved linkage between the oil and gas industry and other sectors of the Nigerian economy. Local content policy is therefore a critical means of creating and/or promoting linkages in the oil and gas industry. Local Content Development Act 2010 is capable of creating linkages in the oil industry which include encouraging research and development in domestic firms, encouraging partnership between firms, universities and research institutes involved in R&D, organizing and supporting training programmes, providing access to financial and non-financial business services and consultancy. The experiences of the domestic oil servicing firms with their collaboration and alliance partners were encouraging.

Local Content Development policy ensures that all the indigenous oil companies were involved in some form of linkages with indigenous companies or institutions as well as foreign companies outside the borders of Nigeria. This is possible due to the clustering of the oil companies at Trans Amadi Industrial Layout in Port Harcourt and Airport Road in Warri. the enabling legislation on Local Content Policy was signed, there is appreciable linkage between the indigenous oil companies and the multinational oil companies. The local oil companies now partner with foreign companies to execute contracts; which if done with technically competent foreign companies could result in technical expertise, transfer of knowledge and technology.

The linkage between the domestic oil companies and the Higher Education Institutions (HEIs) which comprise universities and polytechnics is to strengthen the standard of the Nigerian educational system. The academic institutions should be a focal point for research and production of skilled manpower and trained experts. As emphasized by Ihua (2010: 12), “oil and gas business is a high risk business, requiring skilled technical manpower and that, only an effective educational system that understands the human resource needs of the industry and tries to match their resources to meeting those needs, can enhance the prospects of higher local content; without which the whole idea of local content would be a mirage, only ending as prospects”. The interfaces between the graduate students, researchers and local oil business community are weak, resulting in weak exchange of knowledge and feedback loops (Vaaland, et al, 2012).

### **Research findings**

The oil and gas industry can play active role in delivering jobs, stable environment, healthy communities and vibrant economy by building economic and social value in the communities where they operate. This can be done in a number of ways:

1. By way of sustainable business investment. Investment has been identified as the basis of any sustainable business or economy. Both current operations as well as future opportunities can be invested in, in order to ensure sustained growth. Such investments serve as a tremendous platform to stimulate broader economic growth.
2. Building a local workforce which must be leveraged into the creation of a trained and skilled workforce. Leveraging core investment to create jobs in local markets has been discovered to have a powerful multiplier effect in the whole local economy, as well as providing the company with a committed workforce. It has been asserted<sup>82</sup> that the greatest national resource of oil producing countries is not the oil but the people. Investing in human capacity building is imperative if the impact of the oil industry is to be felt in this era of the quest for sustainable development. Engaging, empowering and building the capacity of members of local communities is critical, not only to the success of investments in extractive industries, but also to sustainable development.
3. The enablement of local supply chain. Investment by the petroleum industry can be strategically directed towards the development of local supply chains which expands job opportunities and stimulate the local economy.

### **CONCLUSION AND RECOMMENDATIONS**

Nigeria’s oil and gas industrial act must seriously consider the idea of establishing a strong energy bank that would empower local contractors/investors. This would increase their level of participation and give them the necessary experience that would engender technology transfer. Technology transfer should be well programmed and aggressively pursued if economic, military and political advantages are to be guaranteed. So far an increased number of Nigerians in managerial and professional positions in firms involved in upstream and downstream operations has been observed. However, the evidence of technology transfer is yet to be seen. Nigeria, therefore, needs her own unique strategy of technological progress pursued with all seriousness if Nigerians are to make any meaningful impact soon. Another factor that made nonsense of past efforts at improving local content (and is still a challenge to current efforts) is the nation’s inability to develop her infrastructure. Coupled with this is a lack of a sound iron and steel industrial base, lack of foundries and effective machine tool manufacturing. These are all part of the fundamental challenge, which the government must address through its privatization programme. Government must remove the inconsistencies in the local content act, sincerely respect the local content blueprint and follow its carefully, especially in the awarding of contracts for deepwater and other projects in the oil industry. Such a policy should ensure that the refining sector and indeed the whole of the downstream sub-sector is commercialized and further opened to private sector participation. It should also ensure that the country’s existing refineries run efficiently. This will be best achieved if core investors are brought in to acquire majority shares in the plants and to take over their management, following Indorama/EPCL,

Nigeria. The policy should pursue the active participation of the private sector in refining, with investors encouraged to set up refineries aimed largely at the export market. A strategic objective of the local content policy should be to get exploration and production companies already active in the Nigerian upstream, and new entrants, to be committed to

downstream business including the development of energy infrastructure and assets. The concept of extended enterprise (virtual integration, outsourcing, collaborative R & D), in short, networking must also be emphasized.

More investments would have to be channeled into the gas sub-sector. More projects utilizing gas to produce energy-based derivatives such as the Escravos Gas-to-Liquids project and the Natural Gas Liquids project are required. Policies in the Gas Master Plan must be pursued vigorously. The Nigerian Content Consultative Forum (in charge of networking in the oil and gas industry), the Nigerian Content Division (an arm of NNPC) and the newly created Nigerian Content Development and Monitoring Board, NCDMB, (charged with the responsibility of strictly enforcing compliance) must work in tandem for the success of the local content policy.

Historically, the factors which have created the chasm between policy substance and implementation are mainly inadequate think-through, weak institutional capacity, absence of the required political will to carry through change, lack of support from relevant stakeholders and corruption. The NCDMB should not be allowed to become captive to such factors. Finally, the sincerity of government about the local content issue must be reflected in attractive fiscal policy or measures such as reduction in import duties for steel and chemicals and other consumables as well as tax holidays for indigenous oil and gas and related firms, all of which may gender a competitive spirit in our local fabrication yards.

## REFERENCES

- Alberto, M. & Rodríguez-Clare, A. (2006). "Productive Development Policies and Supporting Institutions in Latin America and the Caribbean", Inter-American Development Bank Research Department Competitive Studies Series Working Paper C-106, February 2006, p. 5, available at: <http://www.iadb.org/res/publications/pubfiles/pubc-106.pdf>.
- Analysis of Nigerian Oil and Gas Industry. *African Journal of Business Management*, 6(15), 5399-5413.
- Cimino, C. Hufbauer, C. C. & Schott, J. J. (2014) "A Proposed Code to Discipline Local Content Requirements", Peterson Institute for International Economics Policy Brief No PB14-6, February 2014, p.1, online: <http://www.iie.com/publications/pb/pb14pdf>.
- Di-Caprio, A. & Gallagher, K. (2006) "The WTO and the Shrinking of Development Space: How Big is the Bite" 75 *The Journal of World Investment & Trade* 783.
- Gary, G. (1995), "Global Production Systems and Third World Development" in Barbara Stallings (ed.), *Global Change, Regional Responses* (Cambridge: Cambridge University Press, 1995) at 142.
- Grossman, U. (1981), the Nigerian Oil Industry Experience. *Int'l Journal of Business and Management*, 583.
- Heum, P., Quale, C., Karlsen, J. E., Kragha, M., & Osahon, G. (2003). *Enhancement of Local Content in the Upstream Oil and Gas Industry in Nigeria: A Comprehensive and Viable Policy Approach*. Bergen, Norway: SNF Report No. 25/03.
- <http://dx.doi.org/10.5897/AJBM11.2538>. 2012
- Ihwa, U. B. (2010). Local Content Policy and SMEs Sector Promotion: The Nigerian Oil Industry Experience. *Int'l Journal of Business and Management*, 5(5), 3-13. <http://dx.doi.org/10.5539/ijbm.v5n5p3>.
- Lee, S. (2011), "The Petroleum Sector Value Chain" in Silvana Tordo, Brandon S Tracy & Noora Arfa (eds.), "National Oil Companies and Value Chain", World Bank Working Paper No 218, 2011, pp. 8-9, available at: <http://siteresources.worldbank.org/INTOGMC/Resources/9780821388310.pdf>.
- Lee, Y. S. (2016). *Reclaiming Development in the World Trade System*, 2nd ed (forthcoming) (Cambridge: Cambridge University Press, 462-463).
- Morrissey, O. (2012) "FDI in Sub-Saharan Africa: Few Linkages, Fewer Spillovers" 24:1 *European Journal of Development Research* 26-31.
- NBS Report, 2015.
- Nwaokoro, J. E. (2011). "Signed, Sealed but Will it Deliver? Nigeria's Local Content Bill and Cross-Sectoral Growth" (2011) 4:1 *Journal of World Energy Law and Business* 56.
- Nwapi, C. (2015). "Defining the 'Local' in Local Content Requirements in the Oil and Gas and Mining Sectors in Developing Countries" (2015) 8:1 *Law & Development Review* 194-195.
- Nwosu, H. U., Nwachukwu, I. N., Ogaji, S. T., & Probert, S. D. (2006). Local Harnessing in Crude Oil and Natural Gas in Nigeria. *Applied Energy*, 83(11), 1274-1287. <http://dx.doi.org/10.1016/j.apenergy.2005.09.001>



- Oguine, I. (2011). "Nigerian Content in the Nigerian Petroleum Industry: Legal and Policy Issues" (2011) 29 J Energy & Nat Resources L 409.
- OPEC Report, 2013.
- Oyejide, T. A., & Adewuyi, A. O. (2011). Enhancing Linkages of Oil and Gas Industry in the Nigerian Economy. MMCP Discussion Paper No. 8, University of Cape Town and Open University.
- Ozigbo, N. C. (2008). Technological Capacity Building in the Nigeria's Oil and Gas Industry. Proceedings of the 19th Annual International Information Management Association, San Diego, CA, 13-15 October, 51-63.
- Ozim, I. O. (2010). Analysis of the Nigerian Oil and Gas Industry Content Act 2010. Aelex Newsletter, Lagos,
- Rodrik, D. (2007). One Economics, Many Recipes: Globalization, Institutions and Economic Growth (Princeton, NJ: Princeton University Press, 2007.
- Rodrik, D. (2010) "The Return of Industrial Policy," Policy Innovations (April 13, 2010), online: <http://www.policyinnovations.org/ideas/innovations/data/000165>.
- Tordo et al (2013), cited OPEC Report, 2013 pp. 24–25.
- UNCTAD, 2006: 11
- Vaaland, T. I., Soneye, A. S., & Owusu, R. A. (2012) Local Content and Struggling Suppliers: A Network
- Vaaland, T. I., Soneye, A. S., & Owusu, R. A. (2012). Local Content and Struggling Suppliers: A Network Analysis of Nigerian Oil and Gas Industry. African Journal of Business Management, 6(15), 5399-5413.  
<http://dx.doi.org/10.5897/AJBM11.2538>.
- Whitfield, L. (2015). The Politics of African Industrial Policy: A Comparative Perspective (Cambridge: Cambridge University Press,.