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# CRUDE OIL RESOURCE CURSE AND ECONOMIC DEVELOPMENT: A COMPARATIVE STUDY OF NIGERIA AND NORWAY

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## Abstract

This study focused on crude oil resource curse and economic development: a comparative study of Nigeria and Norway. The study was carried out to determine the extent to the Nigeria resource which supposed to be a blessing is now a curse and the lesson which could be emulated from Norway which has effectively utilized its resource to achieve economic development. The study used descriptive research design and secondary data. The data collected were discussed qualitatively. It was discovered that Norway has effectively managed its oil wealth, transforming a potential resource curse into a blessing through strong, transparent institutions, a sovereign wealth fund, fiscal rules, and economic diversification, leading to long-term prosperity and sustainable development. In contrast, Nigeria, despite its oil wealth, has experienced the resource curse due to institutional weaknesses, corruption, and ineffective resource management, which have hindered benefits to the people and fostered dependence and economic instability. Key differences lie in Norway's focus on intergenerational equity and inclusive development versus Nigeria's struggle with weak governance and lack of transparency, highlighting the crucial role of sound institutions in determining whether resource wealth becomes a blessing or a curse. The study concludes that oil is at the heart of every development challenge in Nigeria; it has fuelled corruption, conflicts and institutional deterioration. It was recommended that the Nigeria government should effectively learn from the Norway which has effectively utilized its resources for its economic and social development. The Nigerian government must proactively pursue policies that strengthen the weak linkages between the oil industry and the rest of the economy by reinvesting oil proceeds strategically to promote structural transformation of the economy especially focusing on sectors that have higher-job-creating impact such as agriculture,

**Key Words:** Crude Oil Resource Curse, Economic Development, Economic Development, Transparent Institutions, Economic Diversification, Long-Term Prosperity and Sustainable Development.



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manufacturing and trade thereby diversifying the economy away from its perpetual state of oil dependence. Concerted efforts must be made by the government to ensure equitable distribution of oil revenue across society by providing basic services as well as improving the dilapidated infrastructure in the country in order to foster inclusive growth.

## Introduction

Despite centuries-old dependence on agriculture, developing countries (like Nigeria) are still unable to spur sustainable and faster economic growth (Sachs & Warner, 2021). A similar story applies concerning natural resource endowment, as developing countries are more natural resource dependent than their developed counterparts, and such natural resource (like crude oil as in the case of Nigeria) has not transformed to economic development. There are several theoretical explanations with empirical support as to the reasons for the failure of natural resources to fuel economic growth, which is often dubbed the "crude oil resource curse" hypothesis (Adebayo, 2014). The political economy of Nigeria has had a checkered history. During the colonial era and in the subsequent years following independence, agriculture was the central pillar of the Nigerian economy accounting for over 90% export and employing over 70% of the population. It is important to note that because government depended heavily on the export of agricultural commodities, priority was given to that sector of the economy which had positive social economic consequences on the wellbeing on the vast majority of the population (Uzonwanne, 2021).

Given the small-holder-agriculture cultivation prevalent in the country, government had to mobilize a lot of her population to engage in agricultural production to enable government raise enough revenue to meet her social obligation of providing infrastructure and other basic services, and this by extension entailed massive job creation, low unemployment, low inequality and poverty ratio in the country. It was estimated at the time of independence in 1960, only less 19 million people were classified as poor contrast that with present over 90 million (Budg, 2023). The discovery of crude oil and gas marked a paradigm shift for the worse for Nigeria as the country completely neglected and abandoned both its fledging agricultural sector and nascent manufacturing industry to become overwhelmingly dependent on oil exports. Nigeria's oil wealth has fueled a “crude oil resource curse" due to weak institutions, corruption, and poor revenue management, leading to a lack of economic diversification and increased poverty (Adewuyi & Adeniyi, 2021). In contrast, Norway, by implementing strong institutions, transparent resource governance, and a sovereign wealth fund, has transformed its oil into a "blessing," fostering long-term economic development and escaping the curse. Key differences lie in Norway's robust democratic political environment, stable legal system, and commitment to benefiting both current and future generations through its oil resources.

### Concept of Crude Oil Resource Curse

According to Ibeanu (2020), the "crude oil resource curse" is the phenomenon where countries with an abundance of natural resources, such as oil or minerals, experience poorer economic development, growth, and more conflict or authoritarianism than resource-poor nations. This occurs because resource wealth can lead to dependency on commodity exports, failure to diversify



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the economy, increased corruption, weak governance, and higher potential for conflict, ultimately hindering long-term economic success. The term crude oil resource curse refers to a paradoxical situation in which a country underperforms economically, despite being home to valuable natural resources (Omeje, 2023). A crude oil resource curse is generally caused by too much of the country's capital and labor force concentrated in just a few resource-dependent industries. By failing to make adequate investments in other sectors, countries can become vulnerable to declines in commodity prices, leading to long-run economic underperformance. Although there may be multiple reasons to explain why a crude oil resource curse happens, the phenomenon mainly occurs when a country begins to focus all of its production means on a single industry, such as mining or oil production, and neglects investment in other major sectors. The term resource curse represents an economic phenomenon associated with the abundance of natural resources in certain countries.

The term summarizes a paradox that those naturally gifted resource countries do not always develop and grow their economies (NEITI, 2021). The term 'crude oil resource curse' refers to the idea that the possession of natural resources (particularly in the form of oil or minerals) does not necessarily lead to economic success, and that resource wealth can even have a structural negative impact on long-term economic development. While it seems strange to suggest that a country could be economically (as well as socially and politically) hindered by its possession of a valuable – and often essential – economic input, scholars who believe in the resource curse suggest that, more often than not, resource-rich or resource-dependent countries are worse off compared to countries with few natural endowments (Agbiboa, 2022). It should be understood that if a country has a significant resource allocation, it should use them to their advantage. However, this has not always been the case in many countries with large reserves of resources. In fact, some studies reveal that such resource abundance has been pernicious to countries who own them. It is the meaning of what is termed the "crude oil resource curse" (Sachs & Warner, 2021).

**The Concept of Economic Development**

Scholars of social sciences and other development disciplines have explained the concept of economic development in distinct way; hence the concept has no generally accepted definition. Economic development means the level of improvement in human capital, infrastructure, political, socio-cultural and health/educational development in the system (Emden, 2019). This means that when there is reduction in poverty, increase employment opportunities, improvement in infrastructural facilities (road, electrification, pipe borne water), high level of political stability, improved maternal health and reduction in infant mortality, improved income and per capita of the citizen, we say that there is economic development. Economic development is the improvement and transformation in all economic and socio-political life of the citizens and society in general (Watts, 2015). The above contributions in the development could be achieved by multinational corporations when they emphasized and encouraged employment of host community members in the top hierarchy of the organization, execution of their corporate social responsibilities so as to improve infrastructure, encouraging environmental sanitation and maintenance and high level of investment in the system they operate.

Socio-economic development is in line with national development (Ross, 2023). Its explanation is based on human capital and infrastructural improvement in majority of the regions, states and LGAs in the country. Economic development is the development that enhances the positive transformation of the country which positively affects the existing nationalities, cultural background, and ethnic grouping in the nation. It is the development that enhances infrastructural improvement – road construction/rehabilitation, steady power, provision of portable water, housing, improvement of health facilities and human capital improvement (poverty and unemployment reduction, human capital/educational training and many others). Based on the foregoing, we can deduce from the above that a country has achieved economic development when there is reduction in the level of poverty, unemployment, diseases, maternal and child mortality, improved transport system, food availability and quality, health care, level of per capita income and the state of agricultural economy etc in most of the regions or geographical area of the country. Economic development involves rise in productive factors, processes, increased value of local currency, technological improvement, increased exports and reduced imports etc (Karl, 2015).

**Causes and Effects of the Crude Oil Resource Curse on Economic Development**

Political scientists and economists argued that oil, mineral and gas wealth is distinct from other types of wealth because of its large upfront costs, long production timeline, site-specific nature, scale (sometimes referred to as large rents), price and production volatility, non-renewable nature, and the secrecy of the industry (World Bank, 2021). Below are some of the leading observations and theories about how these special characteristics of natural resource revenues create additional challenges for countries:

1. **Democracy:** Natural resource wealth, particularly oil wealth, has made it more likely for governments to become or remain authoritarian over the past 30 years. The explanation for this lies in taxation (Obi, 2010). In general, political scientists find that governments are more responsive to their citizens and are more likely to transition to democracy when government spending is reliant on citizen taxation. When countries collect large revenues from natural resources, they are less dependent on levying taxes on citizens, and thus citizens feel less invested in the national budget. Politicians and government officials are also less directly tied to citizen requests or demands. Further, when resource revenues are secret, citizens do not have a clear sense of whether the resource revenues are being spent well or not. Those who outline this theory suggest that the tendency toward authoritarianism can be mitigated by increasing transparency of revenues and strengthening the links between government and citizens through citizen participation in budgeting or direct distribution of wealth (e.g., cash transfers) (Uzonwanne, 2021).
2. **Conflict:** Natural resources can, and often do, provoke and sustain internal conflicts as different groups fight for control of the resources or use natural resources to finance their fighting. Since 1990, oil-producing countries have been twice as likely to have a civil war compared with non-oil-producing countries. Political scientists point to examples of the Democratic Republic of the Congo, the Niger Delta, Iraq, Libya and Angola to illustrate this tendency. Petro-aggression, the tendency of oil rich states to instigate or be targets of

international conflict, has been observed in some cases, such as with Iraq's invasion of Iran and Kuwait, but researchers debate whether the data supports the conclusion that resource-rich countries do this at a greater rate than non-resource-rich countries (Sachs & Warner, 2021).

3. **Inefficient spending and borrowing:** The amount that governments collect in resource revenues can change drastically from year to year because of changes in commodities prices and production. Several studies have shown that it is very difficult to effectively spend fluctuating and unpredictable revenues. Governments often get trapped in boom-bust cycles where they spend on legacy projects, such as airports and monuments, when revenues are rising and then must make painful cuts when revenues decline (Omeje, 2023). Resource-rich governments have a tendency to over-spend on government salaries, inefficient fuel subsidies and large monuments and to underspend on health, education and other social services. In addition, governments often over-borrow because they have improved credit-worthiness when revenues are high. This type of behavior led to debt crises when revenues declined in Mexico, Nigeria and Venezuela in the 1980s. The private sector can be similarly impacted, as it can over-invest in boom times and then experience widespread bankruptcy during busts (Rossi, 2021).
4. **Dutch disease:** A large increase in natural resource revenues can hurt other sectors of the economy; particularly export-based manufacturing, by causing inflation or exchange rate appreciation and shifting labor and capital from the non-resource sector to the resource sector (see revenue management reader) (Adebayo, 2014). This is known as "Dutch disease." While inflation and exchange rate appreciation can harm large swathes of the economy over within a few years, their impacts can be felt for decades. The detrimental effect of natural resources on other industries has been well documented in Iran, Russia, Trinidad and Tobago, and Venezuela, all of which have either stunted manufacturing sectors or saw a precipitous decline in manufacturing. These impacts can be minimized if the country has the absorptive capacity to transform resource revenue inflows into tangible investments, such as roads and electricity; the government uses resource revenues to make investments in the economy that generate non-resource sector growth; or the government places a portion of its resource revenues in foreign assets. Over the last 25 years, Chile, Indonesia, Norway and the UAE have largely managed to overcome Dutch disease (Ibeanu, 2020).
5. **Patriarchy and gender-based challenges:** Natural resource wealth seems to disproportionately impact women. Recent research indicates that oil-rich countries tend to have fewer women in the workforce and a smaller representation of women in government. One explanation for this is that industries that are usually easier for women to enter, such as export-oriented manufacturing, are less likely to succeed in resource-rich countries because of Dutch disease. In addition, studies have shown that women in resource-rich regions often have higher rates of HIV/AIDS and other life-threatening diseases. The large influx of men to communities surrounding a mine has also been associated with an increase in rates of gender based violence (Agbiboa, 2022). This trend is particularly concerning as study after study shows that gender reforms are key to lasting

poverty reduction. To address this, researchers suggest countries take steps to protect manufacturing through avoiding Dutch disease and that governments surrounding resource-rich areas include gender perspectives in their development plans.

6. **Limited government capture of benefits:** In some cases, only a small share of the production value of the resource stays in the country. One explanation is that many fiscal regimes, rules about how to split the profits between companies and governments, fail to compensate the state and communities for depleting their resources and related environmental damage or loss of livelihood. These bad deals can happen when countries are so eager to encourage resource extraction that they lower the rates for taxes and royalties without understanding the true value of their resources. In Argentina, Canada, the United States and South Africa, the Average Effective Tax Rate (AETR) on many oil projects is less than 50 percent, and in Cameroon, DRC, Peru and the Philippines, the AETR on many mining project is less than 40 percent. In comparison, the AETR on many oil projects in Angola, Libya, Norway and Timor-Leste is more than 70 percent (Idemudia, 2020). Also, in capital-intensive (rather than labor-intensive) extractive industries, few non-tax benefits, such as jobs, accrue to locals. While expectations for local content, that is employment, local business development and improved workforce skills, are often very high, the actual number of opportunities may be few. The industry has a very low employment rate relative to the size of investments and those jobs, and the machinery required to implement them, mostly imported from abroad, tends to be extremely specialized.
7. **Weaker institutional development:** Some researchers argue that institutions are weaker in resource-rich countries because it is easy for elites to capture or take large sums of cash. The theory suggests that large single-point sources of revenue, such as an oil project, can be managed outside the normal budget process and are relatively easily captured by powerful elites. Examples of tools used to capture revenues include sovereign wealth funds, national oil companies and contractors for extractive operations. As such, elites in natural resource-rich countries are less likely to invest in productive enterprises, such as job-creating manufacturing industries, and instead pursue rent-seeking, that is, fight for control of these resources. In some cases, politicians or government officials have also purposefully dismantled societal checks or created new regulations to get access to these resources or to provide access to friends or family, a process nicknamed rent-seizing (Sachs & Warner 2021). Some argue that elite focus on rent-seeking and rent-seizing promotes corruption and is damaging to institutional development. In turn, the theory suggests that countries with elite rent-seekers and rent-seizers tend to have weaker institutions and lower levels of public service delivery. The data behind this theory is hotly debated, but there are well-documented examples in Afghanistan, Sierra Leone and Tunisia.
8. **Social and environmental problems:** The point-source nature of extractive industries often creates challenges when trying to balance the needs of the people and environments that surround the mining area. Sharing and compensating for resources such as land, water and the minerals can create conflict between the extraction

companies and the communities. In addition, extraction projects often attract large influxes of people, whether or not additional employment is actually available (Venables, 2016). This can cause stress on economic, social and cultural relations. Environmental issues include a host of problems, such as dust from mining, scarring of the landscape, noise from process operation, contamination of hydric sources (from waste rock and tailing disposal), massive use of water in the extractive process, gas flaring (causing health problems and wasteful $CO_2$ emissions) and seismic disturbances. In addition, many of the political and economic problems outlined above constitute or can result in the violation of human rights. The contract between the government and the extraction company could address these issues and clarify whose responsibility it is to manage these impacts. The resource curse is not inevitable, and several countries that have natural resource wealth do not exhibit many of these tendencies. Because of the theoretical connotation of the term, NRGI refers to the many challenges described above as "challenges associated with natural resource extraction" rather than the resource curse (Budg, 2023). That said, some studies have shown that low-income countries are more vulnerable to resource curse challenges. As there are an increasing number of new discoveries in low-income countries, it is useful for policymakers to be aware of these trends so that they can respond appropriately. The Natural Resource Charter is one tool developed in response to this research to help countries understand the risks and opportunities at various decision points in natural resource governance.

**Comparative Study of Resource Utilization and Crude Oil Resource Curse in Nigeria and Norway**

Norway has effectively managed its oil wealth, transforming a potential resource curse into a blessing through strong, transparent institutions, a sovereign wealth fund, fiscal rules, and economic diversification, leading to long-term prosperity and sustainable development (Ibeanu & Luckham, 2016). In contrast, Nigeria, despite its oil wealth, has experienced the resource curse due to institutional weaknesses, corruption, and ineffective resource management, which have hindered benefits to the people and fostered dependence and economic instability. Key differences lie in Norway's focus on intergenerational equity and inclusive development versus Nigeria's struggle with weak governance and lack of transparency, highlighting the crucial role of sound institutions in determining whether resource wealth becomes a blessing or a curse (NEITI, 2022). Norway benefits from a stable political system, an effective legal system, and strong institutions capable of managing vast oil revenues for public welfare.

The creation of a Petroleum Pension Fund and a Sovereign Wealth Fund ensures that oil wealth benefits both current and future generations through careful management and investment (Ross, 2023). Fiscal rules are implemented to control expenditures, preventing volatility and ensuring that the consumption of oil wealth is limited to the returns generated by the accumulated financial assets. The country has actively worked to diversify its economy, making it less dependent on oil and fostering long-term growth and private sector investment (Larsen, 2024). Norway has a well-structured and transparent system for managing revenues, with a neutral tax system that encourages both revenue generation and continued profitable production. The inability to establish strong and efficient institutions has prevented effective

management of oil revenues, leading to a self-reinforcing system of institutional incompatibility (Agbiboa, 2022). Poor transparency in the oil fund and revenue management has contributed to the resource curse.

The lack of rule-based fiscal policies and a natural resource fund leaves Nigeria's economy vulnerable to oil price volatility and hinders sustainable growth. Instead of being invested in public goods and infrastructure to foster private investment and job creation, oil revenues have often been mismanaged or diverted (Emden, 2019). The oil sector has not led to economic diversification, resulting in a more dependent and weaker economy despite significant additional revenue from oil exports. The quality and effectiveness of governing institutions is a primary determinant of outcomes, with Norway's robust institutions leading to positive results and Nigeria's weak institutions contributing to negative outcomes (Rossi, 2021). Norway's implementation of strict fiscal rules and a transparent sovereign wealth fund stands in stark contrast to Nigeria's struggle with effective revenue management policies. Norway's approach prioritizes the well-being of current and future generations by ensuring resources are managed for long-term prosperity. A stable political environment in Norway has been crucial for the successful implementation of policies aimed at managing oil wealth effectively.

**Nigeria**

Nigeria exemplifies the "resource curse," where vast oil wealth has led to poor resource utilization marked by over-reliance on oil revenues, institutional weakness, corruption, and significant socioeconomic problems like high poverty and a damaged environment (Obi, 2010). While the country is rich in natural resources, ineffective governance and resource-dependent economic structures (Dutch disease) have hindered broad development. Efforts to reverse this trend focus on economic diversification, strengthening governance and institutions, and improved public financial management. The Nigerian economy is almost entirely dependent on oil, which accounts for the vast majority of its exports and government revenue. This dependence makes the economy highly vulnerable to fluctuations in global oil prices, leading to stop-start public spending and an unstable economy (Uzonwanne, 2021). The economy has failed to diversify, and other potential industries have struggled to thrive due to the "Dutch disease" effect. Public investment has often been inefficient, with large infrastructure projects left unfinished due to volatile oil prices.

**Manifestations of the Crude Oil Resource Curse**

Despite abundant resources, Nigeria suffers from high poverty rates and a stagnant economy, contradicting the expected benefits of natural wealth. Corruption, weak public financial management, and a lack of strong institutions are central to Nigeria's resource curse. Oil extraction has led to severe pollution, environmental degradation, oil spills, and the destruction of local flora and fauna in the Niger Delta (NEITI, 2022). Marginalization, unequal distribution of wealth, and environmental damage has fueled social unrest, violent conflict and the rise of armed groups in the oil-producing regions. The resource curse also impacts women, leading to lower participation in the workforce, reduced representation in government, and higher rates of HIV/AIDS and gender-based violence in resource-rich areas (World Bank, 2021). Shifting away



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from oil dependence towards other sectors is a key strategy to build a more stable and sustainable economy. Improving public financial management, enhancing institutional quality, and fighting corruption are essential steps to better manage resource revenues. Some proposals suggest directly distributing oil revenues to the public to ensure benefits reach citizens and promote welfare. A strong and active civil society can play a crucial role in holding governments and oil companies accountable.

**Norway**

Norway is an exemplary example of a country that was successfully able to combat the resource curse. Efficient revenue collection mechanism, fiscal stability and competent management of the resource coupled with the country's established democracy, visionary policies and facilitative and corruption-free institutions enabled it to accelerate its growth and development. As of 1st January 2015, Norway had crude oil reserves of 6.4 billion barrels (Havro & Santiso, 2018). The petroleum sector is the largest contributor to Norway's revenues. It contributes 22 percent to the GDP, 27 percent of the government revenues and makes up for 67 percent of its exports. The Norwegian government has undertaken manifold steps to ensure an efficacious management of this vast wealth for the prosperity of the economy. Tax revenues from the petroleum activities are a major source of Norway's revenue. They totaled about NOK 104 billion in 2015. The well-structured tax system is an integral part of the petroleum policy. The oil companies are subject to the ordinary company tax at the rate of 25% as well as an additional special tax, owing to the humongous returns, at the rate of 53%.

Hence, the government receives in total 78 percent tax on the profits of the oil companies. The government has paved a path for new companies to venture into this arena by permitting them to carry forward losses if they do not have sufficient revenues from existing fields to cover the costs of exploring new ones (Holden, 2023). The entire tax system is very neutral and has effectively maintained an equitable balance between generating substantial revenues for the economy and encouraging companies to carry out profitable production. Although tax rate of 78 percent is rather high, the credibility and the transparency of the system have played a crucial role in making Norway an attractive destination for business. The second most important source of revenue is through the channelled system of State's Direct Financial Interest (SDFI), where the state has holdings in numerous oil and gas companies. It also has an ownership share in Statoil, thereby earning dividends from the company. The net cash flow from SDFI in 2015 was NOK 92.7 billion.

One of the key elements of Norway's fiscal policy is the Government Pension Fund Global. Originally called the Government Petroleum Fund, this fund was established in the year 1990 for the management of the petroleum revenues. All the net revenues from petroleum sector are transferred to this fund. It is a part of the ordinary government budget, and an in the case of a deficit, the amount is automatically deducted from the Pension Fund. About 179.6 billion kroner was transferred to fund in the year 2015. The budgetary rule of the Norwegian fiscal policy states that during the course of a business cycle, government spending must include only the expected real return on the fund, which is about 4% per year. Utilizing the returns of the fund, and not the capital itself is a means to ensure that the fund will benefit even the stakeholders of the future. Extractive Industries Transparency Initiative is a global standard to promote public awareness and

transparency about a country's management of its natural resources. Norway is by far the only OECD country to adopt EITI (NEITI, 2022).

A multi-stakeholder group, comprising the representatives of the government, of the companies in oil and mining business, the civil society, plays an active part in the implementation of the EITI standard in Norway. Norway's quality and functioning of institutions are excellent. It has a reliable and an independent judiciary, a strong ministry of finance, and a reputed civil service. The ministry of finance is responsible for the revenues, including the Pension fund, which is managed by the Central Bank. However, the investment decisions of the fund are dealt with by the Central bank and the Norges Bank Investment Manager. The Parliament regulates the overall framework and the budget. The petroleum sector as a whole is governed by the Ministry of petroleum and energy. Norway has catered to develop the already flourishing petroleum sector as well focus on the remaining domestic industry. It has adopted a diversification policy to reduce the dependency on the petroleum industry and prevent the economy from the risk imposed by the fluctuations in the oil and natural gas segment.

**Factors Responsible for Effective Resource Utilization in Norway**

Norway's effective resource utilization stems from its strong institutional framework, which ensures resources benefit the entire society and future generations, the separation of resource revenues from spending to create a sovereign wealth fund, and its capacity for detailed resource knowledge and strategic long-term planning (Havro & Santiso, 2018). Additionally, Norway leverages technological advancements, particularly in petroleum and resource-intensive industries, and fosters collaboration between public and private sectors to achieve ambitious goals in resource efficiency and sustainability. The major factors are:

a) **Strong governance:** A unified view among decision-makers that national resources should benefit society as a whole, including future generations, guides policies and resource management (Adewuyi & Adeniyi, 2021). Detailed knowledge of resources, maintained through systems like the Norwegian Petroleum Directorate's (NPD) resource accounts, allows for effective long-term planning and management.

b) **Regulatory framework:** A well-developed taxation and regulation system ensures oil revenues are exploited profitably, with the state reaping the majority of revenues.

c) **Sovereign wealth fund:** A "buffer fund," or sovereign wealth fund, is established by separating resource revenues from spending, creating a stable economic environment and financing public expenditures with reduced deadweight loss (Holden, 2023).

d) **Integrated economic model:** Natural resource-based industries are integrated with the rest of the economy through various linkages, preventing a sole reliance on resource extraction and creating broad-based economic benefits.

e) **Public-private collaboration:** The government uses its purchasing power and sets ambitious goals to drive market demand for sustainable and innovative solutions, fostering collaboration between public and private actors.



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f. **Technological innovation:** Norway is at the forefront of developing and implementing advanced technologies, such as improved oil recovery techniques in mature petroleum fields and sustainable energy solutions.
g. **Resource-efficient industries:** The development of a strategy to strengthen "green competitiveness" emphasizes improving resource efficiency and material use across key sectors, like the construction industry (Venables, 2016).
h. **Strategic resource management:** For scarce resources like arable land, Norway focuses on strategies like re-allotment to keep land in production and to promote environmentally and economically sustainable management practices.
i. **Strategic resource accounts:** An annually updated resource account, even with uncertainties, is essential for long-term national planning and decision-making. The long-term goal is to manage resources sustainably, ensuring their benefits for future generations, which is particularly important for non-renewable resources like petroleum.

**Factors Responsible for Crude Oil Resource Curse Phenomenon in Nigeria**

The "crude oil resource curse" in Nigeria is caused by a combination of factors, including over-reliance on oil revenues, which creates Dutch disease and stifles other sectors, leading to poor structural development and high unemployment (Omeje, 2023). This is exacerbated by political factors like high levels of corruption and weak, non-transparent institutions, which prevent proper management of wealth and hinder accountability. Additionally, volatility in oil prices, a lack of economic diversification, insufficient investment in education and infrastructure, and sometimes even ethnic conflict contribute to the negative outcomes of abundant natural resources.

a. **Over-reliance on oil:** The Nigerian economy is overly dependent on oil revenues, with the annual budget often relying solely on crude oil income. Nigeria's economy has been significantly shaped by oil, making it a classic case of resource dependence. Crude oil contributes approximately 90% of Nigeria's foreign exchange and over 60% of government revenue (OPEC, 2022; CBN, 2021). However, this dependence has stifled the growth of other sectors like agriculture and manufacturing, creating a phenomenon often described as "Dutch Disease" (Agbiboa, 2022). Sachs and Warner (2001) argued that countries with a high reliance on natural resources often experience slower economic growth. Recent studies confirm that Nigeria 's overdependence on oil has made its economy highly vulnerable to external shocks, especially oil price fluctuations (NEITI, 2021). The 2014–2016 oil price crash and the COVID-19 pandemic sharply exposed these vulnerabilities. Recent empirical works such as Uzonwanne (2021) and Agbiboa (2022) show that oil revenues have not significantly contributed to inclusive growth, and public investments often do not translate into economic diversification. The non-oil sectors continue to underperform, indicating a failure to convert oil wealth into sustainable economic development.
b. **Lack of diversification:** Oil wealth has not been invested to support and diversify the agriculture and manufacturing sectors, leading to limited structural development.
c. **Price volatility:** The economy's extreme dependence on oil makes it vulnerable to unpredictable swings in international oil prices (Rossi, 2021).


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d. **Inadequate infrastructure:** The country has limited infrastructure, particularly in transportation and energy, despite its oil wealth.

**Political and Institutional Factors**

1. **Corruption and weak institutions** High levels of corruption, enabled by weak government institutions, limit accountability and prevent resource revenues from benefiting the general population. Also, poorly enforced laws, weak judicial systems, and a general lack of checks and balances create an environment where corruption and mismanagement of resources can flourish. A major concern raised by the Resource Curse Theory is how oil wealth weakens institutions and fosters rent-seeking behavior (Karl, 2015; Ross, 2023). In Nigeria, oil revenues are often associated with corruption, opacity in public finance, and elite capture. Michael Ross (2023) emphasized that resource wealth can undermine democratic accountability and strengthen authoritarian tendencies. In Nigeria, weak institutions have been unable to check the excesses of political elites, leading to massive leakages in oil revenues (NEITI, 2021). The Nigerian National Petroleum Company (NNPC), for instance, has faced repeated allegations of mismanagement and unremitted funds (World Bank 2021). In her memoir Fighting Corruption is Dangerous, NEITI (2022) highlights the challenges of reforming Nigeria's oil sector and improving transparency. Several policy initiatives like the Petroleum Industry Act (2021) seek to address institutional inefficiencies, but implementation remains sluggish and contested. Recent research by Sachs & Warner (2021) indicates that institutional quality is a major determinant of how resource wealth translates into development. Countries with stronger rule of law and regulatory frameworks have better outcomes, even when equally resource dependent.
2. **Lack of transparency and political business cycles:** Insufficient transparency in government and the management of resource revenues hinders public involvement and accountability. The influence of political cycles can also affect how resource revenues are managed and allocated. Another major dimension of the resource curse in Nigeria is the social and environmental cost of oil production, especially in the Niger Delta. While oil generates national wealth, local communities often suffer environmental degradation, poverty, and marginalization (Idemudia, 2020). Watts (2014) describes the Niger Delta as a "petro-violence zone," where state neglect and corporate irresponsibility have fueled militant insurgencies. The environmental costs oil spills, gas flaring, and deforestation have devastated livelihoods in fishing and farming communities (World Bank, 2021). Studies like Nwankwo and Ifeanacho (2021) and Omeje (2023) argue that these grievances have not only undermined social cohesion but have also intensified calls for resource control and self-determination in the oil-producing regions. These conflicts validate Ross's (2004) claim that resource wealth often correlates with political instability and civil unrest in weak states. Moreover, Agbiboa (2022) links oil wealth to the broader insecurity in Nigeria, arguing that resource wealth has bred corruption in the military and compromised national security institutions. Also, the resource curse in Nigeria is sometimes

intertwined with ethnic conflicts, particularly in the Niger Delta, where oil wealth is a central issue.

3. **Absence of Industrialization and poor human capital:** The lack of industrial development means the economy struggles to create jobs and foster broad-based growth beyond the resource sector. There has been insufficient investment in education and technology, which prevents the development of a skilled workforce and promotes rent-seeking rather than productive entrepreneurship.

**Economic Outcome of Crude Oil Resource Curse in Nigeria and Norway**

Nigeria's resource curse has led to deindustrialization and agricultural decline, resulting in a narrow, volatile economy heavily reliant on fluctuating oil prices (Rossi, 2021). This has caused heightened poverty, worsened inequality, increased debt and economic instability, and fostered an environment of widespread corruption due to poor governance and weak institutions, hindering sustainable economic development and creating a cycle of boom and bust. The focus on oil has led to a decline in other vital sectors like agriculture and manufacturing, which were once significant drivers of economic growth. Nigeria's resource curse has led to significant economic impacts, including over-reliance on oil, Dutch disease that stifled agriculture and manufacturing, increased national debt, and hindered diversification, while also causing social impacts such as corruption, increased poverty, wealth inequality, environmental degradation in the Niger Delta, institutional weakness, and fueling regional conflicts and militant groups. Some of the impacts are:

- **Economic volatility:** National revenue becomes highly dependent on volatile global oil prices, creating "boom and bust" cycles that make economic planning difficult and discourage private investment.
- **Increased national debt:** During oil price downturns, governments often borrow heavily to cover budget deficits, leading to unsustainable debt levels that are not always linked to future growth (Havro & Santiso, 2018).
- **Persistent poverty and inequality:** Despite vast natural resources, Nigeria suffers from high poverty rates and significant inequality, with development indicators lagging behind what resource wealth should allow.
- **Weak infrastructure:** Abundant oil revenues have not translated into strong infrastructure development, contributing to a general state of desolation in the country's social and transport infrastructure.

**Contributing Factors**

- **Poor governance and weak institutions:** The abundance of oil has been linked to weak state management, poor institutional quality, and an increase in corruption, which hinders growth and development (Holden, 2023).
- **Corruption:** Resource revenues often fuel corruption among politicians and local businessmen, diverting wealth and undermining economic progress (Karl, 2015).

**THEORETICAL FRAMEWORK**

The study used Resource curse theory and Institutional incompatibility theory. But the study was anchored on Resource curse theory.

**Resource Curse theory**

The resource curse theory was coined by Richard Auty in 1993 in his book Sustaining Development in Mineral Economies. The Resource Curse Theory was used to describe the paradox where resource-rich countries tend to grow slower than resource-poor countries. The resource curse theory explains how abundant natural resources can paradoxically lead to negative economic and social outcomes like poverty, unemployment, conflict, and corruption in resource-rich nations. This happens due to factors such as Dutch disease, where resource exports harm other domestic industries; rent-seeking and corruption as governments focus on resource revenue over broad public welfare; and increased potential for authoritarianism and conflict. A focus on extracting resource wealth can lead to governments prioritizing resource allocation over public needs and foster corruption as officials seek to control lucrative resource revenues.

Reliance on natural resource revenues can weaken governmental institutions, making them less accountable and more susceptible to authoritarian rule and instability. Competition for resource wealth can fuel political disputes, civil conflict, and instability within a country. Countries become overly reliant on resource exports, leaving them vulnerable to price volatility and making it harder to develop diverse industries. The theory was used because countries like Nigeria with abundant natural resources, which should theoretically lead to economic prosperity and higher living standards, often instead experience greater development challenges and worse outcomes than their less-resourced neighbors. A country with vast oil reserves but still facing poverty and corruption, illustrating how resource wealth hasn't translated to widespread prosperity. Nigeria despite rich oil deposits, the country faces challenges with resource exploitation.

**Justification for the Theory**

The Resource Curse theory posits that countries heavily reliant on natural resource exports paradoxically experience slower economic growth and development. Nigeria exemplifies this, where oil wealth led to corruption, weak institutions, and neglected non-oil sectors, ultimately failing to translate into broad-based prosperity. In contrast, Norway escaped the curse through strong, transparent institutions, a sovereign wealth fund for future generations, fiscal discipline, and economic diversification, turning oil into an "economic blessing". Despite vast oil reserves, Nigeria's economy suffers from a failure to manage these revenues effectively for sustainable development. Strong institutions, transparency, and accountability are lacking, leading to corruption and the diversion of oil revenues into public sector expansion and overambitious projects with little economic return. Oil revenue has been used to neglect investment in other key sectors like agriculture and manufacturing, leading to a lack of economic diversification. The oil sector has crowded out other industries by drawing labor and capital away from them, and the influx of oil revenue can lead to an appreciation of the currency, making other exports less competitive.

Norway boasts robust and stable democratic institutions, an effective legal system, and a commitment to transparency, which are crucial for avoiding the resource curse. Oil resources are viewed as belonging to both current and future generations. The country established a sovereign wealth fund to manage oil revenues responsibly, ensuring long-term benefits and

fiscal stability. Norway implemented fiscal rules to control spending and invested in a more diverse economy, preventing over-reliance on oil and mitigating the effects of the resource curse. The fundamental difference lies in the quality of institutions. Strong institutions in Norway provided the framework for effective resource management, while weak institutions in Nigeria allowed for mismanagement and corruption. Norway did not heavily rely on resource rents to the same extent as Nigeria, which was more dependent on oil for its economy. Norway has successfully invested oil wealth into developing other sectors, whereas Nigeria has largely failed to diversify, leaving it vulnerable to oil price volatility.

**Institutional Incompatibility Theory**

The institutional theory was pioneered by scholars such as John Meyer and Brian Rowan in 1970s. Institutional incompatibility theory states that the challenge of development in developing or weak countries is based on their ineffective institutions which can never be compared to very strong institutions in developing nations. It means that there exist institutional incompatibility between the developed and developing nations of the world. The theory explains both weak and strong institutions as the basis of poor or great economic development. The first is the weak institution represented by Nigeria in this study. In developing nations like Nigeria, there is weak institution because institutional incompatibility theory " refers to an analytical framework examining institutions that lack effectiveness, often defined by three forms of weakness: insignificance, where rules are followed but have no impact on behavior; non-compliance, where rules are poorly enforced or cooperation fails; and instability, where rules change too frequently. Institutional weakness can arise from internal organizational issues, such as a focus on fraud or malfeasant behavior, which can lead to an inability to adapt to changing external environments. Small and Medium-Sized Enterprises (SMEs), for example, are particularly vulnerable to external pressures due to their limited resources, making it difficult for them to manage both formal and informal institutional demands.

Weak institutions may leave an organization unable to respond effectively to changes in its environment. When institutions are weak, they fail to achieve their intended social, economic, or political goals. A potential weakness of institutional theory itself is its tendency to overlook larger structures of domination, potentially leading to the complicity in legitimizing these structures. The second is the strong institution, represented by Norway. A strong institutional theory is not a distinct sub-theory but rather refers to the emphasis of institutional theory on the resilient, deep, and authoritative nature of social structures, including norms, rules, and routines, that shape and stabilize organizational behavior. This perspective highlights how organizations conform to societal expectations to gain legitimacy and survive, leading to increased similarity among organizations in the same field (isomorphism) due to coercive (legal), normative (values), and mimetic (imitation) pressures. This theory emphasizes that institutions are not easily changed and provide stable, authoritative guidelines for social behavior. Organizations often adopt practices not for their practical benefits but to gain legitimacy in their environment and meet societal expectations, even if these practices are symbolic


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**Justification for the Theory**

This framework is used to understand why institutions fail to achieve their intended social, economic, or political outcomes, and to analyze the sources and consequences of this weakness. Rules are in place and followed, but they don't actually shape how actors behave or influence outcomes. State elites or other actors either choose not to enforce the rules or fail to gain societal buy-in, leading to a breakdown in rule adherence. Rules are frequently and excessively changed, creating uncertainty and hindering their ability to guide behavior or provide a stable framework for action. Firms, for example, can be weakened by the coercive, normative, and mimetic pressures from their environment that they struggle to respond to effectively, especially if they lack resources.

## CONCLUSION

Every developing country like Nigeria on the face of the earth strives to attain a higher rate of economic growth as much as possible. To this effect, they have been undertaking and continue to undertake different measures depending on contexts. One of the measures we are observing is using the existing natural resources - a gift of nature. Though seems bizarre, however, there are significant theoretical and empirical evidences that elucidate natural resource is rather harmful than beneficial to economies. The current oil dependent nature of the Nigerian economy is absolutely unsustainable since it only favours a few elites while the vast majority of the population languish in poverty. The myriad of problems facing Nigeria suggest Nigeria is practically at a crisis point and must adapt and find ways to foster inclusive growth as well strengthen the institutional framework. The study concludes that oil is at the heart of every development challenge in Nigeria; it has fuelled corruption, conflicts and institutional deterioration.

## RECOMMENDATIONS

1. The government of Nigeria design effective strategies to mitigate a negative shock to natural resources and follow economic policies that enable the country to be competitive in international trade in natural resources.
2. The Nigeria government should effectively learn from the Norway which has effectively utilized its resources for its economic and social development.
3. The Nigerian government must proactively pursue policies that strengthen the weak linkages between the oil industry and the rest of the economy by reinvesting oil proceeds strategically to promote structural transformation of the economy especially focusing on sectors that have higher-job-creating impact such as agriculture, manufacturing and trade thereby diversifying the economy away from its perpetual state of oil dependence. Concerted efforts must be made by the government to ensure equitable distribution of oil revenue across society by providing basic services as well as improving the dilapidated infrastructure in the country in order to foster inclusive growth.

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