Spillovers of Local Content Policies in Nigerian Oil and Gas Industry

Rahim Ajao Ganiyu[1], Ignatius Ikechukwu Uche[1], Jimoh Babatunde[1],
& Obanla Rasheed Olusegun[2]
[1]Department of Business Administration
University of Lagos, Akoka

[2]Department of Marketing,
Yaba College of Technology, Yaba, Lagos.

Abstract
Many citizens of resource-rich nations tend to be mere observers despite huge exploration activities in their land. Nigeria oil and gas industry is a classic instance of an enclave sector of the nation's economy where employments opportunities are not only limited but the requirements of available jobs are not readily available locally. This paper examined the value that oil and gas operations pass to the local and national economy beyond the resource proceeds. To accomplish the objective of this paper, a systematic review of literature was presented and discussed. The paper deliberated that the discovery of natural resources in Nigeria comes with much exhilaration/expectations, propelling the need to extend the benefits of the extractive industry through local content (LC) initiatives. The paper discovered that LC is designed to enhance value-added, correct market failures/externalities, and support employment and other social objectives. Unfortunately, the policy has fueled distortion among policy objectives, global regulation, and institutional structures in addition to misallocation of resources and ineffectiveness in the system. However, providing benefits to the communities where extractive companies operate is no longer a choice but a commercial necessity that is increasingly mandated through law. Nevertheless, creating strong LC outcomes can be very challenging because of the technical requirements of the industry, which often limit the possibility of developing backward and forward links into the local economy. The paper concluded that LC policy if properly implemented can improve local capabilities that will make oil and gas work for Nigeria's economic development. The paper

recommended the need for improved policy measures and legal framework to strengthen the Nigerian oil and gas industry.

Key words: Local content, extractive industry, natural resources, backward and forward linkage, oil and gas industry.

Introduction

The quest for maximum benefits from the extractive industries such as mining, and oil and gas has motivated a number of countries - both developed and developing - to formulate suitable policies to stimulate the growth and sustainability of the sector. One essential theme of such policies is the local content—that is, the degree to which the output of the extractive industries creates further benefits for the economy beyond the direct contribution of its value-added and its linkage to other sectors. In a contemporary economy, resource-producing industries occupy an exceptional position because not only is their output an essential input for the production of other goods and often experiences unpredictable price changes in world markets, but also their extraction processes entail huge amounts of investment (Silvana, Michael, Osmel, & Yahya, 2013). Historical accounts of local content policies (LCPs) can be traced to the North Sea in the early 1970s and oscillated from restraints on imports to direct state involvement in the oil and gas sector. The push for local content in Nigeria began in 2001 with a workshop organized by the National Petroleum Investment and Management Services (NAPIMS), entitled *National Workshop on Improvement of Local Content and Indigenous Participation in the Upstream Sector of the Petroleum Industry.* The outcome of the workshop produced a communiqué that led to the formation of a National Committee on Local Content Development (NCLCD) with a targets for summative local content value in the oil and gas industry from all the categories to 40% by 2005 and 60% by 2010 (Ovadia, 2013).

Subsequently, a “Content Development Bill” was drafted, which became the NOGICD Act (Ovadia, 2013). To further promote the local content drive, a Nigerian Content Division (NCD) was established within the Nigerian National Petroleum Corporation (NNPC) and through it; NNPC released a number of Nigerian content directives related to three major areas (manufacturing, materials, and engineering) during the first stage. A final structure was put in place with the creation of the Nigerian Content Consultative Forum in 2005. The forum contains working sub-committees for the various industry groupings (including fabrication and engineering). In 2010, the NOGICD Act was passed into law and it gave first priority consideration for awards of oil blocks, oil fields, and oil lifting to Nigerian independent operators; granted exclusive consideration to Nigerian indigenous service enterprises that met conditions to bid on land and swamp operating areas; and established the Nigerian Content Monitoring and Development Board (NCDMB) to enforce compliance and impose sanctions for breach of local content policy. In particular, the act stipulates improvement of local participation in all facets of oil operations, including 65 percent of jobs in offshore energy projects to be handled by Nigerians; 60 percent of steel ropes to be made locally; and all contracts awarded in excess of $100 million to take account of a “labour clause,” authorizing the use of indigenous enterprises or a certain minimum percentage of Nigerian labour (Natural Resource Governance Institute-NRGI, 2015a). Local content in the extractive industry ranges from almost zero in some developing countries to an average percentage of 45-75% in resource-rich developed economies (Ado, 2013). Local content policy is prevalent in industries such as defense, wind turbines, automobiles, oil and gas and, more lately, the mining and construction activities. Nigeria has adopted the local content policy in other sectors such as cement sector, where over 95% of the materials are sourced locally. Correspondingly, there have been numerous policies to stimulate backward integration in food processing using completely local content via backward integration approaches (Neil *et al.*, 2017).

The report submitted by the Nigerian Oil and Gas Industry Content Development (NOGICD) revealed that the local content of goods and services in the Nigerian upstream sector was less than 5%, implying that 95% of the annual expenditure of about $8 billion flows out of the country (Ovadia, 2013) Nonetheless, with the passage of the Nigerian Oil and Gas Industry Content Development Act NOGICD Act in 2010, Nigerian content rose to between 35 and 40 per cent (Ovadia, 2013). The expected benefits that typically accompany the exploitation of natural resources often comes with much enthusiasm and a sense of hope that exploration of such resources will improve the economy of that country and enhance citizens’ welfare (Balouga, 2012). Accordingly, the value brought to the local, regional or national economy from exploration activities is known as the local content and it propelled a push toward ensuring that businesses in the oil and gas sector hire local labour and procure local goods and services from the host country. From the viewpoint of economics, local content is the value that an extractive activity brings to the local, regional or national economy beyond the resource revenues and improvement of the flow of benefits of resource development into the host communities. According to Aaron, Somine, Jeff, Tim, Nicholas, Emily, Martin, Isabelle, Guire, and Perrine (2018), 90 per cent of resource-rich nations employ some sort of local content policy, and many of them strive to further review the policies to better exploit the full potential of the extractive sector for inclusive economic development.

Notably, different nations adopt local content through different tactics and approaches. According to the Natural Resource Governance Institute (2015b), these approaches differ and may consist of regulatory interventions to enhance local employment and national industry participation or improve capabilities development among national/local employees. In the opinion of Martin (2017), one of the precise legislations endorsed by different government to accomplish local content policies is at the core of policy agenda in most developing countries. Similar to diverse approaches to local content initiatives, the meaning of the notion "local content" has been delineated by numerous authors. While some contemplate it to be a division of corporate social responsibility, others view it as a diverse field of study. Yet other scholars consider it as a policy issue connected to legislative fiat, while others adopt unstructured corporate-led implementations in ascribing meaning to local content. In addition, some academics link the term to local business development initiatives, while others focus on a broader range of objectives (Kalyuzhnova, Nygaard, Omarov, & Saparbayev, 2016). In the opinion of Mendez-Parra, Schubert, and Brutschin (2016), local content policies are commonly associated with trade restraints, tariff and tax incentives, subsidies and other procedures to enhance the use of domestic inputs as a way of accomplishing micro and macroeconomic objectives. The notion "national/Nigerian participation", suitably sanctified "Nigerian content" or "local content", and has been viewed as the significant aggregate value added or created in the Nigerian economy through the application of Nigerian human and material resources for the delivery of goods and services to the extractive industry (Helen, 2016).

Despite a number of incentives and palliative measures given to operators in the oil and gas industry with a hope that they will be able to exploit the resources more optimally and efficiently, offer employment for the citizens and develop basic infrastructure that would develop the economy, many citizens of resource-endowed countries especially in the developing part of the world, Nigeria inclusive, tend to be mere onlookers. Remarkably, oil and gas is a distinctive form of an enclave sector in most Africa countries where job opportunities are not only limited, but many jobs require particular skills and experience that are not readily available locally (Karl, 2007). Thus, the impact of the oil and gas sector on the people who live in oil-producing communities is far below expectations in terms of livelihoods and living standards. Nonetheless, delivering local benefits in the country particularly communities where extractives businesses operate is no longer a choice, it has become a commercial obligation—that is progressively becoming a norms that is authorized by law (Michael & Jessica, 2011).

As noted by Hoffmann and Melly (2015), informality in the Nigerian economy obstructs the effectiveness of many local content policies, leading to higher tariffs and poor cost competitiveness. Neil, Neil, Max, and Kingsley (2017) note that some targets for local sourcing are unlikely to be attainable within the specified timeframe, as most local businesses are unable to meet the standards required by foreign firms. Also while there seems to be broad consensus on the need for local content policies, it remains uncertain which policies are the best to foster better results and lessen unintended consequences (Aaron *et al*., 2018). In other words, there is no simple pattern for success. Similarly, the success of local content policies is contingent on the success of other policies and regulations, such as qualitative education, science and advance policies, infrastructure development, sound financial policies, support for financiers and trade and investment policies among others (Aaron *et al*., 2018).In the same vein, of all the features of linkages, local content has become a disputed issue, both in the literature on foreign direct investment (FDI) and empirically based study (Magelah, 2014). The scholar asserts further that there is often a misunderstanding when it comes to the discussion of citizen involvement in local content.

The collaborative study carried out by Organization of Economic and Cooperation Development(OECD), World Trade Organization (WTO), and World Bank in 2014 also reported that shaping the right degree of government intervention is complex in local content, because different undertakings necessitate diverse forms of intervention, and there may be no reliable signals to guide government decisions. Accordingly, adopted policy measures may carry unintended consequences, for instance, it may lead to decline in government revenue or hinder foreign investment in strategic sectors, which may also damage strategic interests of the stakeholders. Review of literature, reveals that existing research on local content are mainly on the policy strategies and attendant benefits of LCPs in Nigeria, with few attempts to evaluate the spillover effect of LCPs and their sustainability over time in Nigeria. To this end, further research is needed to improve understanding of the factors and impact of LCPs in other to drive efficiency in the sector and enhance benefits to the stakeholder. Against the aforementioned backdrop, this paper addressed four specific objectives: (1) to review the impetus for local content policies in Nigeria; (2) to highlight the factors that hinder linkages of the Nigerian oil and gas industry to other sectors of the economy; (3) to evaluate the degree of local participation in Nigerian oil and gas industry; (4) to evaluate the attendants benefits of adopting local content policies in Nigerian oil and gas industry.

Theoretical Review

Dutch Disease Theory

The expression Dutch Disease was first used in an English journal named the Economist in 1977 (Koutassila, 1998). The notion was used to define a certain phenomenon known as the Hollandis Syndrome or the Netherland Syndrome or basically the Dutch Disease (Nowak, 1994). Founded on the conventional economic justification, a growing stock of assets in a country brings about larger opportunities for economic growth. Nonetheless, it may turn out to be a contradiction with considerable evidence demonstrating that natural resources tend to impede economic growth rather than stimulating it (Ross, 2001). Accordingly, the metaphor “Dutch Disease” was first adopted to describe the collapse of manufacturing in the Netherland due to discovery of natural gas in the 1960s (Benkhodja, 2014). From economic perspective, the Dutch disease is the ostensible causal connection between the progressive economic development of a particular sector (for instance natural resources) and deterioration in other sectors (such as the manufacturing or agricultural sector). The supposed mechanism is that, as incomes increase in the growing sector (or inflows of foreign aid), the given country’s currency becomes stronger (appreciates) paralleled to currencies of other countries (apparent in an exchange rate) and the destruction of the original tradable goods exporting sector (Peter, 2013). In other words, a boom in an export sector propels a shift of productive elements towards the booming sector and an upsurge in the prices of non-tradable goods and services (David & Benjami, 2013). The Dutch disease (DD) theory therefore, portray a situation in which the discovery of natural resource in some countries instead of enhancing exploitation and harmonious development of the economy, leads to deterioration or complete collapse of economic activities in other important sectors of their economies.

The Rentier State Theory

The theory of the rentier state originated in the late 1960s, and developed fully in the 1980s. Although the central economic influence of plentiful reserve of natural resources remains the persistent component around which the description is thought-out, its political and economic implications have undergone some adjustments (Mathew, 2011). The notion of the rentier state was first suggested by Hossein Mahdavy in 1970 and subsequently advanced by Hazem and Giacomo in their paper published in 1987. The consideration regarding the rentier state initially focused on the Middle-East area (Iran and the Arab states of the Gulf), since these nations were controlling the energy market during this period; but it was accorded more recognition in other resource endowed nations when global energy demand was constantly growing and the prompt hike in energy prices magnified the economies of these countries. Specifically, rentier theory strive to provide answer to some of the most vital questions about the political economy of oil exporting states and to elucidate the "democratic deficit" in the region, the development obstacles faced by many oil states, and the nature of both elite politics and wider state-society interactions (Silvana *et al*., 2013). Accordingly, rentier state theory (RST), seeks to explain the influences of external payments—or rents on state-society relations and governance (Ulfelder, 2007). According to the theory, resource rich countries generate a large proportion of their income from rents, or externally-derived, unproductively-earned payments (i.e. royalties', payments for oil and gas exports, or other income such as fees and aid normally regarded as rents). As its most rudimentary postulation, RST asserts that, since the nation receives this external income and distributes it to society, it is relieved of having to levy taxation, which in turn connotes that it does not have to offer concessions to society such as a democratic bargain or a development strategy (Mathew, 2011). Rentier state theory further claims that resource wealth causes weak and destructive state institutions. Consequently, oil rents engender economic productivity, promote oppression, and amplified community crisis (Ayodele, 2004; David & Benjami, 2013).

Literature Review

The Dutch Disease: Nigeria Perspective

The discovery of natural resources such as petroleum and gas in Nigeria has been considered as a blessing and a curse. This is so because the discovery and exploitation of some tradable oil and gas, improve her foreign reserves, and equally becomes a problem by tilting her economy into mono-economy that depend largely on oil sector at the detriment of other important sectors such as agriculture and manufacturing among others (Utomi, 2003). The fact is that most resource producing nations, Nigeria inclusive often experience grave deteriorations in the output of other sectors of their economies which become an obstacle to their development by causing "Dutch syndrome", and such dependence on natural resources (oil) revenues makes the national economy susceptible to price fluctuation (Ayodele, 2004). Thus, the resource-poor nations have outpaced the resource-rich countries by a considerable margin (Auty, 2001). In other words, oil and gas has rather impoverished Nigeria, due to the fact that harmonious exploitation and development of other numerous sectors of her economy is no longer sustainable. This is termed "natural resources curse" (Balouga, 2012). Others refer to it as the Nigerian disease where a copious possession of natural resources leads to poorer governance and conflicts, which results into a decline in economic progress (Utomi, 2003).

Defining Local Content

The metaphor "local content" typically denotes added value brought to a host nation by extractive industry through the procurement of goods and services and local labor force development or strategic community investments. The description of "local" varies by region and industry. In most instances, "local" lean towards the immediate vicinity where extractive industry operates. Local content may also be describe as the provision, by the oil and gas company, of socio-economic infrastructure (such as schools, healthcare facilities) which is not a direct requirement of its own operation but anticipated for the benefit of the local community (Balouga, 2013). As expressed by Tordo and Anouti (2013), local content refers to the degree to which the output of the extractive industry sector produces further benefits to the domestic economy beyond the direct contribution of its value-added via productive linkages with other sectors of the economy. Kuntze and Moerenhout (2013) expressed that local content is a policy procedures, implemented at the state, sub-state or regional level, that stipulate that foreign or domestic investors in the extractive industries accommodate certain percentage of intermediate goods from local manufacturers or producers. Local content, according to Martin (2017) is one of the approaches for leveraging on the oil extractive value chain to nurture the development of local businesses and people beyond just oil revenues. Ramdoo (2015) conceptualized local content policies as a set of policy instruments adopted by national governments to safeguard that a definite share of factors of production in the extractive industries (such as labour, supplies, technology, knowledge) essential at each phase of the value chain is sourced from the domestic economy.

According to Tordo, Tracy, and Arfaa (2011) and Miriam (2016), local content can be well-thought-out from diverse perspectives along the value chain of the oil and gas industry, for instance, the basic backward and forward link of a refinery and production process in oil and gas industry. Similarly, local content, both actual and potential, also differ over the phases of the petroleum sector (exploration, construction, and production), simply because the inputs utilized at these different stages can be relatively diverse (Silvana *et al*., 2013). Also from its diverse stages of the investment phase (prospecting, feasibility, establishment, operations and decommissioning), it can result from inputs of different forms (engineering services, maintenance, equipment, catering, security, transportation, and training, etc.). Although the notion 'local content' is now universally used, no shared definition exists. In general most of the definition largely depends on the industry and the context in which it is being used (Ado, 2013). According to Warner (2011), local content is the aggregate value added to the national economy from the purchase on bought-in goods and services related to extractive activities. Section 106 of the *Nigerian Oil and Gas Industry Content Development Act, 2010*, defined local content as the size of composite value added to or generated in the Nigerian economy through logical development of capacity, competences, and deliberate utilization of Nigerian human, material resources and services in the Nigerian oil and gas industry. In the opinion of Silvana *et al*., (2013), local content is the degree to which operations in the extractive industry enlarges value to other industry sectors through its activities. Abdul-Waheed (n.d.) defined local content as a form of manifestation and expression of a locally created community's based benefits, preserved and adapted knowledge and experience that is pertinent to the societal wellbeing. Notwithstanding the differing opinions on how to define and approach the development of local content, all descriptions agree that the successful development of local content should result in value creation to the country.

Local Content Measures

Bulk of the academic literature on local content is founded on economic logic which advocates that rents from foreign-controlled extractive processes stay in the host nation so as to stimulate local economic development and create spillovers from extractive to other industries (Ado, 2013). However, there is another viewpoint on local content that centers on political economy and the procedures in which these practices are embedded. Local content can be encouraged both directly and indirectly. Indirect measures focus on undertakings that enhance the competitiveness of local supply businesses such as supplier development programmes, and information dissemination (United Nation Conference on Trade and Development-UNCTAD, 2010). Direct measures comprise import tariffs, favorable legislation and concessions arrangement. The indirect method includes collaboration and business facilitation. Among the numerous measures adopted to create local content are guidelines specifying percentages for local procurements; tariffs, taxes and pricing intended at expediting local content; licensing and concessions contingent on capability to generate local content; local firm exclusiveness for certain inputs and services; and requirements on service setting up, etc. (Hufbauer quoted in Michael, Larsv, Ole, & Mette, 2014). Other numerous measures are: quotas system, training program requirements or incentives, public education initiatives, incentives for small business development, processing and production of derivative products. Parallel to the growing interests in local content measurement, a number of economic literatures advocated the need to focus on the circumstances and impacts of local content in African extractives and how it should be stimulated to foster growth of the sector (Morrissey, 2012; Hansen, 2014).

Local Content and Sector Linkage

Most analysis on local content focuses on the sector linkage. Silvano *et al*. (2013) identified three forms of links: backward, forward, and financial links. Backward links transmit to the demand of one industry for the outputs of other businesses (to be used as its inputs); forward links relate to the output of one business as supplied to other industries (as input for their output); and financial links relate to the taxes paid by the business to the government (which can then be expended on other goods and services or saved). Accordingly, an upsurge in the output of a given industry impacts on other industries. Thus, the collateral impacts of FDI – so-called spillover effects – may result to advancement and improved learning of local industries by exposing them to global competition and international standards (Morrissey, 2012).

Benefits of Local Content Policy

There is a pronounced boundary among numerous economists and academics about the benefits of local content polices, with many people taking one side of two extremes. As expressed by Veloso (2006), there is little empirical evidence to support both sides of the divide, thus, the impact of LCPs are mixed (Veloso, 2006). In general, countries are confronted with a fundamental question about the benefit or sustainability of investing in local content policy, due to the fact that extractive resources are finite, thus, it can be very harmful to generate more economic focus on the extractive industries. Most pervasive among the reasons for adopting local content policy is the desire to escape from the 'resource curse' and market failures (Ihua, Ajayi, & Eloji, 2009; Ado, 2013; Silvana *et al*., 2013). Also, because the oil and gas industry is highly capital intensive, it does not provide large employment opportunities compared to other industries, therefore, one of the reasons for adopting local content policies is to generate links that allow the revenue from the sector to flow to other sectors (Silvana *et al*,. 2013).

Scholars such as Veloso (2006) and Warner (2011) claim that governments advocate LCPs to accomplish two foremost objectives; to increase the value-added to domestically manufactured goods vis-à-vis imported goods; to encourage local employment through enlarged domestic labour. In the opinion of Silvana *et al*., (2013), the central arguments for endorsing local content requirements fall under three comprehensive classifications; to increase value-added, to correct market failures and externalities and for social motives. Another major argument advanced by proponents of LCPs is the idea that it can be used to support social objectives that extend beyond employment generation (i.e. as social compensation) for the communities where the resource is being extracted (Ado, 2013; Silvana *et al*., 2013). In other words, LCPs can also be adopted to accomplish political harmony by aligning the interest of the government with that of the community (Warner, 2010). For instance, until recently local content laws have succeeded to some extent in preventing conflicts in the Niger Delta area (Ihua, Olabowale, Eloji, & Ajayi, 2011).

On the other hand, liberal trade economists commonly view local content measures as welfare reducing as they alter trade and Foreign Direct Investment-FDI (Ado, 2013). As expressed by Warner (2010), local content guidelines may considerably impacts multinational companies-MNCs' net present value (NPV) computation and internal rate of return (IRR) and that local content rules will ultimately lessen overall trade and FDI. Hufbauer (cited in Michael *et al*., (2014) documented that local content requirements of all nations affect 2% of global trade across all sectors and diminish it by 93 billion USD annually. Additionally, it is contended that local content requirements may be detrimental to the local investment climate as they profoundly change the competitiveness of domestic players over foreign companies, leading to economic inefficiencies (Warner, 2010). In a similar perspective, Silvana *et al*., (2013) clustered arguments against LCPs into three groupings; the misalignment between policy instruments and objectives; misallocation of resources and or inefficiencies and; impairment of international conventions. Correspondingly, the misalignment debate against local content policies according to these scholars may require diverse approaches to challenge externalities and market failures other than using content requirements.

Discussion

There is an indispensable mindset shift in the Nigerian oil and gas industry, with a steady shift from monitoring and compliance to capacity development dynamically supported by the multinationals to adhere to local content initiatives. Nations adopt local content as an improvement strategy for their extractive sector commonly initiated by developing local content structures (policies, laws and contracts). Across the globe, local content campaign has integrated into the international agenda that echoes the pervasive impression that policies intended at attracting investment in extractive industries through taxation have generated meager results (Silvana *et al*., 2013). Local content in the Nigerian oil and gas industry has accomplished substantial developmental gains in the areas of engineering, in–country fabrication and manufacturing, and human capital development. Following the growing recognition of local content initiatives as a way of propelling the oil and gas sector, citizens' active participation in oil and gas industry has become a slogan among oil producing communities and local players in Nigerian oil and gas industry. Consequently, government has passed laws and policies to provide for local content where citizens can be gainfully employed, offer services or get a direct benefit from oil and gas industry. In general, extractive activities in Nigeria have made very little positive impact in the lives of most people in Nigeria. As a result, there has been mounting debate that commodity extraction alone cannot fuel economic development, but that wide-ranging policies are required in order to foster diversification, improve sector linkages and spillover effects to the local economy.

While a well-designed local content agenda is a remarkable starting point, there are other issues that influence their successful implementation (Aoun & Mathieu, 2015). According to these scholars, charting these influences presents a challenge for researchers and policy makers due to the diverse context that oil and gas companies operate. To date, existing literature on local content has not yet acknowledged common factors across countries that impact the accomplishment of positive local content results, which were understood in terms of employment generation for local populace, domestic industry participation along the oil and gas value chain and capability development for local employees in the extractive sector among others (Elijah, John, Marcela, & Juan, 2017). The typical approach in which nations can propel growth in the oil and gas industry is by instituting requirements for extractive businesses to "network" economically with local agents such as local labour hirer, local sourcing of goods and services, training scheme, technology transfer and other incentives. Also, boosting backward and forward linkages in the extractive industries through the adoption of local content can promote higher value-added in processing and manufacturing activities in Nigeria. If craftily executed, it could have positive impacts on economic development; growth of local industries; fashioning economic connections; creating positive externalities, enhancing local capability, employment generation and lessen capital flight among others.

To a greater extent, a well-articulated and transparently administered system for local content policy framework still evades the Nigerian oil and gas industry and in the absence of more developed bureaucratic autonomy and capability, local linkages will only be pursued to the degree that they concur with the interests of foreign multinational oil conglomerate. Thus, while local content policies have the prospective to inspire broad-based economic development, which is essential to alleviate poverty and accomplish the Millennium Development Goals (MDGs), their adoption and application in Nigeria has not achieve significant results. For instance, the adoption of specific inputs and the technological complication required in the sector often obstruct the possibility of developing backward and forward links into the Nigeria's local economy. In other words, LCPs in Nigeria in its present form are most regularly focused on the direct links (those segments supplying the oil and gas sector) and more rarely with how supply sectors upset other sectors of the economy. According to (Silvana *et al*., 2013), an economy that is very restricted can barely be anticipated to rapidly supply services (let alone create forward links). From the foregoing, the Nigerian oil and gas industry and local content policy is growing but not transforming to the level of making a significant impact on Nigeria's economy.

Conclusion

This paper reviews local content and its spillovers in the Nigerian oil and gas industry. In Nigeria, local content is an attempt to move beyond the "indigenization" policies of the 1970s and the primary goal is to domesticate economic activity in Nigeria. Accordingly, local content policies offer thrilling new potentials for economic development in Nigeria by boosting economic activity, providing job and creates value in Nigerian oil and gas industry. With the adoption of local content policy, Nigeria may finally develop capability to make its oil wealth a blessing instead of a curse by improving the performance of the sector through local content policies. The adoption and development of local content has essentially been a consequence of acknowledgment that after years of oil and gas or mineral exploitation in many developing nations, Nigeria inclusive; little seems to be transmitted to the citizens of these resource-rich countries in form of technological advancement, employment, and socio-economic development to mention a few. This paper has highlighted the potential and importance of local content policies as a way of repositioning the Nigeria's economy from petro-development to resource-rich developing countries. Although local content is just one feature of a broader agenda for natural resource based development, they are immensely significant. As expressed by Olsen (2008), local content is a means – not an end. Therefore, if local content policy is to be of immense benefits and pave way for Nigeria to overcome the 'resource curse' syndrome, there is need to transit the oil and gas sector towards the path of competitiveness and sustainability.

Recommendations

1. There is need to link the Nigerian oil and gas industry to other sectors of the economy (such as agriculture, mining, and manufacturing), because it is through proper linkage that huge investment in resource extraction can enlarge outside the context of the oil and gas industry.
2. For Nigeria's to record significant success regarding local content, monitoring and enforcement of content policies must be adjusted to address significant questions about the definition and measurement of local content and effort should be made to intensify balance between resilient guideline that will not obstructs foreign investment in oil and gas industry.
3. Because of the possibility of local content guidelines to have substantial hidden costs (i.e. foregone investments) or observable costs (e.g. tax exceptions and subsidies), it is important that they are open to rigorous cost benefit analysis so as to strengthen the productive structure of the oil and gas industry.
4. Largely, the success of local content policy is contingent on their degree of interaction and coherence with expansive economic development policies and implementation framework. Therefore, the level of success recorded may necessitate an expansion in the quality of education, labor mobility, upgrading of infrastructure, and so on. To this end, government should consider evaluating gaps in skills and capability to comprehend obstacles to local manpower development and forge suitable corrective measures.
5. Finally, there is need for improved coordination among government agencies that oversee and regulate local content. This is necessary to balance conflicting roles and priority in oil and gas industry.

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