Accounting, Accountability and Governance in Upstream Petroleum Contracts

The case of local content sustainability in the Nigerian oil and gas sector

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Abstract

Local Content is an oil sector governance and sustainability policy that aims at check-mating the dominance of the foreign oil companies in host countries, and encouraging the participation of the local oil firms in the petroleum value-chain. It is a burgeoning concept applied in the upstream petroleum contracts in the developing petro states. This study was conducted to examine the local content accounting, accountability and governance of the Nigerian Content Development and Monitoring Board (NCDMB) and the five major International Oil Companies (IOCs) operating in Nigeria (Shell, Chevron, ExxonMobil, Total and Agip). The soft and hard accountability of the two principal actors were determined. The work drew on the Chatham House Guidelines for Good Governance in Emerging Oil and Gas Producers (2013) to derive its conceptual and analytical models. The study used the convergent parallel design and a combination of the three accounting paradigms to draw its conclusions. Thematic analysis, descriptive and inferential statistics including the post hoc Kruskal-Wallis and Mann-Whitney tests with Bonferroni Corrected Alpha, and the logistic regression tests were used. The study also applied the mechanistic content analysis methodology on fifty sustainability reports of the selected IOCs in line with the Global Reporting Initiative (GRI) and the International Petroleum Industry Environmental Conservation Association (IPIECA) sustainability reporting guidelines. Disclosure index and paired-samples t-test were used to determine the existence and trends in the IOCs' local content disclosure practices before and after the enactment of the Nigeria's local content law. The study found the local content policy to be an accountability-based sustainability driver in the Nigerian petroleum sector. Although the NCDMB's performance was favourable to a large extent, the study found that corruption, fronting, and non-disclosure of the beneficial ownership of some oil firms remained the major challenges of local content in Nigeria. An expectation gap between the Board and the stakeholders on the financial accountability was established. The study found moderate and consistent local content disclosure indices of the periods before and after the Nigeria's local content law, but higher volumetric disclosure in the period after the law, signifying likely impact of the local content law on the IOC's voluntary disclosure. It was recommended that the Board should tighten up its regulatory responsibilities and avoid questionable practices. It was also suggested that the Nigerian local content rules should incorporate more incentives such as unringfencing and cross-fencing of upstream costs to encourage more investment. The study also suggested that the accounting standard-setting bodies should issue dedicated accounting standards or expand the existing IFRS 8 and IAS 21 to comprehensively address the preparation and presentation of local content information in the annual financial statements.

Key Words: accountability, sustainability, accounting, governance, local content, petroleum contracts, IFRS, IAS, mandatory and voluntary reporting, GRI/IPIECA

Dedication

to my late father, Alhaji Adamu, my mother, Hajiya Hannatu, my lovely wife, Ummulkhair, and my lovely sons Muhammad, Ahmed and the little Mahmoud for their love and care

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Table of Contents

List of Tables

List of Figures

List of Abbreviations

ANP	Brazilian National Agency for Oil, Gas, and Biofuels
CAPEX	Capital Expenditure
CDMs	Clean Development Mechanisms
CISLAC	Civil Society Legislative Advocacy Centre
CIT	Companies Income Tax
COMES	Compliance, Monitoring and Enforcement Strategy
CSP	Corporate Social Performance
CSR	Corporate Social Responsibility
DPR	Department of Petroleum Resources
ECMI	Equipment Component Manufacturing Initiative
EITI	Extractive Industries Transparency Initiative
EY	Ernst and Young
FIRS	Federal Inland Revenue Service
GRI	Global Reporting Initiative
GSO	Goods and Services Office
IAS	International Accounting Standards
IIED	Internationals Institute for Environmental Development
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOCS	International Oil Companies
IPIECA	International Petroleum Industry Environmental Conservation Association
IRR	Internal Rate of Return
ISAR	International Standards of Accounting and Reporting
ISO	Industrial Supplies Office
JIT	Just-in-Time
JNNSM	Jawaharlal Nehru National Solar Mission
JQS	Joint Qualification System
JVCs	Joint Venture Contracts
LCV	Local Content Vehicles
MAVOS	Marine Vessels Ownership Strategy
MCAR	Missing Completely at Random
MDGs	Millennium Development Goals
MNCS	Multinational Companies
NAPIMS	National Petroleum Investment management service
NCCC	Nigerian Content Compliance Certificate
NCCF	Nigerian Content Consultative Forum
NCDF	Nigerian Content Development Fund
NCDMB	Nigerian Content Development and Monitoring Board
NCI	Nigerian Content Index
NEITI	Nigerian Extractive Industries Transparency Initiative
NNPC	Nigerian National Petroleum Corporation
NOCS	National Oil Companies
NOGICD	Nigerian Oil and Gas Industry Content Development
NPV	Net Present Value
NRGI	Natural Resources Governance Institute
OECD	Organization for Economic Cooperation and Development
OEL	Oil Exploration License
OEM	Original Equipment Manufacturer

OML	Oil Mining Lease
OPEC	Organization of Petroleum Exporting Countries
OPEX	Operating Expenditure
OPL	Oil Prospecting License
ORAS	Offshore Rig Acquisition Strategy
OSO	Offshore Supply Office
PETAN	Petroleum Technology Association of Nigeria
PIT	Personal Income Tax
PPT	Petroleum Profit Tax
PSCs	Production-Sharing Contracts
PTDF	Petroleum Technology Development Fund
SCs	Service Contracts
SEA	Social and Environmental Accounting
SKSPMIGAS	Upstream Oil and Gas Business Activities
TI	Transparency International
UNCTAD	United Nations Conference of Trade and development
UNFCCC	United Nations Framework Convention on Climate Change
VAT	Value-Added Tax
WTO	World Trade Organization

CHAPTER ONE
Introduction

1.1 Background

This thesis seeks to examine the accounting, accountability and governance practices of the Nigerian Content Development and Monitoring Board (hereafter, the NCDMB) and the International Oil and Gas Companies (hereafter, the IOCs) in the implementation of, and compliance with, local content sustainability rules in petroleum contracts in Nigeria. The aim is to apply an accountability-based conceptual framework of accounting [1] to address three major accountability issues within the context of the broader natural resource governance practices. Firstly, to critically establish, within the context of the Nigerian oil and gas industry, the relationship between local content and the three tenets of sustainability (social, economic and environmental), the issue that has received relatively little attention from scholars. Secondly, to evaluate the extent of the NCDMB's accountability by assessing its ability to enforce compliance with the local content sustainability rules as provided by the law. Finally, to investigate the extent of accountability of the IOCs operating in Nigeria by their ability to comply with and align the mandatory and the voluntary local content reporting practices in their attempt to support sustainability through oil and gas contracts.

Historically, the Nigerian oil and gas sector like that of many other developing countries has been dominated by the powerful IOCs. This results in a massive outflow of resources for the payment of training and procurement and remuneration of expatriates (Karl, 1997; Nwosu et al., 2006; Ihua, et al., 2009; Atsegbua, 2012). In 2000, the Nigerian National Petroleum Corporation (NNPC) confirmed that the indigenous oil and gas firms had benefited with as little as 5% of the estimated annual contract values of between $10bn and $12bn (Mohammed, 2009; Nwaokoro, 2011).

[1] Two major accounting frameworks were identified in the literature, and they are Decision-based (or decision usefulness) and Accountability-based frameworks (see Ijiri, 1983). Although the accountability-based is the chosen framework for this study both frameworks will be discussed in detail in chapter five.

This fact was supported by Frynas and Paolo (2007) who asserted that over 95% of the country's petroleum production was provided by only five IOCs – Agip, Chevron, ExxonMobil, Shell, and Total.[2] Apart from the capital and technological strength of the IOCs, this may also be connected to the alleged connivance of the IOCs and the Nigerian officials. For instance, it was found that between 1995 and 2004 Halliburton had paid the Nigerian officials a $180 million bribe to secure an LNG contract (George and Lacey, 2006). From the discovery of oil in 1956 to 2006, it was estimated that the value of the Nigeria's capital flight had amounted to $380 billion with about a 2 million estimated losses in job opportunities (Abdulwahed, 2014). This trend is similar in many other oil-producing developing countries and proves that natural resources can be a curse and not a blessing (Auty, 1994; Ross, 1999).

To reverse this trend, the local content policy was adopted in Nigeria and elsewhere to boost the participation of indigenous companies in various contracts along the petroleum value chain. This includes oil licensing, exploration, drilling, production and other oil-related activities such as the financial, insurance and legal services. Many oil-producing countries including Nigeria, have adopted the local content as a sustainability policy that ensures the flow of benefit from the petroleum sector to compensate for the negative social, economic and environmental consequences of oil and gas extraction. Sustainability, in particular, has been extensively studied by accounting scholars, but with exclusive emphasis on environmental reporting (e.g., Schaltegger and Burritt, 2010; Ngwakwe, 2012; Accounting, Organizations and Society Editorial, 2014). These studies have failed to consider the contemporary sustainability policies such as the local content, and the complex accountability and governance practices of the two major accountors (regulators and the IOCs). This study attempts to fill this gap.

[2] These companies were alleged to have not only dominated the industry and marginalized the indigenous firms but also engage in various environmental violations through gas flaring, oil spillage and communal conflicts without adequate compensation to the neighbouring communities.

Local content in the petroleum contracts is measured as the proportion of the cost of materials and services directly or indirectly acquired by the concessionaire from the local sources, and the total cost of goods and services used for the entire petroleum project (KPMG, 2011). It is considered a sustainable development initiative which will benefit a country long after the depletion of oil and natural gas resources (Vosloo, 2005; Alba, 2009; Heller, 2011). Local content has become one of the principal components or parameters of oil contracts and license agreements in Nigeria and many of the petro-states (Tordo et al., 2009; Boykett et al., 2012; Ravat and Kannan, 2013).

Efforts to use local content to gain sustainable development had started in the United Kingdom in the 1970's[3]. The period had witnessed the creation of the first local content monitoring agency by establishing the Offshore Supplies Office (OSO). The office was responsible for the auditing and reporting processes to track all transactions made by oil and gas companies to ensure that local labour, materials and equipment were used in their operations (Klueh et al., 2009; Wabote, 2011). Empirical evidence has shown that local content has been effectively applied in eliminating information asymmetry between the government and the IOCs, inducing local sourcing of materials, and engaging in component manufacturing licensing (UNCTAD, 2003). The policy, though not escaping scholars' arguments and counter arguments, was viewed as a "springboard for sustainable economic transformation" Balouga (2012: 23) and "a promising way of promoting social and economic development" (Martini, 2014: 1) in oil-rich countries. These may include achieving improved health and safety standards, oil supply security, employment and training of local labour, resource conservation, and generation of return (Grayson, 1981; Bentham, 1988 cited in Stevens, 2008). These benefits are not automatic (Andrews-Speed, 2009 in Appiah-Adu and Sasraku, 2013); but only achieved through strong accountability and good governance of the natural resources sector (Iyoha and Oyerinde, 2010; Chatham House, 2013) which Nigeria is lacking

[3] Although the UK was considered to be the pioneer country that started to apply local content, countries such as Nigeria have already had one form of local content or the other in place. For example, the Nigeria's Petroleum Act of 1964 had made requirements for employment and training of nationals in various management and supervisory positions. See Atsegbua (1999) and Okpe (2015).

(Watts, 2004; Usman, 2011; Abutudu and Garuba, 2011; Cash, 2012; Ushie, 2012; Okeke and Aniche, 2013). To justify the conduct of this study, the next section continues this line of argument and presents the study's problem.

1.2 Statement of the Problem and Justification for the Study

It was argued that "poor nations of the 21st century would not be those that lack resources (human and material) ...., but those that cannot account for whatever resources they have". Hence, "accountability would continue to remain fundamental to the construction of viable socio–political economy" (Iyoha and Oyerinde, 2012: 361). Even the resource and material scarcity arises "primarily from failures of governance rather than from a physical shortage of resources or materials" (Andrews-Speed et al., 2012: vii). Hence, the Extractive Industries Transparency Initiative (hereafter the EITI) and many other international financial institutions have advocated that only greater accountability and transparency through disclosure of financial and non-financial transactions relating to petroleum contracts including investments in local content could cure the curse of oil resources (Klieman, 2012; Short, 2014).

Nigeria, where "oil becomes a problem rather than a solution" (Kopinski et al., 2013: 583) due to accountability and governance failures among policy-makers and the IOCs (George and Lacey, 2006; Usman, 2011), adopted the international best practice and created a local content oversight agency – the NCDMB. The agency is the responsible authority to administer, coordinate, monitor and supervise the implementation of the local content law – the Nigerian Oil and Gas Industry Content Development (NOGICD) Act 2010. Similar to its international counterparts, the Board's regulatory and governance functions have spanned across the five-point petroleum value chain (Alba, 2009) used by Gboyega et al. (2011) to discuss the political economy of the Nigeria petroleum sector. These functions will be clearly described in chapter four of this work.

Five years into the implementation of the policy, many successes have been recorded by the NCDMB including the attraction of over $500m foreign direct investment (FDI), the creation of thousands of new jobs and the full domiciliation of fabrication and construction activities. Moreover, about 87% of the total oil and gas contracts in the industry were claimed to have been won by indigenous oil companies (NCDMB, 2013; Africa Centre for Energy Policy, 2014). Other areas of achievement include the Nigerian content values said to have been captured through the Nigerian Content Compliance Certificate (NCCC) issued to operators/contractors. It was reported that during the periods 2010-2012 out of the $27.029bn contract values awarded $19.157bn were captured as Nigerian content. Furthermore, training expenditure of $110.8million with employment and training man-hours of 4.84million hours were also retained as Nigerian content, signifying the extent of the Board's ability to influence the domiciliation of oil and gas activities (NCDMB Annual Performance Report, 2012). The Board has also been strategizing to enhance the ownership, manning and maintenance of onshore and offshore drilling rigs as well as marine vessels by Nigerian oil companies. At present, many Nigerian firms are said to have owned marine vessels, oil rigs and some companies engaged in maintenance services through the Board's Marine Vessels Ownership Strategy (MAVOS) and Offshore Rig Acquisition Strategy (ORAS) (NCDMB, 2012, 2013).

These purported achievements can only be possible through the cooperation claimed by the IOCs that operate in the Nigeria's oil and gas industry. These results were described by Hufbauer et al. (2013) and other industry stakeholders as bogus and mere self-praising press releases. Many parties have raised several accountability and governance-related issues concerning the relationship between the Board and the IOCs. Initially, the standards and targets set out by the Board are in many ways considered unattainable and capable of creating a fertile ground for corruption or connivance which are critical to local content execution (Ovadia, 2014; Martini, 2014). In addition, with the controversial section of the NOGICD Act which gives the NCDMB the right to collect gift of money or property from individuals or corporate bodies, the Board's independence is called into question (Nwaokoro, 2011; Hufbeur, 2013; Nwapi, 2015). In a likely connivance of the Board and the oil companies, it was alleged that an IOC had executed a contract worth $8bn without owning any tangible assets in the country contrary to the mandatory 50% asset ownership requirement (The Will, 2013; Akpata, 2014).

Concerning the award of oil blocks, licenses, contracts and the bidding processes, the Board had once been accused of unjustly excluding an indigenous company from a $3.8 billion FPSO project in favour of a foreign company (Rexler, 2010; Daily Trust, 2014). The Board was also said to be unable to deal with indigenous firms fronting for the IOCs and making the policy ineffective (Daily Trust, 2013). As such, it was reported that "over 70 percent of contracts awarded to Nigerian companies are executed overseas" (Balouga, 2012: 24). This practice contradicts the Board's earlier claim of retaining a large Nigerian content share. A group of local accounting firms were also reported to have instituted a legal action against the NCDMB and the NNPC for allegedly violating the tendering procedures to appoint PriceWaterHouseCoopers (hereafter, PwC) a foreign auditing firm, to conduct a forensic auditing job for the former (Iyatse, 2014).

It was alleged that both the NNPC and the NCDMB "lack the (required) administrative or institutional capacity to effectively monitor and enforce compliance with Nigerian content policy on oil and gas multinationals" because of the IOCs' strength and influence (Okafor and Aniche, 2014: 84). The excessive influence might have been a result of vested interest on the part of the political elite. It is, therefore, unlikely that such companies would voluntarily support responsible sustainability-related initiatives such as the local content (Bowie, 2013). This fact gave this study the motivation to investigate the IOCs' soft and hard accountability. Specifically, the IOCs' mandatory and voluntary local content reporting which receive less academic attention will be studied.

Stakeholder engagement is another critical area of assessing the accountability of any government oversight agency (AccountAbility1000, 2008). However, the NCDMB's laxity in engaging with civil society groups, research institutes and trade unions of the oil industry was observed

(Ovadia, 2013). Moreover, in terms of financial record-keeping, neither an auditable record of the revenues and expenditure nor published financial statements relating to the NCDF or any other fund under the Board's custody was publicly available. This contradicts S. 90 of the Act and the fundamental objectives of the Nigerian Extractive Industries Transparency Initiative (NEITI) which are "to monitor and ensure accountability in the revenue receipts of the Federal Government from extractive industry companies" (NEITI Act, 2007). In this connection, it was observed that one of the major factors that impede local content successes in Nigeria are corruption, mismanagement, and "opaque accountability" resulting in scanty or complete absence of proper financial records and audited accounts (Nwosu, 2006: 1282).

Besides the afore-mentioned NCDMB's and IOCs' reported local content accountability challenges, the conflicting arguments surrounding local content as a sustainability policy have not been empirically investigated by prior studies. Local content has once been described as "a controversial industrial policy tool" (Johnson, 2013a: 1) or "a global problem" as contained in Hufbauer et al. (2013) book title. While some scholars perceived local content to be a source of curtailing the resource curse and sustaining the socio-economic and environmental conditions of resource-rich nations, others regarded the policy as distorting the smooth flow of trade and in some cases creating avenues for corruption. These contrasting perceptions of local content ordinarily determine the stakeholders' cooperation and conducts towards the implementation of the policy. As such, any assessment of local content has to take into account the nature of the prevailing stakeholders' perceptions towards the policy within the various contexts. It is, therefore, part of the concern of this study to establish the stakeholders' position on local content and its accountability relevance as it affects the triple-bottom-line sustainability.

Based on the above discussion, this study applies the mixed-method approach combining the mainstream, interpretive and critical accounting perspectives to conduct an investigation into the accountability practices of the NCDMB and the IOCs in addition to a general assessment of their performance with a particular focus on enforcement, compliance and disclosure and reporting of information. The next section presents the aim and objectives of the study.

1.3 Research Aim and Objectives

The aim of this study is to examine the extent of the mandatory and voluntary accountability of the NCDMB and the IOCs in the implementation of local content sustainability policy in the Nigerian oil and gas industry. Other specific objectives are:

1. To critically assess stakeholders' perceptions of local content as a sustainability policy pursued through the petroleum contracts.
2. To examine the accountability expectations of local content in the Nigerian petroleum sector.
3. To develop a framework to examine using stakeholders' perceptions, the NCDMB's general accountability performance in the implementation of local content sustainability in the Nigerian oil and gas industry.
4. To examine the extent of stakeholders' perceptions of the NCDMB's financial accountability in the Nigerian oil and gas industry.
5. To evaluate the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provisions of the 'first consideration' to Nigerian oil and gas firms in the award of petroleum contracts, licenses, procurement of materials, employment, and technology transfer.
6. To critically assess the extent of stakeholders' awareness and effectiveness of the NCDMB's local content programmes.
7. To critically evaluate the level of the IOCs' compliance with mandatory local content reporting requirements in the Nigerian oil and gas industry.
8. To critically examine the extent of voluntary local content sustainability disclosure and reporting practices of the IOCs in their global sustainability reports before and after the creation of the Nigerian local content law.

9. To determine the changes in the volume of voluntary local content sustainability reporting of the IOCs before and after the creation of the Nigerian local content law.

1.4 Research Questions

1. To what extent do the stakeholders in the Nigerian oil and gas industry perceive local content to be a sustainability policy in petroleum contracts?
2. What are the accountability expectations of local content in the Nigerian petroleum sector?
3. What is the extent of stakeholders' perceptions of the NCDMB's general accountability performance in the implementation of local content sustainability in the Nigerian oil and gas industry?
4. What is the extent of stakeholders' perceptions of the NCDMB's financial accountability in the Nigerian oil and gas industry?
5. What is the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provisions of the 'first consideration' to Nigerian oil and gas firms in the award of petroleum contracts, licenses, employment, procurement of materials, and technology transfer?
6. What is the extent of stakeholders' awareness and effectiveness of NCDMB's local content programmes?
7. To what extent do the IOCs operating in Nigeria comply with mandatory local content reporting?
8. To what extent do the IOCs voluntarily disclose and report local content sustainability indicators in their global sustainability reports before and after the creation of the Nigerian local content law?

1.5 Hypothesis

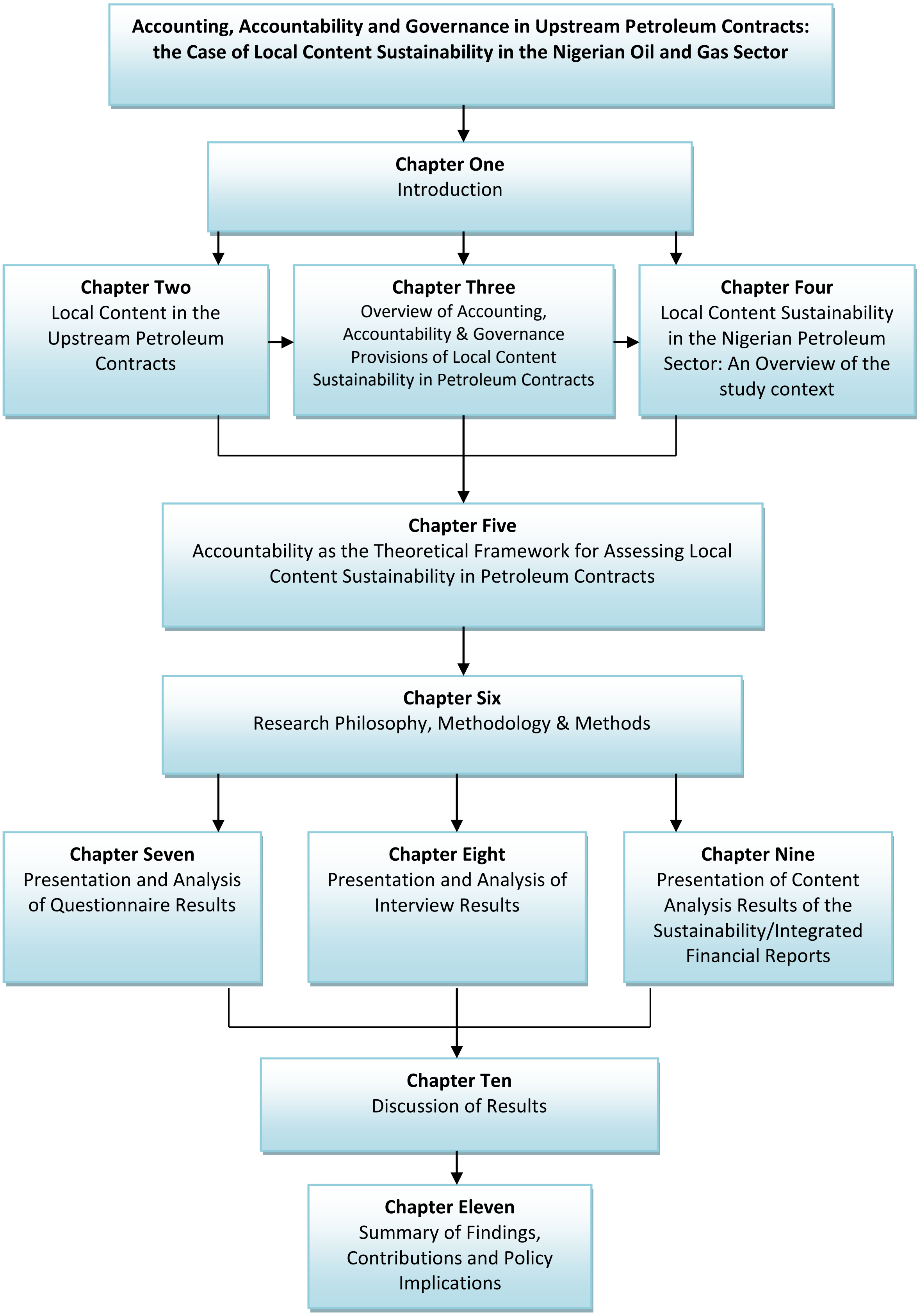
H_0 There is no significant difference in the volumetric disclosure of local content sustainability of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.

H_1 There is a significant difference in the volumetric disclosure of local content sustainability of the IOCs operating in Nigeria before and after the creation of Nigerian local content law.

1.6 Significance of the Study

This study comes at a time when the local content policy is increasingly gaining global popularity in petroleum industry practices but lacking the deserved academic attention. Given this, the study intends to be one of the pioneer studies in the field of accounting for local content. The first intended relevance of the study is to the academic literature on local content, sustainability, governance and accountability and an innovative conceptual framework. Also, the study is designed to advance the frontier of accounting research where it provides formal foundational arguments connecting local content to sustainability accounting and extending this argument to test empirically whether the Nigerian local content regulators and the IOCs discharge their sustainability duties via their mandatory and voluntary local content commitments. The study also promotes the applications of mixed-methods techniques in the accounting research. The work is expected to assist policy-makers in both the government and the oil companies to adopt viable decisions in the design, enforcement and implementation of local content in Nigeria.

1.7 Structure of the Thesis



CHAPTER TWO
Local Content in the Upstream Petroleum Contracts

2.1 Introduction

The aim of this chapter is to provide the basis for the debate on local content in petroleum contracts and its relevance to sustainability so as to set the stage for the discussion of the accounting, accountability and governance of the front-line local content accountors, that is, the NCDMB and the IOCs. The chapter defines local content as it affects the petroleum contracts and justifies its relationship with the three tenets of sustainability. To set the context for reporting the local content performance in the subsequent chapters, this chapter reviews local content within the spheres of the sustainability accounting and presents the accounting and reporting provisions of local content in the petroleum contracts.

2.2 Meaning of Local Content

Local content or domestic content (Vaaland, 2015) is a political-economic policy (Hansen, et al., 2015) which is regarded as a "key issue of economic and social performance of oil and gas companies" (GRI, 2013: 14). It refers to "the amount of local personnel, material and services that working interest owners are required to employ when drilling and operating a well, as specified under the term of a concession agreement" (The Schlumberger Oil and Gas Glossary). It becomes the catch-phrase in the petroleum and the renewable energy sectors and involves a requirement that an investor purchases a given amount of materials locally for incorporation into their products (Ssennago 2006; Kazzazi and Nouri, 2012; Dobbs et al., 2013; Vaaland, 2015). Scholars have considered local content to involve percentages of input used (material, labour and services), expenditure incurred (CAPEX and OPEX) [4], investment committed, technology transferred, equipment manufactured, hours worked, etc., which are locally

[4] Expenditure in the oil and gas industry is commonly divided into capital expenditure (CAPEX) and operating expenditure (OPEX).

secured at the exploration, development, production and decommissioning stages of the petroleum value chain (Belderbos and Sleuwaegen, 1997; Stella et al., 2008; Rodriguez and Suslick, 2009; Wetherill, 2010; Tordo, et al. 2010; Esteves and Barclay, 2011; Kalyuzhnova, 2012; Scot et al., 2013; Johnson, 2015; NRGI, 2015; Toulekima, 2015). These activities involve drilling operations, rig maintenance, environmental services and other support functions feeding into both the upstream and downstream sectors of oil and gas industry.

The common denominator in local content is value-addition as determined by ownership or location of oil firms (Wells and John, 2008; Ogbodo, 2008). Hence, the International Petroleum Industry Environmental Conservation Association (IPIECA) defines local content as "the added value brought to a host nation...through the activities of the oil and gas industry" via the workforce, contractor and supplier development, and "local ownership, local control and local financing" (GRI, 2013: 14; Toulekima, 2015:3). In some countries, the local content share is determined by the ratio of the indigenous-foreign equity of oil companies; in others, firms' physical presence alone suffices. The relevance of corporate governance structure of companies (ownership) and location are discussed in Section 3.5.1 of the next chapter. Using the value addition, the study demonstrated how Nigerian oil firms have been marginalised by their foreign counterparts from executing contracts and gaining from the huge investment in the country's oil industry (see chapter four). In this connection, the Natural Resources Governance Institute (NRGI) (2015: 1) defined local content as "the value brought to the local, regional or national economy from an extraction project".

Other definitions of local content are country-specific. For example, the Nigerian content was defined 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 environmental standards in order to stimulate the development of indigenous capabilities" (NNPC, 2006). This definition suggests value addition for local sustainable development while maintaining the highest health and ecological standards[5]. In Ghana, local content was defined as "the quantum or percentage of locally produced materials, personnel, financing, goods and services rendered in the petroleum industry value chain and which can be measured in monetary terms" (Petroleum Local Content and Local Participation Regulations, 2013).

A very contentious issue in defining local content (Esteves et al., 2013) is the determination of what constitutes the term "local". Local content is sometimes understood to mean channelling oil and gas contracts for sub-national or community development (Esteves, 2013; Nwapi, 2015). This opinion is rather minority as almost all other scholars use the concept to refer to a nation-wide policy (e.g., Warner, 2011; Tordo et. al., 2013; Ovadia, 2013). That is why some countries simply use the term 'national content' (NRGI Reader, 2015). The practice of the majority of oil-producing countries except Canada and Spain (that applied the policy in particular regions) is that local content and national content are one and the same (Stephenson, 2013; Kuntze and Moerenhout, 2013). The IOCs also report their local content performances on the national basis[6] (GRI, 2013). It was therefore recommended that in determining the term 'local' when reporting local content indicators – EC1, EC5, EC6, and EC7, IOCs should be guided by the International Accounting Standards (IAS) 14: Segmental Reporting (now IFRS 8: Operating *Segments)* (GRI, 2013). This discussion will come up later in chapter three. In an apparent effort to solve this complication, Warner (2007), Oguine (2011) and Azubuike, (2012) specifically used the concepts of 'local content' and 'community content' as the micro and macro terms to differentiate between the broad and the narrow perspectives of the policy. The major difference is that while local content is about a nation-wide benefit through petroleum contracts, the community content was described as the degree of employment and contracts rendered to the immediate oil communities by the extractive companies (Oguine, 2012). To sum up, Toulekima (2015: 4) observes that the definition of local content

[5] It has been recommended that local content objectives should not interfere with critical business aspects, particularly the health and safety standards. See Achilles (2015).
[6] As an example refer to the sustainability/integrated financial reports of the five sampled companies involved in this work.

varies “depending on whether the approach focuses on the national, local or company level”. The political economy of the Nigerian petroleum sector, for instance, accommodates both the micro and the macro dimensions of local content. Local content comes in different forms from what is available in the extant literature. The next section briefly looked at the most common forms of the policy.

2.3 Forms of Local Content

Munson and Rosenblatt (1997: 278) classified local content by the percentage of local materials or labour in headcounts (volume-based), the monetary value of materials, wages and salaries (value-based) or whether or not a penalty is involved. This penalty may be in the form of imposition of high a tariff, fine or cancellation of contracts (The Economist, 1993). Nigeria and Indonesia, for instance, have opted for the fine or cancellation of contracts while the UK did not apply any legal sanction, but rather, the non-compliant companies faced difficulties in winning contracts and licenses during bidding rounds (Neff, 2005). Alternatively, firms that comply may enjoy incentives such as import duty waivers (Hollander, 1987). Tordo et al. (2013) differentiated between local content and local content development. They argue that while local content only focussed on local share of materials, salaries, wages and employment, local content development focuses on long-term local development through capacity building, training and skills acquisition, supplier development and investment in local manufacturing. This classification will be helpful in discussing local content metrics in Section 3.4.2, as well as in analysing the IOCs’ sustainability reports in chapter nine. In another view, Anchondo (2010) grouped local content arrangements into two – IOCs forming partnerships with local firms or maintaining local sponsors to operate in the host country as in the case of the Nigeria’s Local Content Vehicles (LCVs) scheme applied during the 2005 oil licensing rounds; or IOCs to use a given percentage of local labour, input or expenditure in their operations.

From another point of view, Hansen et al. (2015) consider local content from two different perspectives – economic and the political. The economic perspective deals with local income generation, increase in productivity and efficiency of local industry as well as the governance and institutional arrangement to achieve these. Within the economic sphere, local content has other accounting and financial implications on firms. The policy is found to be associated with transfer pricing policies of multinational enterprises including the IOCs (PwC, 2012; Sigam and Gacia, 2012; ACET, 2014). Belderbos et al. (2000) found evidence that subsidiaries operating in high tax countries use transfer pricing to report higher import values and lower local content ratios. Similarly, it was also found that local content impacts on the costs, net present values (NPVs), internal rate of return (IRR) and payback periods (PBPs) of multinational companies as well as their decisions to increase their just-in-time delivery (Warner, 2010; Esteves and Barclay, 2011; Nishikimi and Kuroiwa, Hansen et al, 2015). Consequently, upon review of the Brazilian oil and gas industry, Awasthi and Kozio (2013) found that the cost vs local content graph asymptotically increases, or simply, local content increases proportionately with its marginal cost.

On the other hand, the political perspective of local content is concerned with policy-making and the roles of political elites in resource extraction (Hansen et al., 2015). This reaffirms the claims that local content rules have dual roles in fostering economic growth and providing local political elite with new techniques to accumulate wealth (Ovadia, 2015), win elections, and curb civil unrest (OPEC, 2011b). Although both perspectives are relevant to this study,[7] the economic perspective is more emphasised over the political as the research is within the limits of accounting and finance area. The politics of the Nigerian petroleum sector, for instance, accommodates both the micro and the macro local content approaches discussed above. While it is evident that oil communities[8] have greater opportunities for gaining employment and contracts because of their proximity to oil production facilities, workforce and entrepreneurs from all parts of the country also play significant roles. As local content is

[7] Apart from the economic perspective which is more relevant to the research, the political perspective also applies where we discuss issues of marginalization of local firms, perceived connivance between IOC's and policy-makers, fronting, as well as the possible corruption in local content.

[8] Most of the Nigeria's oil communities cluster around the Niger-Delta area of the South-South geopolitical zone consisting of six states: Rivers, Bayelsa, Delta, Akwa-Ibom, Edo and Cross-Rivers.

considered more prominent in petroleum contracts, the next section discusses the operations of the rules in the oil and gas industry.

2.4 Local Content in the Petroleum Industry

The oil-producing countries that applied local content in their upstream petroleum sectors have experienced mixed results (Chowla, 2005; Veloso, 2006). Two positions were taken by scholars on this issue. Some scholars (Grossman, 1981; WTO/UNCTAD, 2002; Aneke, 2002; Heum, et al., 2003; INTSOK, 2003; Neff, 2005; Lahn, 2007; Hao et al., 2010; Lec, 2011) believed that although the policy may have long-run benefits, it may also create distortions, corruption, price increase, tensions between national oil companies (NOCs) and international oil companies (IOCs), or project delays. The policy may, therefore, work against the general interest of the economy and the local companies (Warner, 2011). Commenting on this issue, Bressand (undated: 4) observed that:

> *In some cases, however, local-content obligations amount to putting the cart before the horse, triggering the development of a protected sector in which a few privileged local partners serve as gatekeepers and rent collectors more than as genuine economic developers and innovators.*

This notwithstanding, other scholars view local content as a form of sustainable development initiative that fosters value-addition, linkages, ownership and control, stakeholder engagement, social license to operate, job creation, oil reserves and production levels, and technological capabilities (Nwokeji, 2007; Wetherill, 2010; IPIECA et al, 2010; Nwaokoro, 2011; Warner, 2011; Balouga, 2012; Ngoasong, 2014: Ablo, 2015). It is also effective in correcting market failures and reducing information asymmetry between governments and the IOCs (Kumar, 2002; Osammor, 2008; Chatham House, 2013). Local content is often calculated based on "the share of contract sums awarded to local firms minus costs of imported materials or services used in the (oil) project" (Stella et al., 2008: 26).

Warner (2011) supported by Lunde (2013) argues that local content has a direct, indirect and induced impact on the economy of oil-producing countries. Direct effect refers to the value derived from the actual oil and gas production such as the Petroleum Profit Tax (PPT), royalties and bonuses. Indirect effect involves local purchasing of raw-materials, services, and equipment through which the government receives Companies Income Tax (CIT) from the profits made by the suppliers. The induced effect involves the earnings and spending by the employees of oil firms from which government receives Personal Income Tax (PIT) and Value-Added Tax (VAT). In this connection local content was said to have a multiplier effect that extend to the social, economic and environmental aspects through the value chain contracting processes on which Scot et al. (2013: 27) commented as:

> *…the influx of money and labour to an oil development area generates additional indirect demand for local goods and services …. Local men and women in existing economic activities such as farming or fishing might reinvest capital earned from waged employment, facilitating local market expansion and gains in productivity.*

In support of the above points, Esteves (2011) and Dobbs et al. (2013) suggested that local content and royalties/taxes are complementary instruments used by oil–producing governments. This pragmatic stance was countered by Bertrand (2014) and Nwapa (2014) who categorised the resource extraction strategies into two groups: revenue-focussed or fiscal in which governments rely on taxes and royalties, and operators strive at maximizing profits; and in-country-value focussed or non-fiscal where governments opt for lower revenue in return for long-term sustainable development through the promotion of local capacity, ownership and participation, and operators are after their long-term impact on the host economies. For this reason, Ngoasong (2014: 2) observes that local content is "shifting the emphasis from revenue maximization through fiscal policies to an increasing focus on IOC's contribution to wider societal development". In this regard, Cotula (2013: 45) noted the existence of a trade-off between local content and royalties and taxes because "if sourcing local labour, goods and services increases project costs, the investor will probably want to compensate for this by paying lower public revenues". For instance, some production-sharing contracts may provide that costs for training or similar programmes incurred by the contractor are recoverable costs deductible from the cost-oil before ascertaining the profit-oil to be shared with the host government (Wright and Gallun, 2005).

To achieve sustainable development goals, almost all the resource-driven economies have one form of local content or another (Dobbs et al. 2013; Ovadia, 2014) supported by legislation, policies or guidelines (Ado, 2013)[9]. Table 2.1 below presents some of these countries and their prioritised local content activities.

Table 2.1: Local Content Policies in Oil and Gas Sectors of Selected Countries

Country	Legal Framework	Year	Strategy
UK	Policy	1970	In-country procurement
Norway	Local Content Law (art. 54 of the Royal Decree of 1952)	1972	Indigenous participation
Malaysia	Petroleum Development Act	1974	Licensing
South Africa	Preferential Procurement Policy Framework	2000	Procurement
Brazil	Local Content Legislation	2003	Oil concession
Trinidad & Tobago	Local Content & Local Participation Framework	2004	In-country fabrication
Kazakhstan	Law of the Republic of Kazakhstan 223-IV	2009	Procurement & services
Indonesia	Local Content Rules	2009	In-country procurement
Nigeria	Local Content Act	2010	Indigenous participation, procurement, employment & domiciliation of oil & gas activities
Ghana	Local Content Regulations	2013	Indigenous participation & industrialisation
Angola	Legislations/Decrees		Participation, all areas of local value addition

Source: Modified from Ado (2013), Hufbauer et al. (2013) and Ablo (2015)

Some of the above-listed countries have opted for local content policies out of sustained frustration caused by their inability to translate oil wealth into meaningful development. Therefore, several sources have regarded local content as a sustainable development policy or an extended and more guided form of corporate social responsibility aimed at enhancing national control of natural resources (Stevens, 2008). The following sections aim at enhancing our understanding of the relevance of local content to

[9] This is a theoretical paper published by the author of this thesis on local content and its position vis-a-vis the WTO rules. The paper has attracted a wide readership and was cited by several peer-reviewed journal articles and conference papers in petroleum and energy studies, including dissertations of the Universities of Oslo, Sweden, Pretoria, Utara, Nairobi, Southern Denmark, the Norwegian University of Life Sciences, the United Nations University and other publications of the Danish Institute for International Studies (DIIS), the Society of Petroleum Engineers (SPE), the Centre for Energy, Petroleum and Mineral Law and Policy (CEPMLP) University of Dundee, the World Bank, the United Nations, the Bill and Melinda Gates Foundation, the KDI School of Public Policy and Management Korea, the Memorial University, Canada, etc.

sustainability activities used to tackle the developmental issues bedevilling the oil-producing developing countries.

2.5 Local Content as a Sustainability Policy

Sustainable development is the "development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (UNCED, 1987: 8). Literature sources, although scanty, have indicated that local content and sustainability are closely related concepts (Renwick, 2008; Duval et al., 2009; Toulekima, 2015) engaged with by companies operating in host countries. The *Guidelines for Multinational Enterprises* (OECD, 2011: 19) for example, although avoided using the term 'local content' explicitly, has implicitly used its proxies to argue that multinational companies (MNCs) have to promote policies that "contribute to economic, environmental and social progress with a view to achieving sustainable development" in their host countries. These policies according to the OECD are achieved through the local capacity building, development of domestic markets, and employment and training. The guidelines further recommended that MNCs must ensure that they "in their operations, to the greatest extent practicable, employ local workers and provide training with a view to improving skill levels...". Hence, MNCs have to align profit maximization with a contribution to local sustainability (Esteves, 2007). In addressing the issue of local purchasing (another proxy for local content) by the MNCs, Nijaki and Worrel (2012) claimed that governments can strategically use local procurement to achieve sustainability goals including equity and social justice to compensate for the negative impact of corporations especially those of the extractive industry[10]. Generally, Tordo et al. (2013: xi) found local content policies to "have the potential to stimulate broad-based economic development, which is necessary to alleviate poverty and achieve the United Nation's Millennium Development Goals (MDGs)..."

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[10] As shown earlier in the work, oil industry activities are associated with high risks leading to environmental degradation, global warming, social dislocation, unrest and political crises. To mitigate these effects, those affected (i.e, oil communities and the national economy at large) have to be fairly compensated. This compensation can effectively be done by utilizing the oil sector to create an equitable, widespread and long-lasting economic benefit through a range of polices such as local content which compels oil companies to use local input and local labour in their projects. See also Heller (2011).

Commenting on the contributions of local content to sustainability, the Organization of Petroleum Exporting Countries (OPEC) (2011a: 144) claimed that:

> *Local content has a crucial role to play; a role that can, and should, provide a strong platform for a country's economic and social development. In this regard, it is useful to have a well-defined, coherent, effectively managed and well-administered local content framework that positively engages and mobilizes all the relevant stakeholders – local communities, local industries, service companies, national oil companies (NOCs), governments and international oil companies (IOCs) – and in a manner that enables economic growth and social progress.*

The above comment shows that local content policies "are essential for the sustainability of resource-led economic development", and that the whole of mining operations are recognised by local stakeholders as acceptable only if its benefits can contribute to local sustainability (Labonne, 1999; Gibson, 2000; Ovadia, 2014: 1). These contributions are made through the employment of local residents, using local services, and expansion of the local market for labour and goods (Dorian and Humphreys, 1994; Eggert, 2000). It also indicates that local content depends on the engagement and collaboration of stakeholders who bring "valuable knowledge, resources and commitment" (IPIECA, 2011: 8). This study uses the perceptions of the above extractive industry stakeholders identified by the OPEC (2011a) and supported by Azapagic (2004), to examine local content accountability and governance in Nigeria.

Economics and accounting scholars have discussed the sustainability relevance of corporate responsibility performances including local content. On this basis, local content was described as an asset. Cairns (2011: 211) views sustainability as grounded in the concept of intergenerational equity which implies investment in various types of assets to maintain social well-being. This is why Wiig and Ramalho (2005: 4) have asserted that "....assets under the ground (oil) have to be substituted for by other real assets, financial assets or human capital in order to maintain the capital stock and promote future growth in a country". They noted that local content is the real asset, while training (also part of the local content), is the human asset. At the firm level, oil companies view local content as an intangible asset, that is, goodwill (ILO, 2009) as it enhances their "regulatory approval" and "strategic positioning with host authorities"

(International Quality and Productivity Centre, 2010 cited in Marshal and Serwinowski, 2011: 2). For example, in its annual financial report, Petrofac (2013) stated that local content "facilitates our entry into new markets, cements long-term customer relationships and reduces our costs".

Cairns (2011) and Keutiben (2014) used the accounting and the economic prices to argue that natural capital (oil) is depleted to build up other kinds of capital (local content); the process involves an opportunity cost of having less resource to build future generations. This is perhaps why Heller (2011) claimed that local content can benefit oil-producing countries "long after oil and mineral reserves are depleted". Also, the International Institute for Environment and Development (IIED) (2012: 8 & 51) identified that "the level of local content, ecological security, government profits, etc.," were the determinants of oil-producing countries' success. To contribute to the extant literature that fails to properly articulate and theorize the relationships between local content and sustainability, the following sections present the three tenets of sustainability (social, economic and environmental) and how local content is relevant to each.

2.6 Social Sustainability Dimension of Local Content

The social dimension of sustainability involves local and community initiatives, wealth creation and skills development (Szekely and Knirsch, 2005). Social sustainability is more difficult to measure (Azapagic, 2004). Solow (1974) in Cairns (2006: 213) argues that societal sustainability is measured "by the standard of living of the least fortunate generation looking forward from the present". Hence, the "oil wealth of a country belongs to both present and future generations" and that "sustainable development is not guaranteed by big profits alone"; how the profits are spent is what matters (Wiig and Ramalho, 2005: 4; Andrews-Speed, 2009 in Appiah-Adu and Sasraku, 2013). Two local content arguments support the social dimension of sustainability – the Social Compensation and the Political Harmony arguments (Warner, 2011). These are discussed below.

2.6.1 Social Compensation Argument

The idea behind the social compensation argument is that communities that have been negatively affected by oil operations should get reasonable benefit in return. The nature of oil and gas operations is always accompanied by social and ecological disasters and permanent or temporary "loss of economic livelihood" for communities which have to be fairly compensated (Andrews-Speed and Rogers, 1999; Ogri, 2001; Warner, 2011; Tordo, et al., 2013: 26). Compensation in oil and gas operations has received particular international attention with the International Standards for Environmental and Social Impacts setting the standards for compensating communities that suffer the loss of earning a living (Tordo, et al., 2013). These standards include adopting local content policies or the international efforts to compensate oil pollution victims (International Oil Pollution Compensation Funds, 2012). A practical case is the Nigeria's Niger-Delta communities that have lost their farming and fishing activities to the aggressive oil production. Since the discovery of oil in 1958, the region has been experiencing indiscriminate gas flaring, oil spillage, toxic waste disposal, erosion, etc. (Benedict, 2011). Closely related to the social compensation is the political harmony as discussed in the next subhead.

2.6.2 Political Harmony Argument

The political harmony occurs when the government makes efforts to align its interests with that of the larger society in order to achieve political stability. Sustainability initiatives in general and local content in particular, are said to be increasingly applied to check-mate not only global warming and carbon footprint but also the potential of natural resources to fuel civil war, political unrest, and global terrorism (Collier and Hoeffler, 2000; Le Billon, 2000; Gunasekaran and Spalanzani, 2012). Janus (2011: 24) argues that the most important "input to conflict is locally available labour" if not engaged in productive activities. Nigeria, for example, is using local content initiatives to tackle the conflict and crises within the oil- producing communities of the Niger-Delta region. In Liberia and Sierra Leone local content was used to achieve post-conflict harmony (Warner, 2011). In Angola, under the post-conflict support strategy, the World Bank had focused on local content in the oil sector through venture collaborations, development of local markets and transparency (Blakeley et al., 2003).

It was concluded that if well utilized, mineral resources have the potential to promote peaceful co-existence among communities, resolve armed conflicts, as well as prevent conflict reoccurrence (Wennmann, 2012). It should be noted that the socio-political stability is the most important aspect of sustainability because nothing can be sustained amidst social and political unrest. Another critical aspect of local content is the economic dimension presented in the following section.

2.7 Economic Sustainability Dimension of Local Content

This dimension of sustainability is concerned with the economic impact of corporations on the society at the local, national or global level (GRI, 2012) including employment and wealth creation (Azapagic, 2004). Economic sustainability is basically "the major driver for local content and participation" (Bertrand, 2014: 72; Hansen et al., 2015). It was also argued that local content can "generate economic activities that can last longer than the economic cycle of the finite natural resource" (Heum et al., 2011 in Mendonca and de Oliveira, 2013: 281). The economic dimension of sustainability is covered by four local content arguments – the Infant Industry, the Market Power, the Balance of Payment and the Strategic Sectors arguments. These arguments are presented below.

2.7.1 Infant Industry Argument

This argument is of the view that emerging domestic industries are obviously lacking the economies of scale advantage and need to be protected and supported up to the period they can effectively compete with their developed counterparts (Melitz, 2005; Warner, 2011; Enderwick, 2011). The underlying idea of this argument is that for any developing nation to set up a new industry, the pioneer industry may need to be sheltered from foreign competition up to the time it can depend on itself. It is assumed that infant industries lack the ability to compete unassisted with international competitors that enjoy an "unfair competitive advantage" in many forms (Enderwick, 2011: 330). This argument had historically been used in the United States when it was trying to industrialize its economy amidst the British dominance of global trade. As a result, the US was branded "the motherland of infant industry protection" (Shafaeddin, 2000: 4). Norway for instance, had in 1974 incorporated local content in her petroleum licensing round to support the development of her infant oil and gas industry by requiring the procurement of Norwegian goods and services in the development and production phases, giving opportunities to Norwegian firms to win between 50% and 70% of the oil and gas contracts (Hunter, 2009).

2.7.2 Market Power Argument

This argument had reasoned that international suppliers may ordinarily be found to be applying undue power to compete with local industries. Market power here implies foreign suppliers' purchasing powers which put the local firms at a disadvantage. Warner (2011) argues that the market power argument is different from the infant industry argument in that under the latter domestic firms will be at an advantage from the local content specifications; whereas under the former, local content requirements are not intended to advantage the local industry but are used to make sure that the domestic industry is not at a disadvantage. This follows that in bidding for oil contracts, companies from industrialized countries have all that it takes to compete favourably with the local firms, and not the other way round (Ssennago, 2006). The Nigeria's new local content law, for example, has required first consideration for indigenous firms at a special preferential price margin which compromised the highest bidder principles (S. 16 of NOGICD Act, 2010). This preference margin was also applied by Australia, Canada, Turkey, New Zealand and the US (Naegelen and Mougeot, 1998 in Ssennago, 2006: 219).

2.7.3 Balance of Payment Argument

This is another form of economic sustainability in which local content strategies are adopted by governments to safeguard and protect their balance of payment positions. High imports in the capital-intensive oil industry lead to persistent "foreign currency drainage" and very often affects the positions of countries' balance of payments (WTO and UNCTAD, 2002, 2003, 2007, 2014; and WTI Advisors, 2013: 8). The local content policy is adopted to reduce the level of imports by encouraging local procurement and domiciling oil and gas activities. The International Accounting and Reporting Issues (2007, 2008, and 2009) required that the net import-export values (representing the balance of payment) should be reported by companies in annual reports as one of the local content performance. More discussion on this is made in Section 3.12 of the next chapter. In Nigeria however, the NOGICD Act 2010 provides that no materials, equipment, component or service should be imported if it can be obtained from the local suppliers. In cases where Nigerian firms are unable to produce the required goods or components, foreign firms are encouraged to set up local production of such component through the Equipment Component Manufacturing Initiatives (ECMI) which is one of the important local content programmes developed by the NCDMB. Through local manufacturing, it was argued that governments can check-mate transfer pricing manipulations in which oil subsidiaries inflate asset prices in order to report lower profit and pay lower corporate tax. Therefore, local content and transfer pricing are inversely related (Belderbos et al., 2000; PwC, 2012; Sigam and Gacia, 2012; ACET, 2014). At the firm level, through local content oil firms can achieve just-in-time (JIT) delivery with reduced lead-time and stock holding costs (Awasthi and Kozio, 2013).

2.7.4 Strategic Sectors Argument

Due to the increasing economic and security consciousness of governments, the need to protect some strategic and sensitive sectors such as energy, defence, communication and transport from foreign ownership becomes necessary (Enderwick, 2011). The economic excellence of these sectors may not be guaranteed without protection. For oil operations, countries understand the essence of energy security to national development and in many cases, refuse to allow 100% foreign ownership in the industry. As for the OPEC it has been a policy that all member countries must acquire a controlling shareholding (at least 51%) of all oil and gas licenses (Olomola and Olumide, 2005). This has led to efforts by OPEC nations to create national oil companies and acquire controlling shares from the concessions previously held by the IOCs. Many if not all oil-producing countries have switched from the non-participatory concession to the modern participatory joint ventures, production-sharing and service contracts (Likosky, 2009). The environmental dimension of local content follows this section.

2.8 Environmental Sustainability Dimension of Local Content

Local content has indirect contributions towards ecological sustainability through four different avenues – technology transfer, renewable energy, local sourcing, and mitigation of environmentally damaging social conditions. Stephenson (2013) observed that local content has to be combined with and supported by other industrial policies in order to impact positively on the green growth. The four supporting arguments are presented in the following paragraphs. These arguments do not replace or exempt the IOCs from their standard and better environmental or CSR practices mostly embedded in their contractual agreements as reviewed by Tienhaara (2011).

2.8.1 Technology Transfer Argument

The United Nations Framework Convention on Climate Change (UNFCCC) was the first to advocate the importance of technology transfer in tackling the threats of climate change in developing countries (Karakosta et al., 2010). Specifically, Kypreos and Turton (2011) considered its relevance to carbon emission control. It was therefore believed that through technology transfer where the local workforce acquires better technology, local content promotes efficiency, green innovation and better ways to minimize waste. Haug (2011: 112) argues that "as countries combine technology and environmental policies to deal with market failures with industrial and employment policies, local content requirements such as in the US, China, and India have multiplied". Local content through technology transfer is viewed as positively related to environmentally-efficient local industrial operations (Martinsons et al., 1996; Minchener, 2000; EPA, 2009). One of the priorities of the African continent is exploiting technology transfer to checkmate gas-flaring and environmental degradation. It was found that through technology transfer, Nigeria will achieve some clean environmental initiatives such as the Clean Development Mechanisms (CDMs) contained in the Kyoto Protocol (Olatunde, 2013).

2.8.2 Renewable Energy Argument

Local content policy is very effective in promoting the renewable energy technology which impacts on the clean environment (Johnson, 2015). Johnson (2015) observed the increasing need for governments to use the local content to concurrently promote renewable energy deployment to mitigate negative climate change while impacting on the socioeconomic objectives such as job creation and poverty reduction. Presently, more countries use local content as part of their green policy to develop renewable energy sectors. Some introduced local content in their solar energy (France, India and Italy), some in wind energy (China, Brazil South Africa, and Spain) while others applied in both sectors (Canada, Turkey). France introduced her local content in 2012 through the Solar Energy Project Developers Scheme with the aim of developing a French solar energy supply chain. India's local content started in 2010 through the Jawaharlal Nehru National Solar Mission (JNNSM) with the intention of increasing local jobs in the green energy sector. The region of Ontario in Canada began its local content in 2009 under the Green Energy and Green Economy Act with the objective of increasing renewable energy deployment as well as creating green jobs. The Spanish regions of Galicia, Navarra, Castille, Leon and Valencia started using local content in 2003 to create a strong local supply chain and providing new economic opportunities in other economically backward regions of the country (for overview, see Stephenson, 2013; Kuntze and Moerenhout, 2013). Although China had scrapped its policy in 2009, researchers have faulted such discontinuation on the basis of technological catch-up (Zhang, et al., 2013). In Nigeria, due to undeveloped renewable energy sector (Oyedepo, 2012; Kankara, 2013), local content policy has not been applied to either the solar or the wind energy alternatives. Kuntze and Moerenhout (2013) observed that advocates of the environmental sustainability of local content through renewable energy based their argument on the fact that with the ability of the policy to protect and secure the growth of the infant industry more mature players will be available in the global renewable energy market which will bring down green energy costs. This point was also supported by Zhang, et al. (2013) who observed the proliferation and saturation of the wind energy market in China as a result of localization of manufacturing activities in the renewable energy sector.

2.8.3 Local Sourcing Argument

It was argued by Fossgard-Moser (2003: 80) that local sourcing of materials, components and services for the production of oil and gas is one important avenue through which energy firms "contribute to the sustainable economic development" of host countries. It was observed that between 40%-80% of the income of the petroleum sector is invested in sourcing materials, components and other goods and services (Dobbs et al., 2013). This amount usually exceeds the value of royalty and taxes generated by a country[11] (Dobbs et al., 2013; Ovadia, 2014). Local sourcing of materials as one of the important tools/strategies of local content (EY, 2014) is also indicated to have strong potential for environmental protection due to the possible reduction in hydrocarbon emissions and other pollutants associated with long freight and haulage. For example, it was estimated that road transportation accounts for over 20% of CO_2 emission in the UK (Begg and Gray, 2006). Consequently, Holt and Watson (2008: 321) concluded that "if all food in the UK were sourced from within 20 km of where it was consumed, environmental and congestion costs would fall from £2.3bn to £230m". Moldanova et al. (2009) in Tesfay (2014: 138) argues that the

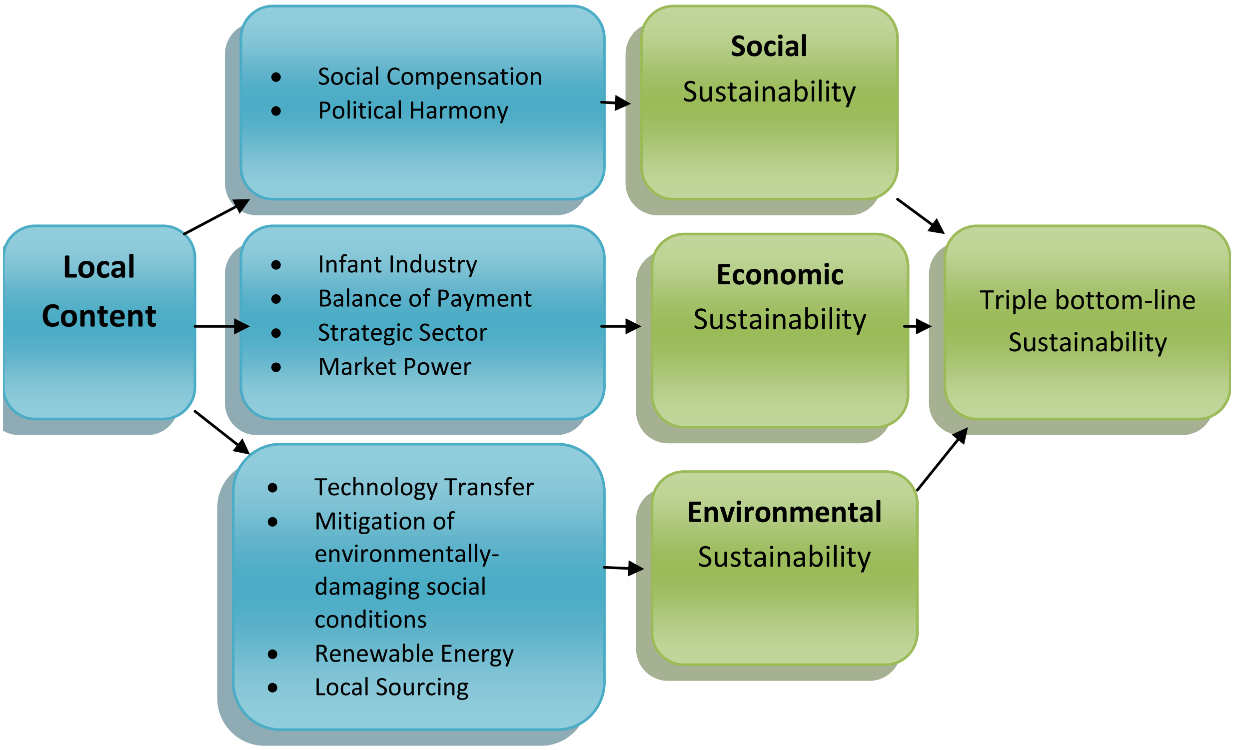
[11] This confirms that in-country-value-focused strategy promoted by local content is more advantageous to local sustainability than the revenue focused.

transportation activity "burns most of the world's petroleum" which includes diesel, kerosene, gasoline, etc., and which produces air pollution that subsequently contributes to global warming. Houghton (2008) posits that the transportation sector is the second largest petroleum-related carbon dioxide (CO_2) emitting sector accounting for "37% of mono-nitrogen oxides (NOx), 31% of Ozone O_3, 19% of Volatile Organic Compounds (VOC), 18% of Carbon monoxide (CO) and 14% of black carbon (BC)" (Tesfay, 2014: 138). Due to their globalised nature, oil and gas companies often engage in shipping materials and equipment from their home countries. A study conducted in 2000 showed that ocean transportation used about 200-290 million metric tons of fuel and released particulates and exhaust gases of between 600 and 900 Tg of CO2 (Endresen et al., 2003, 2007; Corbett and Kohler, 2003; Eyring et al., 2005). In Nigeria, it was reported that crude oil transportation was responsible for the devastation of the ecosystem of the country's oil region. Most of these adverse environmental impacts could be mitigated through local sourcing of materials, equipment, components and supplies as advocated by local content proponents.

2.8.4 Mitigation of Environmentally Damaging Social Conditions

This line of debate emerged from Janus (2011), Warner (2011) and Gunasekaran and Spalanzani (2012) who argue that besides the issues of carbon footprints and global warming that directly affect the environment, local content also prevents social conflicts, unrest and global terrorism generally which indirectly affect the environment. It was reported that Nigeria is one of the worst gas-flared and oil-spilled countries in the world recording about 4,835 spill incidents between 1976 and 1996 most of which were caused by bunkering and sabotage by irate youth from oil communities due to perceived marginalization and neglect by the government and oil companies (Ikporukpo, 1985; Brume, 2006; Benedict, 2011; Lawal and Ese, 2012). The Nigerian Extractive Industries Transparency Initiative (NEITI) claims that besides the loss of money to the state, illegal bunkering or oil theft "...has led to uncountable loss of lives and unquantifiable damage to the environment due to oil spills"; and vandalisation of oil pipelines "constitutes the greatest rate of environmental degradation and pollution" (NEITI, 2013: 11). With its social compensation effects, local content has the potential to mitigate some environmentally damaging social behaviour (Warner, 2011). Figure 1 below summarises the above discussion and depicts the convergence of the three sustainability dimensions as driven by local content.

Figure 1: Proposed theorizing of Local Content as Sustainability Driver



Source: Developed by the author from literature

Figure 1 above shows how local content produced the three groups of argument each of which led to one sustainability dimension, and subsequently produced the overall 'triple-bottom-line' implying that local content practices in the oil industry result in sustainability. To summarize the above proposition and the sustainability arguments, Olawuyi, (2012: 3) argues that for any petroleum exploration, production and development operations to be considered sustainable "it must lead to financial returns and profits to local entities as well as a positive balance of payments and technology transfer ". It should equally "result in the emergence of clean and efficient technologies in the host country". Additionally, it should provide improved quality of life, equity and "must alleviate the suffering of the country by providing social infrastructures...". These comments have involved all the three local content sustainability areas which have to work together to achieve the desired result. A major challenge to policy-makers in a free-market economy is the reconciliation and consolidation of the three dimensions and all the possible tensions existing among them. For example, it was considered unjustifiable for business corporations to sacrifice part of their profits to engage in the social and environmental activities (Reinhardt, et al., 2008) as this would undermine their wealth-maximization motives (Friedman, 1970). This is why it was recognised that sustainability involves trade-offs (Barbier, 1987). In Section 2.4 it was indicated that local content itself is a trade-off between in-country value and revenue through royalty and taxes.

As corporations may not voluntarily engage in certain local content sustainability activities for fear of losing control of the value chain (Hansen et al., 2015), regulations may have to be used. In some cases, however, in their attempt to gain political support, social license to operate, reduction in transportation and labour costs or elimination of tariff, firms voluntarily adopt local content rules (Swamidass, 1994; Munson and Rosenblatt, 1997; Fossgard-Moser, 2003; IPIECA, 2011). In another cases, governments have to use state laws or concession agreements to mandate the policy. In Section 3.5.5 below the study discusses how Indonesia, India and Saudi regulated their CSR practices to achieve sustainability. The absence of strong laws often makes developing countries vulnerable to environmental and human right abuses by the IOCs. In the next chapter, the study also reviewed the hard and soft approaches to enforcing local content.

Having successfully established the link between local content and sustainability, the next attempt is to present the nature in which local content provisions are embodied in petroleum contracts and the impacts of such on sustainability. The next section presents the discussion on how local content rules are incorporated in petroleum contracts.

2.9 Local Content Provisions in the Model Petroleum Contracts

There are many ways through which governments use local content to achieve their sustainable development objectives. The most common are the natural resource exploitation license, import license, and permission for investment or procurement (Hestermeyer and Nielsen, 2014: 565). Extractive industry licenses and contracts often contain provisions for local employment, training, technology transfer and sourcing of materials (Alba, 2009; Tordo, 2010). During the 2000, 2005 and 2006 Nigeria's licensing rounds, for example, bidders were required to show their commitment to technology transfer and obligations for training and employment of Nigerians. Venezuela had in 1997 offered twenty oil fields under operating service contracts and reserved five fields for local companies or joint venture with a Venezuelan company as the operator. In Chad, oil licensees are required to give preference to local materials, components and local labour. The case is similar in Timor-Léste and Equatorial Guinea. It was required in the Brazilian 2007 license round-7 that 37% local content be targeted in all expenditure at the exploration phase, 40% in the geological survey, 10% in logistics for drilling operations, and 95% in detailed engineering related to field production (Guimaraes, 2011). The situation is also similar in Egypt during a contract between the Egyptian General Petroleum Corporation and the American Esso Inc., where it was agreed that priority had to be given to local contractors and locally manufactured equipment, machinery, materials, and consumables (Likosky, 2009). These provisions are meant to put oil contracts in the hands of local firms in order to ensure sustainability in host countries. Local content is considered ''a negotiation point between companies and governments, stipulated in the terms of contracts" (Boykett et al., 2012: 206).

A survey of some oil-producing countries' licensing arrangements revealed the increasing use of local content in petroleum licensing as part of the oil companies' commitment to sustainable development activities in host environments. Table 2.2 below illustrates this increasing application of local content rules in petroleum negotiations using the model petroleum contracts of selected countries.

Table 2.2: Local Content in Model Petroleum Contracts of Selected Countries

Profile			Local Content Provisions		
Country	**Type of Petroleum Contract**	**Year**	**Employment & Training**	**Contracts & Procurement**	**Technology Transfer**
Angola	PSA	2008	*	*	*
Brazil	Concession	2008	-	*	*
Bangladesh	PSC	2008	*	*	*
Cambodia		2004	*	*	*
Cyprus	PSC	2007	*	*	-
Eq. Guinea	PSC	NA	*	*	*
Ethiopia	PSA	NA	*	*	-
India	PSC	2007	*	*	*
Iraq	PSC	NA	*	-	*
Jordan	PSA	2009	*	*	*
Kenya	PSC	2008	*	*	*
Liberia	PSC	NA	*	*	-
Libya	Ex. & PSA	2006	*	*	-
Namibia	Petroleum Agreement	NA	*	*	*
Nigeria	Offshore Deep Water PSC	1993	*	*	*
Seychelles	Petroleum Agreement	2013	*	*	-
Sierra Leone	Petroleum License	2012	*	*	-
Tanzania	PSA	2013	*	*	*
Timor-Leste	PSC	NA	*	*	-
Trinidad & Tobago	Deep on-shore PSC	2006	*	*	*
Turkmenistan	PSA	1997	*	*	*
Uganda	PCS	1999	*	*	*
Vietnam	PSC	NA	-	*	-

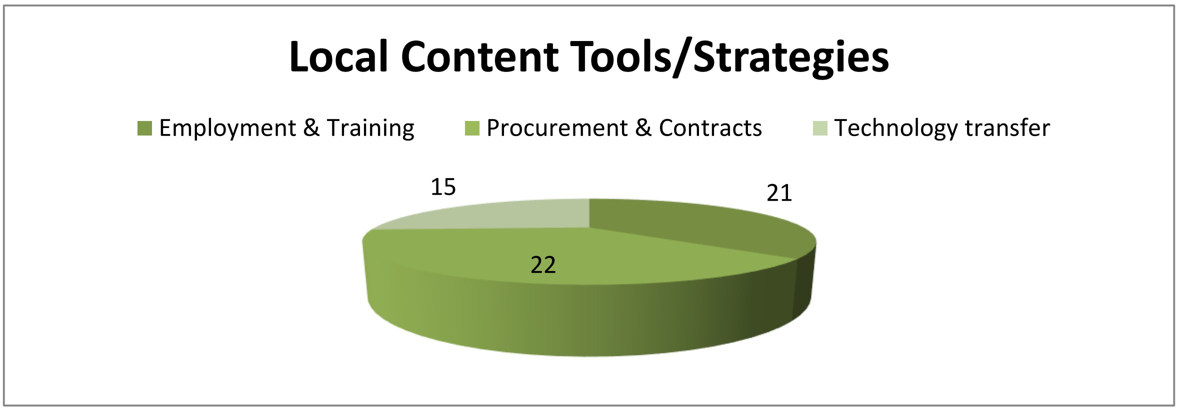
Source: Reviewed and extracted by the author from the Extractive Industry Source Book[12] and Nwoakoro (2011)

Table 2.2 above exhibits the principal areas of local content (employment/training, procurement/contracts, and technology transfer) embedded in petroleum agreements of various countries. This research made a short analysis to ascertain the local content elements most applied. From the table contracts and procurement have the highest application, then employment and training. The least applied tool is technology transfer.

[12] Available online at: http://www.eisourcebook.org/932_55LocalContent.html

This may not be unconnected with Tordo et al (2013: 150) argument that "foreign investors may be reluctant to transfer proprietary technology to companies with majority local ownership". It was observed that the absence of ownership policy in Kazakhstan and Brazil and the relaxation of such policy in Malaysia were deliberate attempts to fast-track technology transfer and foreign investment. Figure 2 below compares the frequency of the local content tools/strategies applied in the model petroleum contracts above.

Figure 2: Comparison of local content tools/strategies in oil contracts of selected countries



Source: Author

The three local content provisions above have sustainability implications, for instance, employment and training serve both the social and economic sustainability, procurement and contracts serve economic sustainability, and technology transfer serves environmental sustainability. The above analysis has therefore shown more emphasis on the social and economic sustainability. Similarly, the accounting and financial implications of the above provisions are discussed in Section 3.15. The three local content provisions also attract other fiscal incentives such as favourable tax rates for IOCs that establish facilities for local manufacturing or servicing in Nigeria (S. 48 NOGICD Act). These are some of the reasons why petroleum contracts often involve accounting and reporting provisions of local content which are regulated and enforced by designated local content agencies such as the NCDMB. These accounting provisions are considered by this study as mandatory (hard) local content accountability of oil companies. Aside the mandatory provisions, oil firms also engage in voluntary (soft) reporting.

These two reporting practices will be the subjects of the next chapter. But before going into that, the next section presents a few examples of the accounting and reporting provisions in petroleum contracts of selected countries.

2.10 Accounting and Reporting Provisions of Local Content in the Model Petroleum Contracts

It is a common practice that countries include dedicated sections in their petroleum agreements that prescribe how expenditure on the local content (e.g., local training and local purchases) should be disclosed. This is basically where local content oversight functions are critical due to the challenges involved in verifying and comparing actual performance against the reported. It was observed that (Alba, 2009: 11)

> *Internationally accepted accounting and reporting standards have been developed to deal with key financial accounting and reporting issues unique to the extractive industries. It is common practice for producing countries to refer to such standards in sector laws, contracts, and licenses. Special accounting procedures are also generally annexed to the relevant contract or license. Ideally, accounting procedures are standardized and apply (sic) to all projects in a country.*

This section has conducted a survey of some contract documents to locate such accounting provisions as they relate to local content. For example, the Brazilian Concession model contract of 2008 provided as follows:

> ***Accounting:***
>
> *The Concessionaire shall keep all documents, books, papers, registers and other elements, as well as all the necessary corroborative documentation to the calculation of the Local Content and give support to its accounting, provide all relevant charges and submit the financial statements in accordance with the applicable Brazilian legislation and in accordance with the fundamental principles of accounting and this Agreement.*

Other countries – India, Namibia and Sierra Leone have adopted a common accounting and reporting framework designed to report expenditure on local purchases using exact wordings. For example, the Indian model petroleum contract stated as follows:

Local Procurement Statement:

In furtherance of the obligation in Article 23 of the Contract for the Contractor to give preference to the procurement of Indian goods and services, the Contractor shall prepare in respect of each Year a local procurement statement, containing the following information:

(a) The amount of expenditure incurred by the Contractor directly, or indirectly through its Subcontractors, on goods supplied, produced or manufactured in India;
(b) the amount of expenditure incurred by the Contractor directly, or indirectly through its Subcontractors, on services provided by Indian entities;

(c) the respective percentages that the expenditure recorded under items (a) and (b) above represent the Contractor's total expenditure;
(d) a detailed description of the procedures adopted during the year to identify and purchase goods and services from Indian suppliers; and
(e) a detailed exposition of how the local purchases for the Year as recorded under items (a) and (b) above compared with the projected purchases included in the budget statement for that Year (pursuant to Section 12.1.3), with explanations for any significant variations;

In the Nigerian case, the local content accounting provisions for oil contracts are contained in the NOGICD Act as follows:

> *S. 60. Within sixty days of the beginning of each year, each operator shall submit to the Board their annual Nigerian Content Performance Report covering all its projects and activities for the year under review.*
>
> *S. 61. Subject to section 60, the report shall specify by category of expenditure the Nigerian content on both a current and cumulative cost basis and shall set out- (a) employment achievement in terms of hours or days worked by Nigerian and foreign workers and their status; and (b) procurement achievement in terms of quantity, tonnage of locally manufactured materials and materials of foreign origin.*
>
> *62. The Board[13] shall undertake regular assessment and verification of the Nigerian Content Performance Report filed by all operators in compliance with the provisions of this Act as may be considered appropriate by the Board.*
>
> *63. The Board shall issue directives to operators, contractors and other entities or persons in order to develop a process to facilitate reporting of activities relating to any aspect of this Act.*

One of the objectives of this study is to examine whether the NCDMB can enforce oil companies to submit local content reports in line with the above provisions. As stated earlier, the oversight agencies have the mandate to issue regulations and procedures to stakeholders on how to account for and report their progress on local content. Generally speaking, the introduction of local content into the accounting discipline is an emerging issue which found its way through the sustainability and social accounting literature. It is, however, pertinent that the study discusses how local content is incorporated into the sustainability accounting practice. This is the aim of the next section.

2.11 Sustainability Accounting and Local Content Provisions in Petroleum Contracts

Sustainability has already entered the accounting realm (Bebbington, 2001) and, local content as a sustainability policy has several accounting

[13] That is the Nigerian Content Development and Monitoring Board (NCDMB).

implications (see Section 2.3). Schaltegger and Burritt (2010: 378) argue that the reasons for sustainability accounting by firms include greenwashing, mimicry, industry and legislative pressure, self-regulation, ethical reasons, and business-case. In this work, the voluntary reporting of local content is supported by one of the most commonly used sustainability study approaches – the business case, and used by oil firms to gain public support and social license. The central idea of local content is that the environmental degradation, emission and pollution footprints together with the first-order (threats to health, life, etc) and second-order (social unrests, dislocation, etc) social costs associated with oil and gas production (Spence, 2011) are exchanged with economic and societal development activities in host oil-producing countries. In this regard, some of the documents that have played major roles in introducing local content into the accounting research include the *International Accounting and Reporting Standard Issues/*the *Guidance on Corporate Responsibility Indicators in Annual Reports* (2007, 2008)*,* the IPIECA, and the GRI sustainability reporting projects (IPIECA, 2011; GRI, 2013).

2.12 Conclusion

This chapter discussed the general and specific meanings of local content as it relates to the three tenets of sustainability and accounting in petroleum contracts. It demonstrated that the policy involves a portion of oil and gas contract values including materials and man-hours, that is sourced locally for the execution of petroleum projects at the preliminary, development, drilling, production and decommissioning stages. The chapter found local content to be a bargaining mechanism and an important element in oil contract bidding and awarding processes. The review of several petroleum model contracts in the chapter has revealed that the contract and procurement components of local content were more frequently used over the employment and training and technology transfer. The chapter also introduced the accounting provisions of local content in petroleum contracts; this will be extended to the next chapter after reviewing the wider natural resource governance.

CHAPTER THREE
Overview of Accounting, Accountability and Governance Provisions of Local Content Sustainability in Petroleum Contracts

3.1 Introduction

The last part of the previous chapter set the scene for the discussion of the accounting provisions of local content in petroleum contracts. This chapter extends the discussion to introduce the governance and accountability factors including the accounting and reporting processes applicable to local content. The chapter draws heavily on the Chatham House good governance framework which specifically addressed the oil and gas sector. This governance framework involves "local content" and "accountability", the two concepts which are the key topics of the study. The chapter then discusses the mandatory and voluntary accounting frameworks that guide local content reporting of oil companies. The next section starts by introducing the petroleum and natural resource governance before considering the accounting and accountability issues.

3.2 Governance in the Petroleum Sector

Achieving sustainable development is the major objective of natural resource extraction policies (NRGI, 2014, 2015). Roy and Tisdell (1998: 1322) posit that if not implemented properly, "good economic policies will not achieve sustainable development", but "effective implementation of policies depends on good governance". Therefore, "good governance is just as important as and, even more important than good economic policies". This implies that for the local content policy to achieve the desired sustainability goals it has to be supported by good governance arrangements (Ovadia, 2015). Governance was also identified as one of the basic pillars of achieving local content (Schlumberger, 2014). To further support these assertions, the Natural Resources Governance Institute (NRGI) has dedicated a large part of the '*precept 10*' of its Natural Resources Charter Decision Chain on local content (NRGI, 2014). This shows how relevant governance practices are to the implementation of local content. Discussion of governance in the petroleum sector is vital as one of the study's major concerns is the assessment of accountability in the implementation of local content policy in Nigeria. This informed the decision to adopt the stakeholder-accountability approach as the framework which produced sixteen (16) accountability indicators used in the study (see Figure 15 and Table 5.3). Apiah-Adu and Apiah-Adu (2013) applied Derby's (2010) three natural resource governance indicators – accountability, transparency and participation – to study sustainable development in the petroleum sector of Ghana. Heller and Heuty (2010: 53) also identified another set of oil sector governance and accountability of oversight agencies to include "transparency, clarity of roles and responsibilities, and the enshrinement of core rules in law rather than in contracts[14]". Natural resource governance is a complex issue (Andrews-Speed et al., 2012), and the two sets of indicators presented above are considered too narrow to address all issues raised by the study. For this, the work finds the Chatham House governance framework (2013) as the most appropriate to adopt (although a practitioner framework) for three reasons. Firstly, throughout the governance literature known to the study, it is the only framework that specifically tailors to addressing the oil and gas sector. Secondly, it incorporates 'local content' and 'accountability' which are the focal points of the research. Finally, adopting the framework will enrich the academic literature on oil sector governance and will also strengthen the links between the theory and the practice. With this introduction, the next section presents the Chatham House governance framework.

3.3 The Chatham House Good Governance in the Oil and Gas Sector

The Chatham House publication – the *Guidelines for Good Governance in Emerging Oil and Gas Producers (2013)*[15] (Valérie Marcel, 2013), outlined

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[14] It was noted that a country risks being short changed if it left major petroleum rules such as local benefit or environmental protection policies open to negotiations with contractors. They should rather be treated as mandatory legal requirements.

[15]The project was the result of a collaborative work of experts from governance institutions including the Commonwealth secretariat, the Natural Resource Charter, the Natural Resource Governance Institute and the PETRAD. The purpose was to invite experts to draft these guidelines that would address most of the governance issues of oil and gas extraction as would particularly be useful for the developing and new frontier oil-producing countries.

seven key determinants for assessing good governance of the oil sector. The essence of presenting this governance framework is to form the basis for the discussion of local content, accountability and accounting within the context of petroleum operations in Nigeria. By doing this the study's conceptual framework would be developed from the first principle and progress through the chapters. Figure 3 below presents the Chatham House governance framework.

Figure 3: Chatham House Petroleum Sector Good Governance Guidelines

Source: Compiled from Chatham House (2013)

The following sections will firstly discuss the seven elements in turn then proceed with the discussions of local content and accountability elements throughout the rest of the thesis.

3.3.1 Attract the Most Qualified Investor for the Long Run

Investment is the first step in any oil and gas operation. To attract the most suitable investor (particularly, the IOCs), it was recommended that there have to be effective prequalification criteria when awarding oil licenses and contracts. To discourage corruption, all information on bidding must be publicly available. Auctions and open license biddings were also said to be the most efficient options (Chatham House, 2013). This indicator would contribute to our understanding of one of the functions of the NCDMB of participating in oil license and contract processes and mandating oil firms to submit, during the prequalification[16] stage, specified documents describing the scope of the work, list of potential bidders, invitation to tenders, dates for pre-qualification and technical evaluations, etc. See Appendix 1a and 1b for sample invitation to tenders for the sale and purchase of crude oil, and invitation to pre-qualification including the local content requirements of S. 20-22 of the NOGICD Act, 2010.

3.3.2 Maximize Economic Return to the State through Licensing

It was posited that to achieve sustainable development from their natural endowment, oil-producing countries "should design fiscal terms that give the state early revenues for urgent development needs while ensuring long-term economic benefits via local content requirements" (Chatham House, 2013: 5). This statement points to the arguments on the complementarity of, and the trade-off between local content and royalties/taxes suggested by Esteves (2011) and Cotula (2013).

3.3.3 Earn and Retain Public Trust and Manage Public Expectation

As far as the petroleum activities are concerned public trust can only be obtained through job creation, stakeholder engagement and disclosure of information on bidding procedures. This minimizes corruption and the "potential grievances from unsuccessful bidders" (IPIECA, 2011: 29;

[16] In several instances, the IOCs operating in host countries issues Invitation to Tenders (ITTs), receive and review prequalification documents from prospective bidders, and award contracts. This is a typical example of countries like Nigeria where the NOC and the IOCs operate together in a joint venture with the IOCs as operators. In this case, to ensure accountability in the process, the Global Reporting Initiative (GRI) has recommended that these documents should be reported by the IOCs in company reports. See GRI (2013).

Chatham House, 2013). In Section 1.3 for instance, we have observed stakeholders' concerns over the possibilities of corruption associated with the implementation of local content in Nigeria especially in selecting contractors or where import waivers are involved. This is why S.57 and 63 of the NOGICD Act demand transparency, reporting and stakeholder engagement in petroleum contracts. To meet local expectations, local content is the recommended policy. This is presented in the next section.

3.3.4 Increase Local Content and Benefits to the Broader Economy

Local content according to Chatham House (2013: 19) is a "macroeconomic policy that maximizes linkages between the capital-intensive, high-tech petroleum sector and other sectors of the economy". NRGI (2015) observes that governments who want to introduce local content "need to understand associated costs and challenges such as potential loss in company profits resulting in reduced revenue, inflation and corruption". As would soon be seen, two local content models are presented and reviewed below. These two models (first and second models) are used to underpin this work.

3.3.5 Ensure National Oil Company Participation in the Development of the Resources

This governance element ensures the participation of NOCs in natural resource governance. In many jurisdictions including Nigeria, Brazil, Angola and Senegal NOCs participate in petroleum activities alongside their foreign counterparts through joint ventures, production-sharing or service contracts. This practice, besides being one of the requirements to join the OPEC, has the advantage of reducing information asymmetry between authorities and the IOCs (Olomola and Olumide, 2005; Chatham House, 2013) which may put the authorities at a disadvantage. For instance, the Nigerian government carries the majority interest in all the seven joint ventures with the major IOCs and oversees the numerous production-sharing contracts. This gives the government enough leverage to pursue local content which results in local capacity development.

3.3.6 Gradually Build Capacity and Enable Actors to Perform their Roles

It was required that NOCs should acquire skills and knowledge through on-the-job training and technology transfer in order to change their positions as dormant to more active partners. This does not exempt the IOCs from their role as one of the pursuers of local sustainability. The Nigeria's NOGICD Act for example apart from providing for technology transfer has also made a provision for succession plan [17] as recommended by the Chatham House (2013). The next section presents the accountability indicator as the last but the most important indicator in the governance framework.

3.3.7 Increase Accountability

Accountability is viewed as the "institutionalised relationship between actors" that is, accountees and accountors (Darby, 2010). Lahn et al. (2007) contended that the whole issue of accountability in the natural resources hinges on three elements: revenue transparency, licensing and contracting and local content. That is why local content and accountability cannot be separated. Figure 4 below presents the governance framework discussed above and the local content models it produced.

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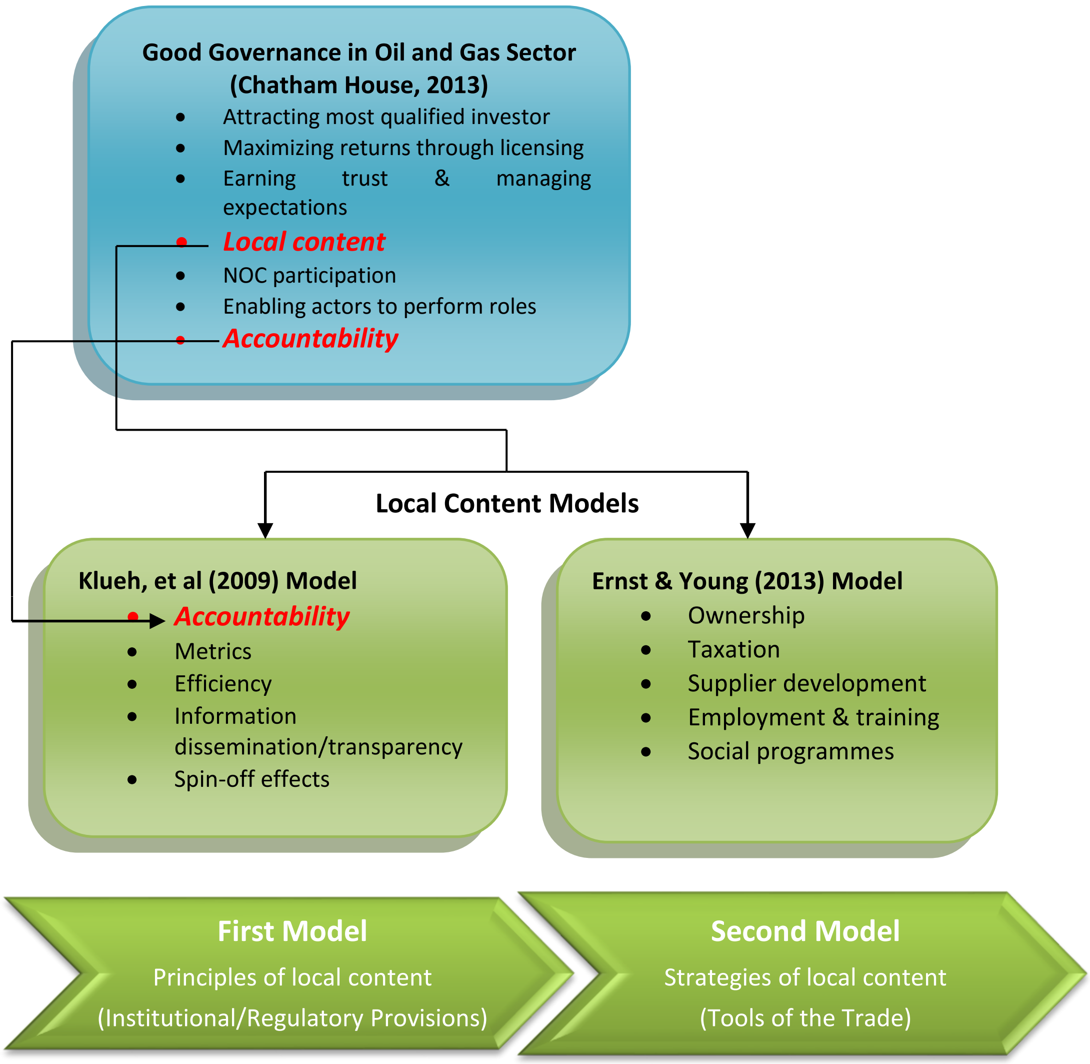
[17] This involves provisions for training and technology transfer to the locals preparatory to the period when local personnel become competent to take over leadership positions currently occupied by the expatriates.

Figure 4: Good Governance Framework & Local Content Models



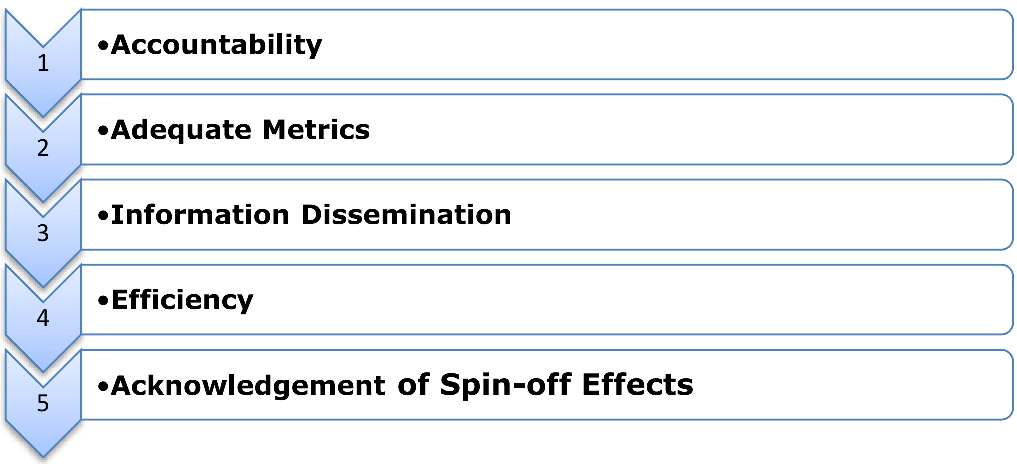
Source: Author generated from literature

From Figure 4 above we can see that two local content models - Klueh et al. (2009) or the first model, and EY (2014) or the second model, are produced from the Good Governance framework. The notable differences between the two models are that while the former provides the foundations for the existence of local content, and in combination with the governance framework, underpins our conceptual framework (stakeholder-accountability), the latter forms the tools or strategies that are to be used to achieve local content sustainability benefits. The two models work in tandem; authorities use the elements of the first model to exercise their regulatory roles in the petroleum value chain to pursue the elements of the second model (see Appendix 2 for the functions of regulators via the first model). Similarly, the IOCs support sustainability in the oil industry through the second model. This line of discussion is presented in Sections 4.8 and 4.11. The second model is also a practitioner model found to be very relevant to the academic discourse for the particular contributions it makes towards the understanding of a complete picture of local content governance in the oil sector initiated by this work. As a similar theoretical model is lacking, the use of the EY (2013) model becomes unavoidable. The next sections consider the two models.

3.4 The First Model: Institutional/Regulatory Provisions

From Figure 4 above we have seen how local content was found within the oil sector governance framework. Although the first model predated the Chatham House Governance framework, it can be logically and convincingly argued that local content as a sustainability policy implemented by governments for the benefits of the citizens is under the umbrella of governance. After studying local content policies of many international oil and gas industries around the world, Klueh et al. (2009) developed the 'principles of local content', consisting of five elements involving regulations, rules, procedures and institutions that provide the ground and the environment for the implementation of local content. These principles are a necessary condition and mutually inclusive. These are presented in Figure 5 below.

Figure 5: First local content model



Source: Compiled from Klueh (2009)

The above principles are discussed in the following paragraphs.

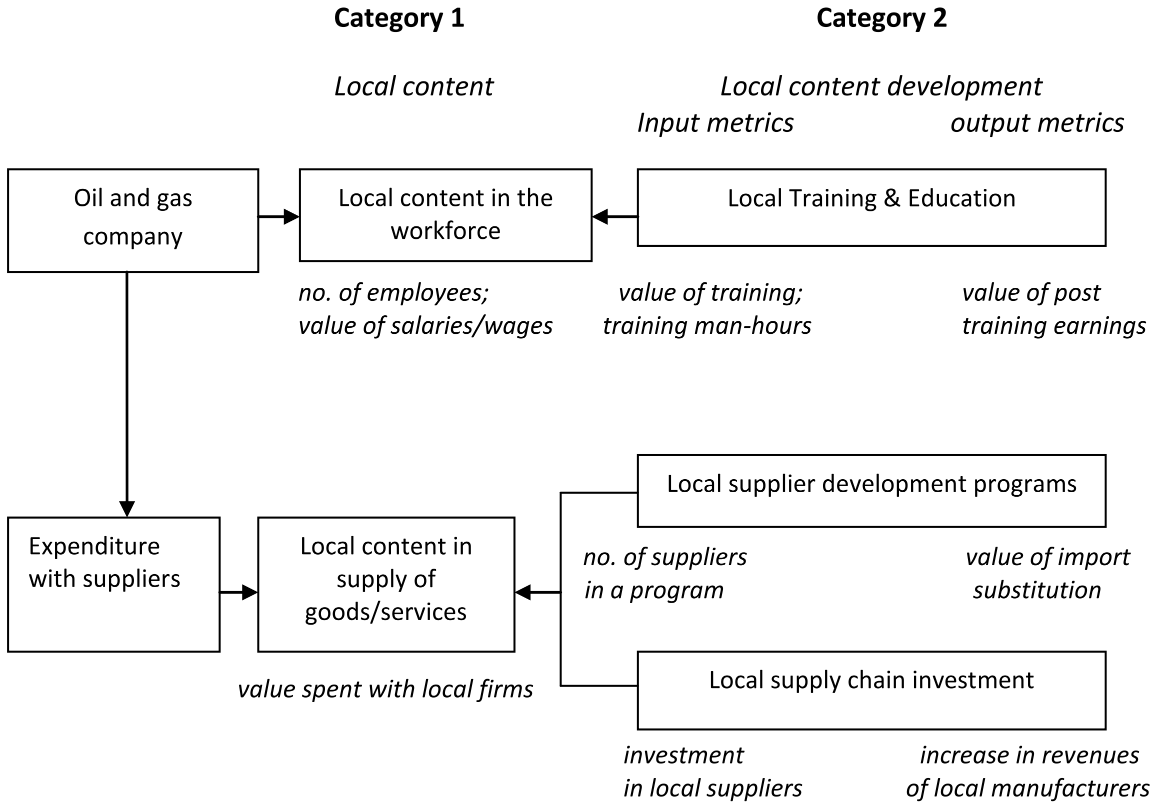
3.4.1 Accountability

It was opined that local content "arises from a contract-based market exchange between MNCs and local firms", and to execute the contract there has to be an established body that would facilitate the process (Hansen, et al. 2015: 6). Accountability in this context involves the establishment of a strong independent public agency that will shoulder the responsibility of monitoring, reporting and compliance with local content rules. The agency according to Klueh, et al., (2007) has to maintain personnel competent in accounting practice to discharge the stated functions more efficiently. The agency has to ensure that local contractors and suppliers are involved in all petroleum bidding and contracts. Many oil-producing countries that use local content rules have created dedicated oversight agencies. For example, the UK's OSO, the Norwegian GSO, the Australian ISO, the Brazilian ANP, the Indonesian SKSPMIGAS and the Nigerian NCDMB. The core functions of these agencies have been summarised in Appendix 2. It should be appreciated that the concept of "accountability" has intercepted both the governance framework and the Klueh's local content model, underscoring the fact that accountability is the philosophical basis of governance in general and local content in particular (refer to Figure 4 above). Next to accountability is the reporting metrics.

3.4.2 Adequate Metrics

This principle is used by the authorities to ascertain "what constitutes local content" and its computation at the exploration, development, production, and decommissioning phases – for the purpose of accounting and reporting (Klueh, 2009: 1131; Tordo, 2013). These metrics must be clearly and unambiguously stated (Hansen, et al. 2015) and may include percentages of capital expenditure (CAPEX), operating expenditure (OPEX), man-hours, jobs generated, tonnes of equipment fabricated in-country, subcontracting, etc. (Hilary-Nwokonko, 2004; Bordmann, 2010; Warner, 2011). These metrics can be categorised according to Munson and Rosenblatt's (1997) volume- and value-based local content and Tordo et al.'s (2013) 'local content' and 'local content development' (see Section 2.3). Local content metrics are divided into two parts as shown in Figure 6 below.

Figure 6: Categories of Local content metrics



Source: Tordo et al. (2013: 66)

Figure 6 above indicates that while the first category (i.e., local content) focuses on the actual salaries and wages, the size of local personnel employed and the value of expenditure on local suppliers, the second category (i.e., local content development) focuses on the measures of sustaining the first category. For instance, if the IOCs refuse to train and transfer the required technology to the local workforce or fail to invest in the local supply chain, there would certainly be no qualified local personnel or capable contractors, suppliers or manufacturers to participate in the petroleum value chain and actualise the local content aspirations. Metrics in the second category are divided into input and output, that is, investment and returns on the investment. It emphasises the establishment of local linkages and other benefits for future generations. This underscores the sustainability nature of local content and reaffirms Heller's (2011) argument that local content would benefit future generations after the oil has depleted. Both categories of metrics have been adequately captured by the second local content model (EY, 2014) and the GRI/IPIECA sustainability guidelines to be discussed in later sections. The next principle is efficiency.

3.4.3 Efficiency

It has been claimed that in setting targets for local content, regulators have to consider the available technological capacity in the industry (Hansen, et al., 2015). Targets have to be realistic and within the capacity of local suppliers, contractors and personnel (Esteves, 2011; Kalyuzhnova, 2012; Tordo, et al., 2013). This constraint is regarded as the determining factor for the size of local benefit that could be derived (Klueh et al. (2009). Although her fabrication sector was considered relatively developed, for example, it has been reported that the Nigerian indigenous capacity in the oil sector is largely weak technologically, financially and institutionally affecting most of the local content targets (Balouga, 2012). One of the key functions of the oversight agencies is informing stakeholders about the industry's capacities and new opportunities (IPIECA, 2011). The next section considers this issue.

3.4.4 Information Dissemination (Transparency)

Information dissemination is an integral part of transparency (Bushman and Smith, 2003; Cornand and Heinemann, 2008). Local content successes rely on the extent to which policy-makers are transparent to the industry stakeholders including the IOCs, NOCs, indigenous oil firms, trade associations, civil society groups, etc. (Chatham House, 2013). That is why local content is a stakeholder-based policy because no single party can accomplish it without the collaboration of other parties (Vaaland et al., 2012). Tackling information asymmetry is one of the major functions of local content Osammor (2008; Chatham House, 2013). For this purpose, Klueh et al (2009) recommended that an information office which will promote local-foreign stakeholder collaboration, and joint ventures should be established. The office should maintain a register of all qualified local contractors. This type of register has been utilized by many countries around the world. For example, the FPAL of the UK, Ireland and Netherland, JQS of Norway and Denmark, RPP of Venezuela, SICLAR of Argentina[18] and JQS of Nigeria[19].

3.4.5 Acknowledgement of Spin-off Benefits

This principle is concerned with the creation of strong economic linkages between the oil industry and other sectors (Klueh, 2009) facilitated by the combined effect of the above four principles. For this reason, this study concludes that local content agencies through their regulatory functions (accountability) design and monitor performance targets (metrics) which are communicated to stakeholders (information dissemination/transparency) who use available capacity (efficiency) to develop economic linkages (spin-off benefits). For example, a study by Adewuyi and Oyejide (2012) found a clear evidence of such linkage in the fabrication and construction, well construction, completion, ICT and control systems sectors of the Nigerian oil industry.

Having discussed the foundation and institutions of local content, it is pertinent also to present and consider the avenues, mechanisms or strategies applied by authorities to achieve the desired local content objectives. These are contained in the second local content model presented in the next section and are termed by this study as the 'tools of the trade'.

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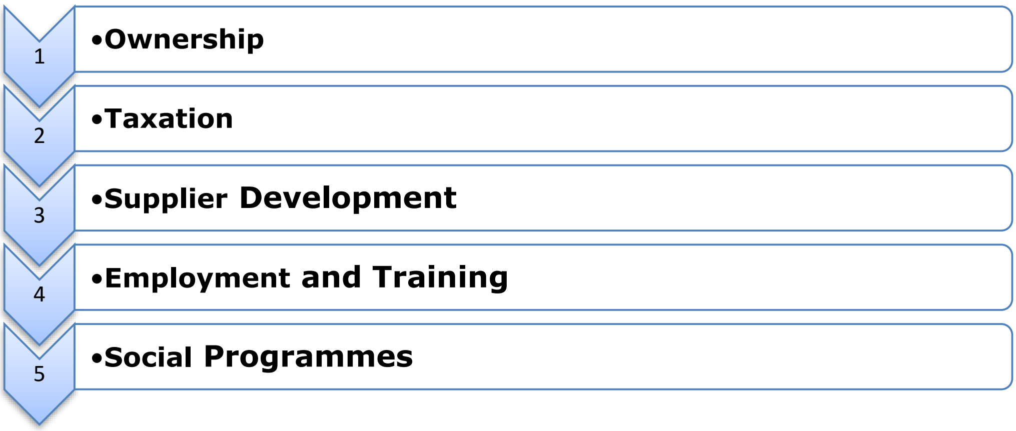
[18] These are contractors/suppliers prequalified databases available on Achilles http://www.achilles.co.uk

[19] The Nigerian Joint Qualification System (JQS) is a database of prequalified oil and gas contractors, service providers and workforce meant to facilitate interactions among stakeholders in the petroleum value chain as well as reducing the length of the contracting circle.

3.5 The Second Model: Tools of the Trade

The global accounting and auditing firm Ernst & Young (EY)[20] identified five tools or strategies through which local content can be maximised. The rationale for using this model is that while the academic literature fails to give sufficient attention to the mechanisms of achieving local content, the Ernst & Young model has provided a comprehensive account of this. The variables in the model are found to be consistent with the local content indicators of the GRI and the IPIECA, the existing practices of oil-producing countries (see Tables 2.1, 3.1 and 3.2), the three fundamental mechanisms used by the NCDMB (Hufbauer et al., 2013), and the local content strategies of the IOCs (Ngoasong, 2014). These indicators are presented in Figure 7 below.

Figure 7: The Second Model (Tools/Strategies)



Source: Compiled by author from Ernst and Young (2013)

The sections below discuss the above tools.

3.5.1. Ownership

Local share ownership in oil companies plays a significant role in determining the extent of local content in petroleum operations. Notwithstanding the argument of some scholars and the practice of some

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[20] Ernst & Young is one of the top four global Accounting and Auditing Firms that worked in the local content field. The other three audit firms PriceWaterHouseCoopers, KPMG, Deloitte also contributed immensely to our understanding of local content in the oil industry.

countries (such as Brazil, Kazakhstan, Norway, Malaysia and Russia) that location of companies is enough to determine the local value addition (Nordas, et al., 2003; Wells and John, 2008; Kniznikov and Wilson, 2010; Heum, et al., 2011), other countries (including Congo, Uganda and Angola) require specific percentages of local share ownership in oil licenses as part of their local content strategies (PwC, 2013). Nigerian local content rules have gone to the corporate governance roots of the IOCs and categorised oil companies according to the percentage of share ownership, board membership and managerial and supervisory positions held by nationals (Hilary-Nwokonko, 2004). This position is supported by the GRI/IPIECA local content sustainability indicators. Supporting further, Cotula (2010: 10) argues that effective local content arrangements would "set specific percentage targets for positions reserved to local nationals, possibly differentiated by categories of employment (e.g., unskilled labour versus technical and managerial positions; temporary versus permanent employment)". This staffing arrangement has implications for corporate board diversities and the general performance of the IOCs (Peterson, et al., 1996; Wang, et al., 1998; Delios and Björkman, 2000; Richards, 2001; Harvey and Richey, 2001; Ruigrok, et al., 2007).

Using the accounting framework and the input-output data, the empirical study proves that exports by domestic-private and state- owned enterprises have higher local content values compared to that of the wholly-owned foreign and foreign joint venture companies (Koopman et al., 2012). In a contrary argument, Tordo et al. (2011) contend that local ownership may adversely affect local value-addition in some situations because foreign investors may not be willing to invest and transfer proprietary technology to companies with majority local shareholding. The heated debate on the determinants of local value-addition is yet to be resolved with the two major international bodies – the World Bank and the African Development Bank divided on the ownership-location dichotomy. While the former prioritises local equity ownership alone, the latter considers the totality of the location, number of nationals on corporate boards and equity ownership to be the determining factors for value-addition through local content (Dobbs et al., 2013).

3.5.2 Taxation

The nature of the fiscal regime of countries determines the extent of local content value to be achieved (Chatham House, 2013; EY, 2014). Tax breaks, lowered royalties, un-ringfencing or cross-fencing of costs are employed by governments to attract the IOCs and to encourage exploration in frontier areas (Jennings et al., 2000; Chantasasawat, 2008; Ravat and Kannan, 2013; IMF, 2013). Through this, local oil firms and workforce gain new technology and employment. Taxation is, therefore, "a public policy tool that may be used in social and environmental matters" (2010: 36).

3.5.3 Supplier Development

One of the most important elements of local content is the enhancement of the capacity of local suppliers (Balasubramanyan, 1991). EY (2014) noted that the capital and operating expenditure (CAPEX and OPEX) of the oil industry are extremely significant, and oil companies will benefit from localisation of the supply chain. Local procurement is capable of lowering the operating costs of oil companies (Ovadia, 2014). It has also been argued by Sturgeon et al. (2008) in Primo and DuBois (2012) that local suppliers have the ability to minimize logistic risks, cut down lead-times, ensure flexible delivery and assist oil and gas companies to meet their local content obligations. EY (2014) found evidence that some IOCs engage in redesigning their oil rigs to a format which will enhance local content in areas of high specialization and spend. In this connection, a special IOCs–supported programme – the *Offshore Rig Acquisition Strategy* - was initiated by the Nigeria's NCDMB to encourage rig ownership and maintenance.

For this reason, Ngoasong (2014) observed that to support the technology capacity of local suppliers and contractors IOCs have now maintained a defined local sourcing mechanism. Supplier development indicator is part of the GRI/IPIECA sustainability guidelines and will be used in chapter nine to assess the Nigeria's IOCs' extent of engaging local suppliers.

3.5.4 Employment and Training

Although the oil industry is not a major employer of labour due to its capital extensive nature (Frynas and Paulo, 2007; EY, 2014), employment and training of local workforce have been practiced by almost all the IOCs with the intention of developing local capacity and meeting local content targets. Local content was proved to be positively related to employment but has mixed effects on welfare (Chao and Yu, 1993; Gu and Yabuuchi, 2003). Fossgard-Moser (2003) used a case study to demonstrate how local employment could lead to sustainable development which is the prime aim of local content policy. He considered the demand for local labour from various perspectives – demand perspective (the construction phase of oil and gas project, for example, requires the highest number of labour and materials), cost perspective (utilizing local labour is cheaper than using the expatriates), sustainability perspective (at the operations phase less labour is required) and skills perspective (some stages of petroleum development such as the construction phase require low-skilled labour). Engaging local labour provides the avenue for technology transfer which is an important aspect of local content in petroleum contracts (see Sections 2.2 and 2.8.1). Havro and Santiso (2008) posit that the benefits of local content can effectively be enhanced when it is accompanied by technological spill-over. Employment and training are part of the GRI/IPIECA sustainability indicators to be dealt with in chapter nine.

3.5.5 Social Programmes

Through social programmes oil companies accomplish social responsibilities which may eventually lead to greater local content. Due to its triple-bottom-line nature, a number of studies have related local content to Corporate Social Performance (CSP) or Corporate Social Responsibility (CSR) which are variants of sustainability. For example, Fossgard-Moser (2003) classified local employment and local purchases by IOCs as part of CSP. Both local content and the CSR were underpinned by legitimacy theory (Ado, 2014). Ado (2014) also found that CSR, which used to be voluntary, was increasingly becoming regulated and mandatory as in Indonesia, India and Saudi. Viewed as an efficient alternative to local content capable of enhancing transactions between IOCs and local suppliers, CSR is said to have covered three major areas – transparency, labour/human rights, and local content (OECD/IEA, 2006; Amadi et al., 2006; Anchondo, 2010; Olowokudejo et al., 2011; Cimino et al., 2014)[21]. Wiig and Kolstad (2010) after conducting an intensive study of the Angolan oil and gas industry found that local content and environmental efforts to reduce gas flaring and oil spills were the two most important CSR components that determined the award of petroleum contracts. Many of the CSR activities of extractive companies often relate to local hiring, job retaining, utilisation of local suppliers, and re-investment in the downstream ventures (Vintro et al., 2012; Van Alstine et al., 2014). This is why Gulbrandsen and Moe (2005) argue that local content is part of the activities resulting from the ever-increasing pressure on multinational corporations to ensure that their operations lead to the maximization of local benefits.

Summing up, it can be concluded that local content as a key lever for sustainable economic development (Cortula, 2010) is concerned with corporate governance (ownership), fiscal issues (taxation), supply chain strategies (supplier development), human resource issues (employment and training), and corporate social responsibility (social programmes). These tools were further supported by the Natural Resources Governance Institute (NRGI) (2015). The sustainability relevance of the two local content models is presented in the next section.

3.6 Relevance of the Local Content Models to Sustainability

The two local content models that have emerged from the good governance framework would help significantly in setting the context of this study. As shown earlier (Figure 4), the first model (Klueh et al., 2009) is the institutional and regulatory basis for local content. For example, there could

[21] Local content only works in an accountable and transparent atmosphere as corroborated by EITI, Revenue Watch Institute, Publish What You Pay, etc. Labour issues are also a major area of local content because the major aim of the policy is to create local jobs and reduce the poverty and sufferings of the host oil-producing nations.

not be an effective local content policy without a regulatory agency, or monitoring, compliance, accounting and reporting procedures (principle of accountability), or in the absence of specific targets (principle of metrics), capacity (principle of efficiency) or information and engagement with the oil industry stakeholders who are the executors of local content (principle of information dissemination). Even though local content exists, it would still have no impact if it is unable to create linkages among different sectors of the economy (principle of spin-off effect). The combination of the five principles points towards the achievement of sustainability. The first model would also allow an assessment of the functions of the NCDMB. While prior studies on local content in Nigeria have assessed the situation of available capacity (principle of efficiency) (Ihua, 2010; Balouga, 2012; Vaaland et al., 2012; Abdulwahed, 2014) and linkages (principle of spin-off effect) (Ihua, 2011) in isolation, none has studied the accountability principle which according to literature involves the setting of targets (principle of metrics) and transparency (principle of information dissemination). This is part of the gap the current study attempts to fill.

The second model (EY, 2014) depends on the first model and consists of local content sustainability drivers that impact on the quality of lives and the environment of the present and future generations. We can apply the direct, indirect and induced effects of local content (Warner, 2011; Lunde, 2011; Saipem Sustainability Report, 2013) to justify how governments generate tax through local labour and local procurement to effect developmental projects; or the use of taxation to attract investment in local content (Jennings et al., 2000; Chantasasawat, 2008; Cotula, 2010; Ravat and Kannan, 2013; IMF, 2013). The study also reviewed the ownership and location arguments in Section 3.5.1 and found how OPEC members have used ownership strategies to acquire participating interests in concessions previously held by the IOCs. It was further reviewed how local sourcing (supplier development) reduces pollution, transportation costs and enhances environmental and economic sustainability (Section 2.8.3); and how local employment serves as social compensation leading to social sustainability (Section 2.6.1). For the social programmes, the study has reviewed how local content relates to the corporate social responsibility (Ado, 2014) which is, undoubtedly, a subset of sustainability.

The sustainability drivers in the second model have also coincided with those of the GRI/IPIECA local content sustainability indicators used to analyse the IOCs' sustainability reports in chapter nine. The model also consists of local content strategies used by countries in Table 2.1 of the previous chapter. For example, the UK, South Africa, Trinidad & Tobago, Kazakhstan and Indonesia focused on in-country procurement (supplier development variable), Norway focused on indigenous participation (ownership variable), whilst Nigeria, Ghana and Angola concentrated on both options. Having exhaustively discussed the concept of *'local content'* as developed from the governance framework the study now introduces the concept of *'accountability'* which is the intersection between the governance framework and the first local content model (see Figure 4).

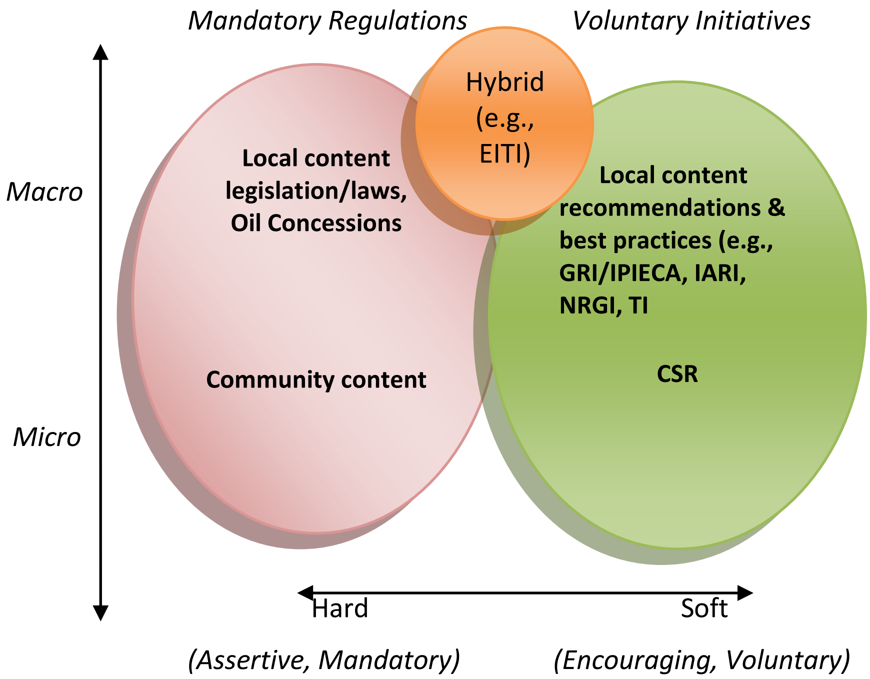
3.7 Accountability in Local Content

Central to the seemingly unrestricted definitions of accountability are the relationship between two parties (accountor and accountee), the subject-matter (financial or non-financial), and the resulting performance consequences (Scott and Lyman, 1968; Stewart, 1984; Gray and Jenkins, 1985; Roberts and Scapens, 1985; Gray et al., 1996; Frink and Klimoski, 1998; Mulgan, 2000; 2003; Ebrahim, 2003; Pollitt 2003; Kluvers, 2003; Dubnick, 2005; Goddard, 2005; Koppell, 2005; Bovens et al. 2008; Kim, 2009; Iyoha and Oyerinde 2010). Accountability involves organisational practices clarifying goals, expectations, assessment, and provision of information to measure performance (Holland, 2002). Its scope involves reporting, auditing, power, sanctions, enforceability, answerability, responsibility, responsiveness, etc. (Mitchell, 1993; Frink and Klimoski, 1998; Newell and Bellour, 2002; Ebrahim, 2003; Goetz and Jenkins, 2005; OECD, 2008; Darby, 2010; Boni, et al., 2011). Accountability is attributed to the book-keeping and accounting literature (Sinclair, 1995; Weber, 2011; Messner, 2009) and linked with the idea of checks and balances, provision of accounting information and prevention of corruption. It is the cornerstone and philosophical basis for the accounting practice (Roberts, 1991; Andrew, 2001; Connolly and Hyndman, 2003; Iyoha and Oyerinde, 2010; McCall and Klay, 2009; Weber, 2011). As such, any discussion of local content accountability suggests accounting and reporting on local content.

Accountability is used to confront many extractive industry governance challenges including petroleum licensing and contracting, biddings, local content, revenue collection and spending, as well as auditing in the oil and gas industries around the world (Short, 2014). Therefore, accountability as both a natural resource governance indicator and an underpinning principle of local content (see Figure 4) underscores the responsibilities and the calling and answering to account among stakeholders involved in local content implementation. Local content accountability is said to either be assertive/mandating which obliges the utilization of and reporting on local materials, suppliers or labour; or encouraging/voluntary which motivates the behaviour of oil and gas companies to engage in voluntary activities including disclosure of local content information in sustainability reports (Tordo, et al., 2013: xvii; Bastida, 2014).

While the mandatory local content uses government policies, guidelines or legislation to regulate the accountability relationships between responsible agencies and stakeholders, voluntary local content utilises recommendations of best practices by accountability bodies such as the Natural Resource Governance Institute (NRGI), the Transparency International (TI), the Global Reporting Initiative (GRI), and the International Petroleum Industry Environmental Conservation Association (IPIECA). This reaffirms Levitt and Chandler’s (2012: 3) argument that local content may operate in the form of “government mandates” in one situation while in another “may be identified with corporate social responsibility”. To articulate this discussion very well, the following section draws on Van Alstine’s (2014) typology of natural resource governance to illustrate the mandatory, voluntary and the hybrid local content accountability. This is presented in Figure 8 below.

Figure 8: Typology of local content accountabilities in natural resource governance



Adapted and modified from Van Alstine (2014: 34)

The above figure shows that local content rules may be hard or soft at the macro and micro levels (Tordo et al., 2013; Van Alstine, 2014). Hard rules are mandatory provisions and often come in the form of government policies, guidelines and regulations as in the case of Ghana, UK, South Africa and Indonesia, or dedicated legislation as that of Nigeria, Brazil and Angola (Table 2.1). Oil concessions form part of the hard rules that mandate oil companies to implement local content with the attached accounting and reporting requirements (see Section 2.10). These are largely at macro (national) level although in few cases the micro community content also applied. The mandatory provisions are binding on both the regulators (e.g., NCDMB) for enforcement accountability and the IOCs for compliance accountability. Soft rules at the macro level are voluntary practices that encourage oil companies to comply with the international best practice on local content (e.g., reporting local content in sustainability or annual financial reports). At the micro level, however, there is the CSR.

At the centre there lies a hybrid (soft/hard) accountability that is, the EITI. EITI is a voluntary initiative but is increasingly adopted as mandatory in some jurisdiction such as the Nigerian NEITI Act 2007. These hard and soft rules are accompanied by mandatory and voluntary accounting and reporting frameworks respectively. These are addressed in the following sections.

3.8 Accounting and Reporting Frameworks of Local Content in Petroleum Contracts

Many oil-producing countries are striving at laws that give preference to indigenous oil companies, encourage joint ventures, and establish uniform financial accounting standards for the IOCs operating in their environment (Lunde, 2013). This invokes the regulation governments, of the accounting practice for the IOCs to report local content expenditure. The reason for regulating accounting practices arises from information asymmetry and for that, "government intervention in the financial accounting standard-setting process has been regarded as necessary because of failures in the market for accounting information" (Gaffikin, 2005; Chalmers et al., 2012: 1010). Many petroleum license agreements have provided the procedures of accounting for, and reporting of local content (see Section 2.10). These form the basis for the mandatory reporting to fulfil mandatory accountability.

Similarly, IOCs may report their local content performance voluntarily in their integrated annual financial or sustainability reports based on the Global Reporting Initiative (GRI) or the IPIECA guidelines (IPIECA, 2010; Perego and Kolk, 2012; Searcy and Roca, 2012; Fonseca et al., 2012; Murguia and Böhling, 2013). The International Accounting and Reporting Issues (2007, 2008) provide another framework for local content reporting. The International Accounting Standards (IAS) 14: "*Segment Reporting"* (superseded by the International Financial Reporting Standards (IFRS) 8: "*Operating Segments"* and the IAS 21: "*Effects of the Changes in Foreign Currency" Rates* are also found to be useful in reporting local content. These reporting guidelines and standards will be discussed in detail later in the chapter. Moreover, the number of publications on local content by the top global auditing firms (KPMG, 2011; Deloitte, 2013; PwC, 2013; Ernst & Young, 2014) further indicated the greater need for accountability in local content. Commenting on the accounting and reporting procedures in the extractive industry in general and local content in particular, Alba (2009: 9) observes that:

> *Accounting rules and procedures for EI (extractive industry) operations and regular audits that meet international standards are also critical, in particular, to assess production and export volumes, prices, and capital and operating costs, as well as to monitor compliance with procurement procedures, local content obligations, and social compensation requirements.*

It follows that companies involved in oil and gas contracts have to carefully account for, and report on local content expenditure incurred at the exploration, development and production stages of petroleum projects (Mariano and La Rovere, 2007). The reporting frameworks of local content are discussed in line with the mandatory and voluntary reporting (see Figure 8) above. The next section starts with the mandatory reporting.

3.9 Mandatory (Hard) Local Content Reporting Framework

Mandatory reporting provides evidence that organizations comply with regulations (Cowan and Gadenne, 2005). In local content, it is the reporting made directly to relevant authorities and not usually for public consumption due to the sensitive business information involved. Variations among countries in the measurement of local content for the purpose of reporting have been noticed; among the most prominent are the Nigerian, Kazakh's and the Brazilian methodologies. A comprehensive local content report has to involve percentages of ownership of oil firms, [22] materials, labour, services and contracts, nationals in professional or management positions and local taxes (Kalyuzhnova, 2012). Simply, the reporting should be

[22] Some countries place emphasis on company ownership in determining the level of local content. For example, for the purpose of local content in Nigeria oil and gas were categorised into six classes according to the percentage of local share ownership, number of nationals in the executive, management and supervisory positions, asset ownerships, etc (see Hilar-Nwokonko, 2004). Based on this categorization, governments determine value additions made specifically to the local economy. Some governments only consider the location of the company and not share ownership that is, the local address of companies. That is to say, a company does not necessarily have local ownership for it to add value to the local economy.

around the second local content model (see Section 3.5). As part of its monitoring responsibilities, for instance, the Nigerian NCDMB has developed a local content level reporting measure – the Nigerian Content Index (NCI) using the formula: $\sum_{i=1}^{n}(P\ x\ LCR)$, where i = various oil and gas activities (fabrication, engineering, manufacturing, material procurement, etc), p = average annual expenditure (on particular activity), and LCR = local content ratio [23] (Abdulwahed, 2014). These values are often recorded in a predesigned reporting template issued by regulators (Hilary-Nwokonko, 2004; see Appendix 10 for a sample). Appendix 2 presents the mandatory local content reporting frameworks of selected countries and the responsible agencies that are accountable for the enforcement of the provisions. The next section considers the voluntary reporting which is only applicable to the IOCs.

3.10 Voluntary (Soft) Local Content Reporting Framework

Voluntary reporting is considered to be a "rational, deliberate activity" performed strategically by organizations to achieve legitimacy-related outcomes (Patten, 1992; Lindblom, 1993; Brown and Deegan, 1999; Milne and Patten, 2002; Higgins et al, 2014: 1093). Such reporting may be value-added statements, environmental reporting, social accounting and auditing, human resource accounting, sustainability reporting, employee and employment reporting, etc. (Gray, 2012; Higgins, et al., 2014). Local content is a form of social accounting contained in the sustainability reports of oil companies. Gray (2012: 687) refers to social accounting as consisting of all types of account "which go beyond the economic...". Voluntary reporting requirements on local content are in a form of guidelines, recommendations and best practices. Due to the emergence of these guidelines Kniznikov and Wilson (2010: 3) observe that "public reporting on local content targets has increased in recent years". The following section discusses the voluntary local content reporting in the light of the GRI/IPIECA, the International Accounting and Reporting Issues and the EITI, as listed in Figure 8 above.

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[23] These ratios were clearly spelt out in the NOGICD Act 2010 as will be extensively discussed in the next chapter.

3.11 The GRI and the IPIECA Sustainability Reporting Guidelines on Local Content

The Global Reporting Initiative (GRI) and the International Petroleum Industries Environmental Conservation Association (IPIECA) are the two most recognised sustainability reporting bodies targeting specifically the oil and gas companies. GRI is the sustainability reporting standard-setter that provides one of the most widely recognised voluntary reporting guidelines which outlined key sustainability indicators including local content (KPMG, 2011; Perego and Kolk, 2012; Menichini and Rosati, 2014). GRI was modeled in accordance with the Generally Accepted Accounting Principles (GAAP) and provided a set of measures based on the triple-bottom-line of economic, social and environmental sustainability (Roberts and Koeplin, 2007; Stenzel, 2010). GRI guidelines addressed local content issues under the Economic Performance Indicators with the title: *Market Presence including Local Content* (GRI, 2010). The IPIECA, on the other hand, is a not-for-profit global organization of petroleum firms for environmental issues whose concerns are to address social, environmental and human right issues associated with the oil and gas activities including climate change, oil spill, gas flaring, biodiversity and social responsibility (Owens and Sykes, 2009). Local content was presented in IPIECA's sustainability guidelines under the *Economic and Social Indicators*. Local content provisions in the GRI and IPIECA sustainability reporting guidelines are presented in tables 3.1 and 3.2 below.

Table 3.1: Global Reporting Initiative (GRI) Local Content Sustainability Reporting Guidelines

(Economic Performance: Market Presence including Local Content)				
Indicators	**Description**	**Reporting elements**	**Qualitative**	**Quantitative**
G4-EC5	Local wages	• Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	—	✓
G4-EC9	Local procurement	• Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	✓	✓
G4-EC6	Local hiring	• Procedures for local hiring and proportion of senior management[24] hired from the local community at significant locations of operation ➢ Report the percentage of senior management at significant locations of operation that are hired from the local community ➢ Report the organization's geographical definition of 'local'[25]	–	✓
G4-DMA	Procurement Practices (Additional Guidance)	• Report measures to develop local supply chain including actions taken to improve participation of local suppliers. This includes efforts to: ➢ simplify the procurement process for local suppliers (e.g., unbundling, access to financing, or shorter-term contracts); ➢ increase supplier capability to meet company standards (e.g., skills training, training on health, safety and environment); ➢ assist supplier development (e.g., capacity building, technical assistance or technology transfer, supplier network development, diversification) • Report how the procurement process facilitates or encourages first-tier suppliers and contractors to buy locally • Report pre-qualification criteria for potential suppliers, including track record of working with local firms, strategies for developing local content in a given country, and demonstrable experience of developing capacity of local suppliers and subcontractors. • Report local business development activities not related directly to meeting current company needs, but resulting from increased economic activity and opportunities made possible by the project and its economic benefits	✓	✓

Source: Global Reporting Initiative Sector Supplement: Oil and Gas (2013)

[24] This confirms that local content could affect the corporate governance arrangement of organizations, in this case, the Board diversity. This is part of local content rules in many oil-producing countries such as Nigeria.
[25] To be guided by the International Accounting Standard (IAS) 14.

The next table presents the IPIECA local content sustainability indicators.

Table 3.2: International Petroleum Industry Environmental Conservation Association (IPIECA) Local Content Sustainability Reporting Guidelines

(Social & Economic Indicators)				
Indicators	**Description**	**Reporting elements**	**Qualitative**	**Quantitative**
SE5	Local content practices	• Report company policies, approaches and strategies to sourcing goods, services and human resources • Quantify the number (or percentage) of company's organizational entities that are covered by formal agreements or legislation within host countries regarding local content	✓	✓
SE6	Local hiring practices	• Describe the nature and effectiveness of processes and strategies aimed at providing employment opportunities to residents or nationals of host countries • Quantify the number and/or percentage of local versus expatriate employees in management and other senior roles in target countries or regions • Provide information on how local employment strategies promote diversity and inclusion (e.g. in relation to gender, ethnicity, disability) at the local level including management roles • Include information and/or quantitative data on local employees that are given training in other (non-local) assets of the company • Discuss indirect job creation as a result of the company's activities	✓	✓
SE7	Local procurement & supplier development	• Describe the programmes and processes to improve the ability of local suppliers and contractors to support operations and projects • Report the proportion of money spent on goods and services sourced locally • Describe any activities undertaken to assist supplier development • Describe how the procurement process facilitates or encourages first-tier suppliers and contractors to buy locally • Discuss the pre-qualification criteria for potential suppliers, including: ➢ track record of working with local firms; ➢ strategies for developing local content in a given country; and ➢ demonstrable experience of developing capacity of local suppliers and subcontractors	✓	✓

Source: IPIECA (2010: 95-99)

Tables 3.1 and 3.2 above exhibit the various local content sustainability indicators and their reporting procedures. Although the GRI is the most commonly used guideline, the two standards are often used together in a single sustainability report by oil companies[26]. The present study combined these indicators and adopted a content analysis procedure to test whether there is any variation in the IOCs' local content reporting before and after the enactment of the Nigeria's local content law. The next section considers other voluntary local content reporting provisions.

3.12 The International Accounting and Reporting Issues & the Guidance on Corporate Responsibility Indicators in Annual Reports

Based on the review of the practical implementation of the International Financial Reporting Standards (IFRS), the UNCTAD's intergovernmental working group of experts on International Standards of Accounting and Reporting (ISAR) recommended the disclosure of corporate responsibility indicators including local content represented by local purchasing, employment creation, employee training and local expenditure on research and development, linkages and value-add through supplier engagement. Collectively, these indicators form the tools/strategies of the second local content model (Section 3.5). The reporting standard requires companies to identify and compute the value of local purchasing relevant to the reporting period using the accrual-basis accounting. In the annual report, the total value of the local purchasing is reported "as an absolute figure and also as a percentage of total purchasing". Also, the nature of the locally-sourced items and the list of local suppliers may also be attached to the additional information (International Accounting and Reporting Issues, 2007: 81). Oil companies may categorise their purchases into 'foreign' and 'local' and report that in the value-added statement (Forte Oil PLC Annual Reports, 2010).

The guidelines recommended that companies should also disclose their local employment and workforce development based on full-time, part-time,

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[26] These two indicators are very similar and are not in any way in conflict with one another. The five IOCs that formed the sample for the content analysis in this study use both the GRI and the IPIECA guidelines in their sustainability reports.

contract, gender or salaries and wages categories. Import and export values should also be reported to "calculate the contribution of the reporting company to the host country's balance of payments" (International Accounting and Reporting Issues, 2007: 79). This supports the balance of payment argument of local content (see Section 2.7.3). A survey conducted on these indicators found that local purchasing was adequately disclosed by only 10 out of the 100 sampled enterprises with the import-export values reported by only 13 companies (International Accounting and Reporting Issues, 2008, 2009).

3.13 The Extractive Industries Transparency Initiative (EITI) and Local Content

The EITI emphasises a wider accounting, disclosure and transparency of local content expenditure. EITI had suggested that due to the huge amount of money oil companies spend on their suppliers and labour, more accountability and transparency around the expenditure are needed (World Bank, 2012). This includes reporting payments to governments, details on concluded contracts and license awards, and information relating to materials, equipment and supplies (Ravat and Kannan, 2013). EITI (World Bank, 2012) identified some challenges associated with local content reporting to include uniformity of definition, data availability, cost-benefit, and confidentiality. Local content is defined either by ownership or location as discussed in Section 3.5.1. The absence of standard definition and measurement affect the sustainability accounting field (Ngwakwe, 2012). Companies also tend to be sceptical about publishing information on their suppliers and contracts since they are competing with many rivals for a common thing (World Bank, 2012). In spite of this, many IOCs are subscribing to voluntary local content reporting as will be shown in chapter nine. The following section presents the accounting and reporting treatment of some local content items.

3.14 International Petroleum Accounting Treatment of Local content in Oil Contracts

A number of publications on the international petroleum accounting (Johnston, 1999; Jennings et al., 2000; Edition Technip, 2004; Wright and Gallun, 2005, 2008) have acknowledged the accounting implications of local content in oil and gas contracts. Johnston (1999) divides the contents of the profit-sharing contracts (PSCs) into two broad sections as (i) local employment and training, and (ii) local procurement. Budgets for the employment, procurement and other expenditure are often submitted in the form of a work programme[27] to National Oil Companies (NOCs) representing the host government, for approval. During contracting, local content agencies play the sole responsibility of scrutinizing and approving all contract documents and processes including the invitation to tenders and advertisements (see Appendix 1a for a sample) to ensure full compliance with local content requirements. Apart from the two categories mentioned, Wright and Gallun (2005) added the third provision – technology transfer, as another term forming part of contractual agreements. They recognise that although the contractor may bring in employees from its home country, the majority of the workforce has to be local. In addition, the contractor has to train the locals throughout the project's life as supported by Fossgard-Moser (2003).

It was noted that in most of the PSCs the training cost is significant; hence, a recoverable cost (Wright and Gallun, 2005) or left as allowable deductions for tax purposes (Tordo, et al., 2013). For instance, as an incentive to promote local content, Angolan petroleum contract provides that contributions to the training and development fund are tax deductible, and the training costs for Angolans are allowable production costs (Tordo, et al., 2013). Further, in line with the social programme strategy of local content (EY, 2014) Jennings et al. (2000: 610) observe that some contract provisions require infrastructure and industrial development activities as part of the exploration arrangement. They, therefore, discussed the

[27] The work programme outlines the IOC's commitments in respect of oil and gas operations including seismic activities, drilling, financial commitments, local employment, etc. It is a critical negotiation element and contains all agreements, risks, and cost recovery issues.

accounting treatment of 'infrastructure costs' (building roads, bridges, hospitals, etc), and 'local support costs' including training, employment and transferring technology. They recommended that all costs that "in substance are acquisition, exploration, development, or production are simply accounted for as such" while other costs that are not necessary for the exploration and production activities are a bonus or royalty to host governments and should be treated as such. Although there is no dedicated international accounting standards issued for local content reporting, the Global Reporting Initiative (2013) recommends that "reporting organizations should use the International Accounting Standards (IAS) 14 (now International Financial Reporting Standards (IFRS) 8: Segmental Reporting) as a reference in defining 'local' as required by Indicators EC1, EC5, EC6, and EC7".[28] These indicators are used to report local expenditure on labour and suppliers as well as the local contributions of companies.

Another important standard useful for local content reporting is the *IAS 21: Effects of Changes in Foreign Exchange rates*. According to the standard, multinational companies operating in the host environment are to determine their 'functional currency'[29]. PwC (2011) observes that for the oil companies, the majority of the expenditure at the exploration phase is mostly in foreign currency because most of the activities are done by home company personnel. However, when activities advance to the development phase, transactions are mostly denominated in local currency because local workforce and suppliers are used in order to reduce operating cost (Fossgard-Moser, 2003) or to fulfil local content obligations. Currency translation due to local content, therefore, forms part of the global reporting. In determining a foreign operation in the context of IAS 21, Sutton (2004) suggests that parent company managers have to consider some important factors which include (1) the level of local content in goods and services, (2) proportion of intercompany sales or purchases, (3) rates of local sales and, (4) local sources of funds. The final exercise for oil companies is to report all the economic transactions in financial statements

[28] Note that discussion of EC1 and EC7 indicators is out of the scope of this study.

[29] "Functional currency is the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash" (IFRS).

and sustainability commitments (including local content) in sustainability or integrated financial reports.

3.15 Conclusion

This chapter has reviewed the literature on the accounting, accountability and governance provisions of local content sustainability. The chapter used the Chatham House Good Governance Framework as the foundation to develop local content models considered important to the research. With the adopted governance principles, the chapter found that the hard and soft accountability typologies are the best way to describe the local content enforcement and compliance responsibilities of the two major accountors – local content agencies and the IOCs. In line with the shared accountability that binds both the agencies and the IOCs, the chapter reviewed the accountability requirements found in legislation, government policies, as well as guidelines for other non-governmental institutions. The chapter further conducted an overview of the treatment of local content in accordance with the international petroleum accounting provisions. The accountability and governance principles reviewed in this chapter are applied to the study context – the Nigerian petroleum sector – in the next chapter.

CHAPTER FOUR
Local Content Sustainability in the Nigerian Petroleum Sector: An Overview of the Study Context

4.1 Introduction

The aim of this chapter is to relate the discussion on the accounting, accountability and governance to the study context that is, the Nigerian Oil and Gas Sector together with the responsibilities of the NCDMB and the IOCs as the two major accountors in the implementation of local content in petroleum contracts. This discussion is important because as the NCDMB is charged with the enforcement accountability, the IOCs as the investors, license-holders and awarders of oil contracts, are charged with the compliance accountability. The IOCs' core functions in the industry are conducted through joint ventures, production-sharing and service contracts. In chapter three, the study introduced the classification of local content accountability into soft/voluntary and hard/mandatory which are applied in this chapter to trace who is accountable to whom and for what. The chapter starts by introducing the Nigerian oil and gas industry and the sustainability situations therein.

4.2 The Structure and Political Economy of the Nigerian Petroleum Sector

The Nigerian political-economy and governance are supported by the petroleum sector which is centrally controlled by the executive power (Gboyega et al., 2011). Created in the 1930s, the Nigerian oil and gas industry is the largest in Africa (EIA, 2015) which, as a primary source of sustainability (Toudolo, 2009), becomes the nation's live-wire that generates the largest GDP from a daily production of 2.46 million bbl/d (Atakpu, 2007; Omenikolo and Amadi, 2010; EIA, 2011). Nigeria's estimated crude reserves as at 2011 totalled 37bn barrels and 5.29 trillion cubic meters of gas which are equivalent to 2.53% and 2.82% of the world oil and gas reserves respectively (International Energy Outlook, 2011, KPMG, 2014). On estimate, the industry annually consumes about $18bn in services ranging from construction, engineering procurements, Front-End Engineering Design (FEED), Seismic surveys, fabrications, etc. (Omenikolo and Amadi, 2010). Investment inflows were estimated at $147 billion between 1990 and 2008 and annual return of $30 billion (Kupolokun, 2006). Kupolokun (2006: 12) also observed that by 2010 about $13 billion will be generated annually from the projected 25% annual increase in the country's gas demand which is about the highest in the world. The industry is made up of two major segments – oil operating and oil servicing segments. The operating segment involves the front-line companies that deal with the acquisition of operating licenses and managing oil and gas production while the servicing segment involves companies that render support functions such as seismic surveys, drilling, well completion, etc. (Usman, 2011). The industry is further sub-divided into three strategic and complementary sectors – the upstream, the mid-stream, and the downstream. Each of these sectors has its own share of the resource curse burden with the upstream sector as the initial stage of the sustainability challenge due to the nature of operations involved which lead to environmental pollution and degradation, economic mismanagement as well as social and political crisis. The midstream activities are often merged with that of the downstream.

The upstream sector deals with the basic acquisition of operating licenses and the subsequent exploration, drilling and production of oil and gas (Okoye and Mbonu, 2005; Chokor, 2010; An et al., 2011; Usman, 2011; UNCTAD, 2012; Barata, et al., 2014). Operating licenses in Nigeria's upstream sector are divided into three classes: Oil Exploration License (OEL), Oil Prospecting License (OPL), and Oil Mining Lease (OML) (Itsueli, 1993; Atsegbua, 1999; Nordas, et al, 2003; Ayodele and Frimpong, 2003). It is through licenses that governments pursue their local content objectives (see model petroleum contracts in Section 2.10). Upstream activities can either be onshore or offshore[30] (Usman, 2011). Chatham House (2013) viewed local content as the link between the upstream petroleum sector and other sectors of the economy. Oil companies operating in the upstream

[30] Onshore oil operation occurs on land, while offshore is subsea operation. Both have sustainability implications including social crisis, land degradation, ecological and marine damages, etc. See also Spence (2011). Offshore operations produce up to 2million bbl/d in Nigeria since 2002 (see ACOA, 2004; Klueh et al, 2007).

sector are subjected to tax under the Petroleum Profit Tax Act (PPTA) and the payment of royalties.

The mid- and downstream sectors handle activities ranging from crude oil refining and storage to transportation and marketing of refined products (Okoye and Mbonu, 2005). The Nigerian downstream sector controls the petrochemical plants as well as the four refineries engaged in different processes to convert crude oil into usable products (Usman, 2011). Unlike the upstream sector, companies engaged in the downstream are taxed under the Companies' Income Tax (CIT). Local content legislation in Nigeria addressed exclusively the upstream sector, hence, the primary concern of this study.

4.3 Contractual Agreements in the Nigerian Upstream Petroleum Sector

There are different contractual agreements between the Nigerian government and the IOCs. These contracts include Concessions, Joint Ventures (JVCs), Production-Sharing (PSCs) and Service Contracts (SCs) (Tienhaara, 2012). These contracts are the appropriate means through which petro-states pursue local content policies by committing oil companies to local employment and training, local sourcing and supplier development, technology transfer as well as reporting on them. These contract forms are discussed below.

4.3.1 Concession

Under concession, operating companies are granted exclusive right to engage in the exploration, production, and marketing of oil and gas in return for royalties and taxes (Likosky, 2009; Mazeel, 2010). In addition, the Nigeria's Mineral Oils Act of 1959 and the Petroleum Act of 1969 required all operators to train Nigerians to become craftsmen, tradesmen, supervisors and senior managers within a specified period (Oguine, 2011). Although some local content provisions were attached to concessions the government significantly lacked control over exploration and production;

IOCs were the owners as well as operators of the oilfields. This traditional arrangement had been taken over by a modern partnership-based system due to decolonization, the emergence of OPEC and the creation of the New International Economic Order (Smith et al., 2000; Likosky, 2009). This shift was unavoidable by host governments including Nigeria, who was financially at a disadvantage in the concession arrangements. The shift could also be supported by the strategic sectors argument discussed in Section 2.7.4.

4.3.2 Joint Venture Contracts (JVCs)

These contracts occur when the host government acquires a participatory interest in concessions held by IOCs (Nlerum, 2010). Under the JVCs, IOCs conduct business with the host government through the national oil company (NOC). It is an avenue for technology is transferred to citizens (Oguine, 2011). JVCs are funded jointly through monthly *'cash calls'* according to each party's percentage stake (Akinrele, 2003; Ariweriokuma, 2009). Presently Nigeria through its national oil company runs seven joint ventures with the major IOCs. Table 4.1 below shows these arrangements.

Table 4.1: Joint Venture Contracts between NNPC and the Major IOCs

Joint ventures	% of participation									
	NNPC	International Oil Companies (IOCs)								
		Shell	Elf	Agip	Texaco	Chevron	Phillips	Mobil	Pan Ocean	Operator
NNPC/Shell/Elf/Agip	55	30	10	5						Shell
NNPC/Texaco/Chevron	60				20	20				Chevron
NNPC/Agip/Phillips	60			20			20			Agip
NNPC/Mobil	60							40		Mobil
NNPC/Chevron	60					40				Chevron
NNPC/Elf	60		40							Elf
NNPC/Pan Ocean	60								40	PanOcean

Source: UNITAR (2008), NNPC (2011)

Table 4.1 above shows that the Nigerian government holds sixty percent interest in five joint ventures and fifty-five percent in one joint venture. Appendix 3 shows the stages and modes of acquiring these interests by the Nigerian government. This shared-control suppresses information asymmetry and upholds the good governance indicator that suggests the involvement of national oil companies in resource extraction (Likosky, 2009; Chatham House, 2013). Due to the difficulties faced by the Nigerian government in meeting her cash call obligations (Agoro, 2001), the government switched to the production-sharing contracts considered below.

4.3.3 Production-Sharing Contracts (PSCs)

Unlike concessions, the Indonesian-made PSCs do not grant an ownership title of oil blocks to a company but only allows the company to explore for oil; only when oil is found the company will recover its costs and have a share in the profit[31] (Fabrikant, 1975; Machmud, 1993, 2000; Likosky, 2009). The first PSC in Nigeria was signed in 1973 between NNPC and the Ashland Oil Company. Presently Nigeria has over thirty PSCs with IOCs (NNPC, 2011). The uncertainties surrounding the cost recovery issues led to the emergence of service contracts.

4.3.4 Service Contracts (SCs)

First used in Brazil, service contracts were developed as an improvement on the PSCs (Omorogbe, 1987; Nlerum, 2010). Here, the IOCs only accomplish clearly defined services in the host country and are not entitled to any share of the revenue gained. In this arrangement, the host government has to have access to capital as well as the requisite technology (Likosky, 2009). In Nigeria, in the 1980s about eleven service contracts were entered into with Elf, Nigus Petroleum, and Agip (Omorogbe, 1987). The only surviving SC today is the one between NNPC and Agip (AENR). SC can be risk service, pure service or technical assistance contracts.

[31] On successful operations, contractors recover all expenditure incurred from the *cost oil*. Cost oil refers to the available crude oil earmarked to the contractor which is enough to enable him to recoup all costs invested before ascertaining profits. After cost recovery, the remaining crude oil (called the *profit oil*) is what is going to be shared between the IOCs and the NNPC in accordance with the predetermined ratio. Note also that before these allocations are made royalty and tax oil have to be earmarked. This is the amount of oil allocated to the operator enough to generate an amount equivalent to the monthly royalty and petroleum profit tax. See Umar (2005) and Ariweriokuma (2009).

In spite of the enormous investment in the oil sector, the country and, in particular, the oil-producing communities are still suffering from the environmental, economic and social crisis which confirms the idea behind the resource curse theories (Auty, 1994; Karl, 1997; Ross, 1999). This necessitated the government to adopt the local content policy which will reverse the adverse impacts of oil and gas extraction and ensure widespread local participation and effective value-addition in the oil and gas operations. A survey conducted on the local value-addition capabilities of oil contracts awarded in 2002 has raised grave concern and confirmed the perceived marginalization, IOCs' dominance and inadequate participation of local firms. The results of the survey coupled with other similar issues have re-ignited the need for strong policies on local content. Table 4.2 below presents the contract categories awarded to local and foreign firms and their respective value-addition in both volume and value.

Table 4.2: Major Contracts Awarded in the Nigerian Oil and Gas Sector 2002

Contracts/Services	Firms with most value-addition in Nigeria		Firms with most value-addition abroad		
	Nigerian Companies ($'000)	**Foreign companies ($'000)**	**Nigerian Companies ($'000)**	**Foreign companies ($'000)**	**Total companies ($'000)**
Consultancy	6* (7,428)*	0 (0)	8 (2,778)	0 (0)	14 (10,206)
Drilling & well completion	9 (41,847)	5 (135,939)	13 (35,091)	33 (593,284)	60 (807,153)
Environmental services	2 (11,018)	0 (0)	5 (6,533)	3 (9,250)	10 (26,802)
Exploration	2 (1,262)	4 (11,056)	0 (0)	10 (90,413)	16 (102,731)
Front-End-Engineering	0 (0)	0 (0)	0 (0)	3 (40,577)	3 (40,577)
Gas development	0 (0)	0 (0)	0 (0)	3 (27,978)	3 (27,978)
Hotel & catering	5 (11,760)	0 (0)	5 (5,454)	5 (31,637)	15 (48,852)
ICT	5 (17,107)	1 (526)	11 (11,328)	4 (17,520)	21 (46,482)
Procurement	8 (26,356)	2 (1,062)	65 (62,105)	11 (92,248)	86 (181,772)
Production facility maintenance	3 (12,367)	1 (2,656)	45 (62,375)	29 (75,243)	78 (152,642)
Project/ construction	6 (83,253)	5 (269,778)	13 (28,193)	30 (657,668)	54 (1,038,875)
Transportation	9 (18,143)	6 (61,273)	36 (63,155)	36 (234,515)	87 (377,088)
Total	55 (231,526)	24 (482,284)	201 (277,015)	167 (1,870,338)	447 (2,861,165)
	12% (8%)	5% (17%)	45% (10%)	37% (65%)	100% (100%)

Source: Kragha and Associates cited in Heum, et al. (2003)

**note that numbers that are not in brackets represent the number (volume) of the contract awarded. Numbers in brackets represent the monetary values of contracts.*

It can be shown from Table 4.2 that most of the contracts were awarded to companies with most value-add outside Nigeria. Nigerian and foreign firms with significant value-add in Nigeria received 12% and 5% of the total volume of the contracts and 8% and 17% of the dollar-value respectively. On the other hand, companies in Nigeria and abroad with value-add outside Nigeria received 45% and 37% of the volume and 10% and 65% of the dollar-value of contracts respectively.

To reverse the above trend, the government came up with a 23-points short-term Presidential Directives on local content in 2005/2006 which sought the domiciliation of most of the oil and gas activities, contracts and projects in Nigeria (Mohammed, 2009; Audu, 2009; Nwoakoro, 2011). This belated attempt that came decades after other countries have applied the policy might not be unconnected to the country's weak indigenous capacity (Balouga, 2012) during the periods. For the fact that the Presidential Directives of 2005 lacked a legal backing, and no independent monitoring agency was created, little success was recorded. As a result, the government found it necessary to enact a dedicated legislation on local content. The rest of this chapter pays close attention to the provisions of the new law and the functions of the oversight agency that was created by the Act.

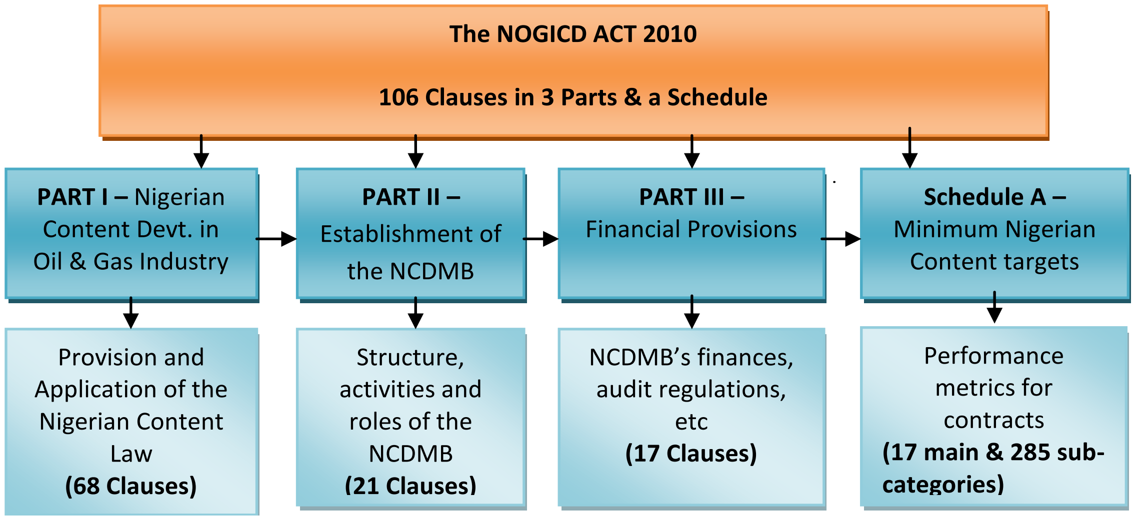
4.4 The Nigerian Oil and Gas Industry Content Development (NOGICD) Act, 2010

The Nigerian Oil and Gas Industry Content Development Act (NOGICD) 2010 was passed and signed into law on 22nd of April, 2010. Its primary purpose is to regulate and direct all petroleum activities in favour of local businesses. The Act stated that:

> *"Compliance with the provisions of this Act and promotion of Nigerian Content development shall be major criteria for the award of licences, permits and any other interest in bidding for oil exploration, production, transportation and development or any other operations in the Nigerian oil and gas industry". S. 3(3)*

S. 4 of the Act provided that the Nigerian Content Development and Monitoring Board (NCDMB) will be responsible for making the "procedure that will guide, monitor, coordinate and implement the provisions of this Act". The NOGICD Act contains 106 clauses divided into three (3) parts and a schedule. This is illustrated in Figure 9 below.

Figure 9: Structure of the NOGICD ACT, 2010



Source: Generated from the NOGICD Act 2010

Hufbauer et al (2013: 115) have broadly categorised the contents of the NOGICD Act into three groups of policies: those that created the regulatory body to oversee the implementation of the policy, those that promote first consideration for Nigerian firms, and those that promote compliance with the reporting requirements of companies. The whole essence of the local content Act is to enhance the social, economic and environmental sustainability of Nigeria through the activities and contracts of the oil and gas sector. To understand its relevance to the sustainability in Nigeria, an overview of the sustainability conditions in the oil sector was considered important. This is dealt with below.

4.5 Sustainability in the Nigerian Upstream Oil and Gas Sector

Oil and gas activities in Nigeria and elsewhere have severe social, economic and environmental consequences, especially for the immediate communities. It was argued that the resultant solid, liquid and gaseous wastes have significant impacts not only on human health but also on the general socio-economic conditions and destroy farming lands, grazing fields, forests, fishing and drinking waters, and rendered community members jobless (Tienhaara, 2010, 2012; Spence, 2011; Ite, et al., 2013). In addition, operating companies' resistance to adopting best practices further complicated this issue (Ite, et al., 2013). Besides the environmental aspects, Ugbomeh and Atubi (2010: 104) have taken a more radical position and viewed the IOCs in Nigeria as exerting significant influence on host communities, reshaping the "local economies, local politics, local struggles and local conflicts". According to them, many social vices were created out of this situation leading to bitterness, frustration, agitation and strains in IOCs-community relations. Hufbauer et al. (2013) have discussed how oil facilities were vandalised by aggrieved youth in the region. In 2006, there were over 3000 cases of destroyed pipelines and about 2768 cases in 2011. This condition has long been in existence in the history of oil production in Nigeria and had significant environmental repercussions. For this and other reasons, the Nigerian government incorporated local requirements into oil and gas contracts in addition to the royalties and taxes.

Local content may not be a panacea for all the accountability and governance challenges of the petroleum sector (UNCTAD, 2014) particularly when the policy is manipulated by political elites and public officials to favour their allies and cronies, or where the IOCs use local firms as fronts to secure contracts (Mwakali and Byaruhanga, 2011; Martini, 2014; Ovadia, 2014; NRGI Reader, 2015). While this study justifies the sustainability nature of local content (see chapter two) other scholars viewed otherwise (Lahn et al, 2007; Lec, 2011; Hufbeaur, 2013; Ngoasong, 2014; Johnson, 2015). There is, however, no empirical study conducted to assess the views of the stakeholders in the Nigerian oil sector on whether or not local content is a sustainability policy. For this reason, an investigation into the perceptions of the Nigerian stakeholders on whether or not local content is a sustainability policy is paramount. This led to the first research question of the study as follows:

1. *To what extent do the stakeholders in the Nigerian oil and gas industry perceive local content to be a sustainability policy in petroleum contracts?*

Moreover, accountability is placed as the first principle of the first local content model as indicated by the conceptual framework (Figure 4). Hence, the local content policy is required to be implemented in a transparent and accountable manner. This led several countries to appoint dedicated agencies for this purpose (see Appendix 2 for the functions of these agencies). Alba (2009) argues that in order to achieve success in the implementation of local content, investors, contractors and subcontractors must be aware of clear and definite reporting guidelines including periodic reporting which would assist them to demonstrate compliance. The politics of the Nigerian local content, in particular, is characterized by allegations of corruption, elite wealth-accumulation, fronting, weak enforcement will, absence of full accounting records and vested interests (Nwosu, 2006; Balouga, 2012; Daily Trust, 2013; Ovadia, 2013, 2014; Okafor and Aniche, 2014). To investigate the nature of accountability the second research question is formulated:

2. *What are the accountability expectations of local content in the Nigerian petroleum sector?*

The section below looks at some issues relating to the accountability and governance of local content in Nigeria. Its aim is to provide the context to discuss the soft and hard accountability of the two major accountors of local content in the Nigerian upstream oil and gas sector.

4.6 Accountability and Governance in Local Content Sustainability and the Roles of the Major Stakeholders in the Nigerian Petroleum Sector

Ngoasong (2014: 472) argues that "the political economy of petroleum production in developing countries has always been dominated by the role of the state (or government) and those of IOCs in ensuring that the petroleum industry contributes positively to economic development". Therefore, governments and the IOCs are the first agents of sustainable development (Esteves, 2012; Easo and Wallace, 2014; Toulekima, 2015; Vaaland, 2015) because of the pivotal role they play in the majority of oil-producing countries. Local content policy cannot operate in a vacuum, but relies on the collaboration of various stakeholder groups. Although the study recognised the existence of several groups with explicit and implicit interests in the implementation of local content in the Nigerian oil and gas industry, the main focus is on the assessment of the responsible and accountable behaviours of the two principal local content actors – the NCDMB and the IOCs. Easo and Wallace (2014) have argued that "compliance with, and the implementation of, local content is the joint responsibility of IOCs and national governments"[32]. The sustainability ideas introduced in Section 4.5 above would be useful here to help assess the relevance of local content in Nigeria.

In discussing the different accountability of the two actors, the study firstly reviews their individual legal and ethical responsibilities by which they would be called upon to render account. The next section starts with the NCDMB.

4.7 The Nigerian Content Development and Monitoring Board (NCDMB)

The most important provision of the NOGICD Act is the establishment of the local content oversight agency – the NCDMB - which is saddled with the responsibility of monitoring, supervising and administering the implementation of the provisions of the Act. NCDMB's responsibilities as the first actor and accountor are purely in the form of hard and mandatory accountability because all its conduct was defined by the law. S. 69 (1) provided as follows:

> *There is established the Nigerian Content Monitoring Board (in this Act referred to as "the Board") which shall have the functions and powers conferred on it by this Act.*

S. 70 extensively provided for the functions of the Board to include supervision, coordination, administering, monitoring, managing and appraising the implementation of local content. Figure 10 below presents the organizational structure of the NCDMB.

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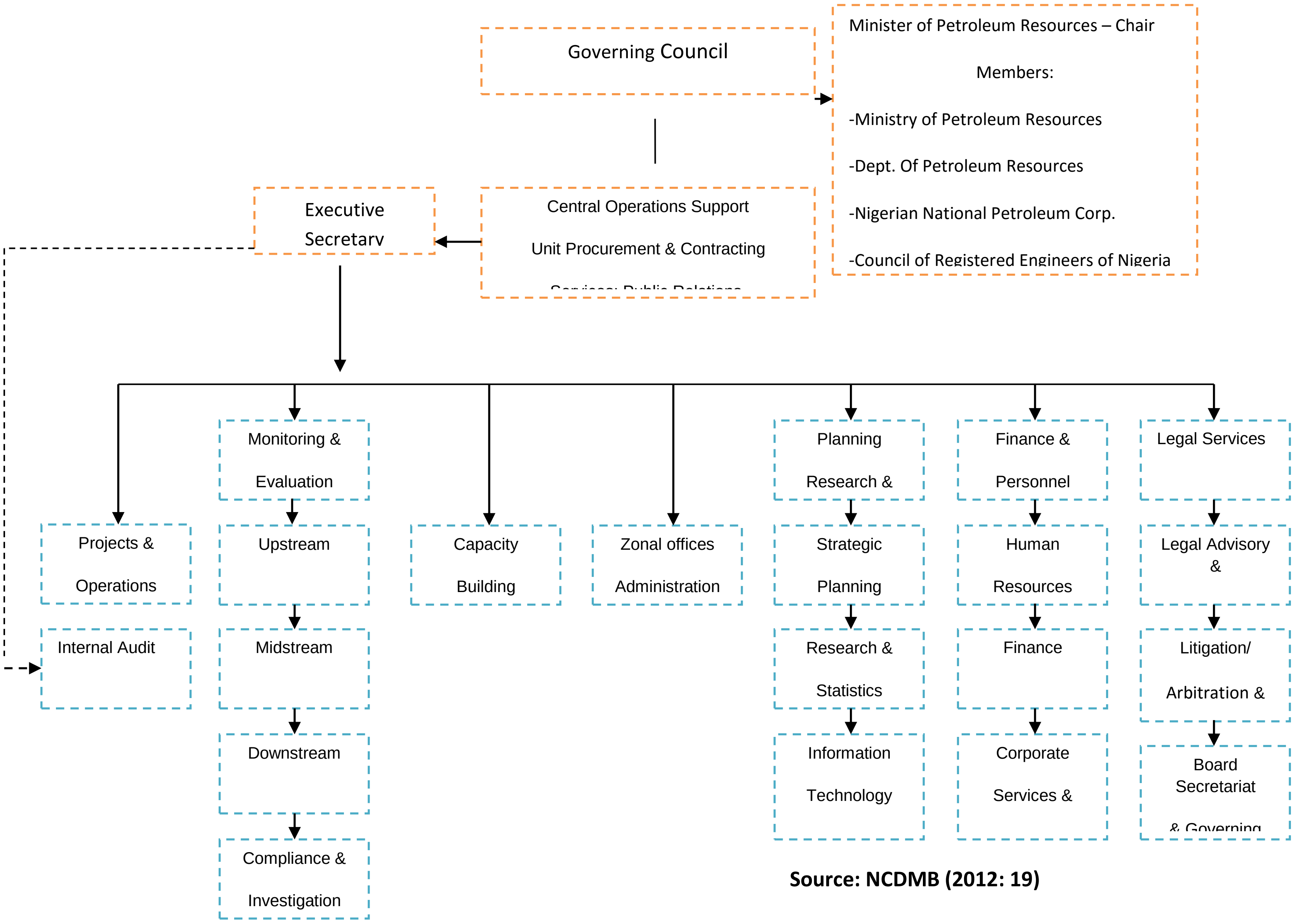
[32] Available at: *www.natlawreview.com/article/understanding-local-content-policies-africa-s-petroleum-sector*

Figure 10: Governance Structure of the NCDMB



Source: NCDMB (2012: 19)

The above chart shows that the NCDMB has a comprehensive governance structure consisting of various departments and directories handling different responsibilities. The Governing Council is made up of different representatives from various sectors in compliance with S. 71.

NCDMB is charged with the responsibility of assisting the local contractors to develop their capabilities, administer the joint qualification system (JQS) and the petroleum e-market[33] platform, and make auditing procedures and guidelines for the implementation of local content. The Board was created to fulfil the first principle of the first local content model (i.e., accountability) (Klueh et al., 2009; Cotula, 2010). It was observed by Cotula (2010: 49) that in order to ensure the actualization of sustainable development through local content there has to be "a properly staffed and clearly mandated government agency responsible for monitoring compliance; established channels that enable dialogue between the investor, the government and other stakeholders; as well as credible financial and other penalties in case of investor non-compliance". Other agencies similar to the NCDMB are the UK's Offshore Supply Office (OSO), the Norwegian Goods and Services Office (GSO), the Australian Industrial Supplies Office (ISO), the Brazilian National Agency for Oil, Gas, and Biofuels (ANP) and the Indonesian Interim Working Unit for Upstream Oil and Gas Business Activities (SKSPMIGAS) created to ensure accountability, governance and transparency in local content implementation. Other functions include participating in the design and conduct of bidding, monitoring and tracking of oil contracts and procurements, encouraging joint ventures and technology transfer, and ensuring compliance with accounting and reporting of performance (The Trinidad Guardian, 2007; Klueh et al., 2009; Barroso, and Macedo, 2010). The next section discusses the practical functions of the NCDMB in the petroleum value chain.

[33] Petroleum e-Market is an online platform that connects suppliers and customers of the Nigerian petroleum industry. It was formerly under the Nigerian Petroleum Exchange (NIPEX).

4.8 Sustainable Development Functions of the NCDMB

Okusami (2010) has narrowed down the roles of the NCDMB to three out of the five tools/strategies of the second local content model repeatedly discussed (see Section 3.5). These are employment, ownership and supplier development. He argues that the Board's main duties were the enforcement of the training and employment of locals, promotion of local ownership of firms, establishment of essential facilities and integration of local suppliers. This section considers the Board's functions from a wider perspective. As stated earlier (see chapter one), the convenient way to describe the functions of the NCDMB is to apply the Alba's (2009) petroleum value chain which consists of five key regulatory functions because local content is a government intervention which suppresses the IOCs' efforts to displace the weak indigenous firms from the value chain (Lindner, 2014; Easo and Wallace, 2014). The major purpose of the Nigerian content policy is the development of local competence across the oil and gas value chain (Easo and Wallace, 2014). This section, therefore, uses the value chain to systematically organise the discussion of the functions and duties of the NCDMB while reflecting on the good governance indicators as well as the two local content models earlier discussed (Klueh, 2009; Chatham, 2013; EY, 2014). This value chain was previously used by Gboyega et al. (2011) to study the political economy of the Nigerian oil and gas sector. Figure 11 below illustrates the regulatory responsibilities involved in a typical petroleum value chain.

Figure 11: NCDMB's Regulatory Functions in the Petroleum Value chain

Source: Alba (2009)

The NCDMB utilises the first model (regulatory provisions) to pursue the second model (strategies). Simply, the Board applies its regulatory capacity to achieve local content performance through the oil and gas companies. The starting point of the value chain is the award of licenses and contracts. The next section discusses the NCDMB's responsibilities during the award of contracts and licenses.

4.8.1 Award of Contracts and Licenses

This stage provides the foundations for the design and negotiation of local content commitments contained in the second local content model, that is, local employment and training, local sourcing and supplier development, social programmes as well as many other benefits derived from taxation and ownership strategies (EY, 2014). These are achieved through the application of the first local content model – accountability (oversight duty for contract award), metrics (enforcing local content targets), transparency (openness in advertising, invitation to tenders, prequalification, etc), efficiency (matching targets with available capacity) and spin-off effect (ensuring adequate economic linkage).

The first responsibility of the NCDMB is to ensure that contracts and licenses are strictly awarded to the indigenous oil firms that demonstrate ability in terms of technology, finance, and asset ownership. Although the authority to award oil licenses and contracts rests with the DPR and the NAPIMS respectively, the law requires the NCDMB to participate fully in the process to ensure that capable local firms receive first, exclusive and preferential consideration over and above their foreign counterparts. NCDMB is authorized to issue a certificate of compliance before any company gets a contract (Figure 12 below). Selection of suitable investors is the first governance indicator suggested by Chatham House (2013). Several provisions of the NOGICD Act have required the NCDMB to give first consideration for the Nigerian firms and workforce in the award of contracts, licenses or employment (S. 3(1-3), S. 12, S. 28, 34-35). On behalf of the operating and servicing segments of the industry, some of the most important sections provide as follows:

Nigerian independent operators shall be given first consideration in the award of oil blocks, oil field licences, oil lifting licences and in all projects for which contract is to be awarded in the Nigerian oil and gas industry subject to the fulfilment of such conditions as may be specified by the Minister. S. 3(1).

And,

There shall be exclusive consideration to Nigerian indigenous service companies which demonstrate ownership of equipment, Nigerian personnel and capacity to execute such work to bid on land and swamp operating areas of the Nigerian oil and gas industry for contracts and services contained in the Schedule to this Act. S. 3(2).

It was further provided that during the bidding evaluation indigenous firms shall not be excluded on the lowest bidder basis. If any Nigerian firm is found to be capable of executing a project, the firm shall get the job as long as its bidding value is not up to 10% higher than the lowest bid (S. 16). In Section 2.7.2 the study has cited examples of countries including the US, Canada, Australia, Turkey and New Zealand, that use preferential margin in allocating licenses and contracts for the benefit of their local companies (Naegelen & Mougeot, 1998). This was provided in the NOGICD Act as follows:

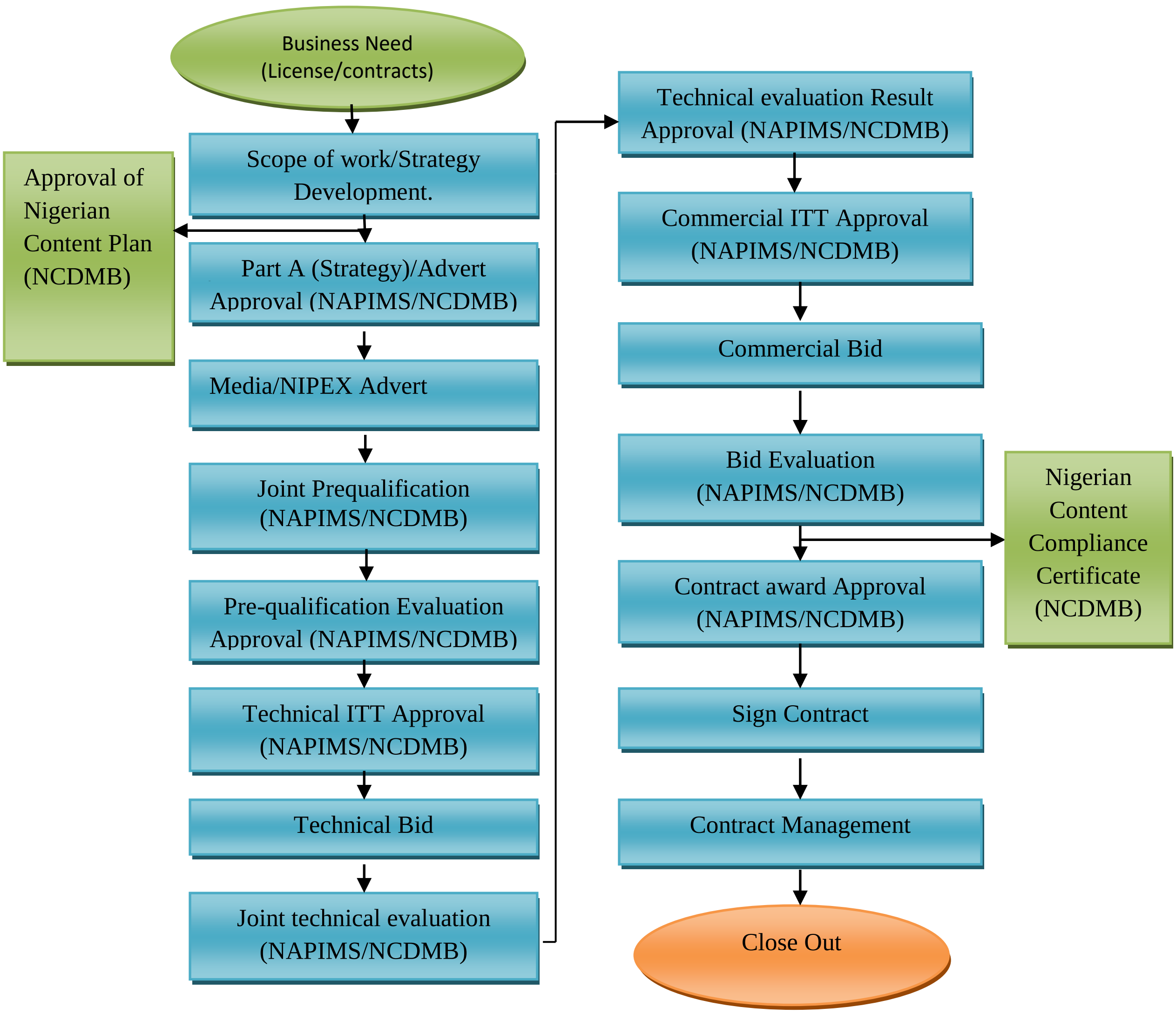
The award of contract shall not be solely based on the principle of the lowest bidder. Where a Nigerian indigenous company has capacity to execute such job and the company shall not be disqualified exclusively on the basis that it is not the lowest financial bidder, provided the value does not exceed the lowest bid price by 10 percent. S. 16.

The rationale behind these provisions is that Nigerian indigenous firms are mostly nascent and weak; lacking the ability to compete freely with the powerful IOCs due to incomparable market advantages. Further, the oil and gas sector is Nigeria's live wire as such; this strategic sector should not be left under the total control of IOCs. This, in essence, justifies the application of the infant industry, market power, and strategic sectors arguments considered in Sections 2.7.1, 2.7.2 and 2.7.4 respectively.

Moreover, when licenses and contracts are awarded, it is the sole responsibility of the NCDMB to ensure that local content provisions are attached to these contracts. Awardees are expected to submit their local content plans as part of the several documents to be reported (S. 12, 16, 43-46). In Section 2.11 the study has reviewed the contents of the "Local Procurement Statement" of three countries – India, Namibia and Sierra

Leone, which required the reporting of all expenditure incurred on materials, services and components. To curb corruption, all relevant bidding information must be transparent. Effective prequalification assessment should be conducted, and auctions and open license biddings should be adopted (Chatham House, 2013). At this juncture, Alba (2009) argues that transparency is significantly required in the negotiation of appropriate fiscal and local content terms to achieve economic and social benefits and mitigate project risks. To illustrate the functions of the NCDMB during the award of contracts the following figure exhibits a typical contract award process and the appropriate roles the Board plays jointly with other agencies.

Figure 12: Functions of the NCDMB during award of contracts/licenses



Source: NCDMB

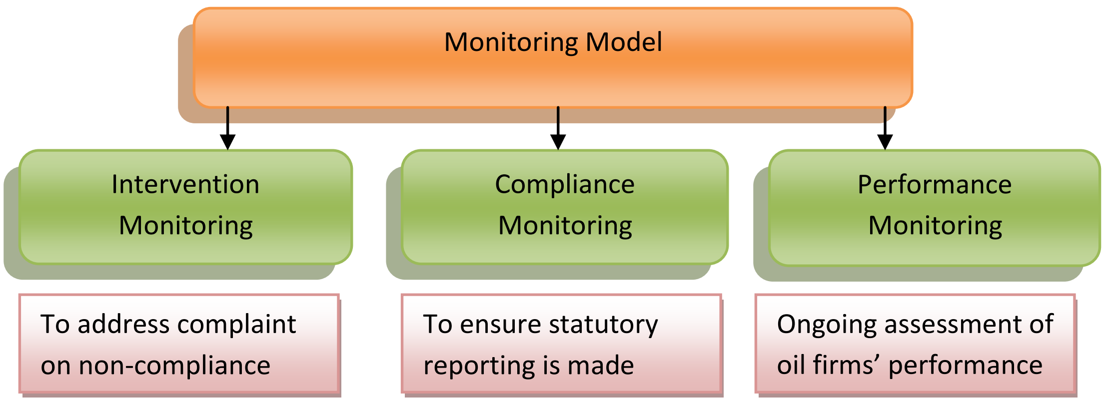
Note: NAPIMS=National Petroleum Investment Management Services; NIPEX=Nigerian Petroleum Exchange; ITT=Invitation to tender

After the issuance of a certificate of compliance and the contract is approved the next task of the NCDMB is to undertake its monitoring roles to ensure that awardees have maintained and strictly adhere to the terms of the contract.

4.8.2 Regulation and Monitoring of Operations

This stage deals with the provisions of institutional and regulatory capacities and the ability to enforce them through two processes: assurance that government bodies have definite responsibilities commensurate with available resources, and that sufficient capacity for monitoring compliance is available (Alba, 2009: 7). Some of the important and perhaps most difficult functions of the NCDMB in the petroleum value chain are the making of rules, regulations, guidelines, supervising, monitoring and measuring the performance of oil operators to ensure effective implementation of local content (S. 70). Appendix 2 illustrates the various monitoring functions of local content agencies of oil-producing countries including the NCDMB. The regulations are required to be favourable enough to attract investment and encourage oil companies to adopt voluntary reporting practices. Specifically, the NCDMB's monitoring functions are classified into three: Intervention Monitoring, Compliance Monitoring and Performance Monitoring. Figure 13 below illustrates these functions.

Figure 13: NCDMB's Monitoring Process



Modified from NCDMB (2013: 16)

Intervention monitoring is initiated after a complaint of non-compliance is received by the Board. Compliance monitoring focuses on making sure that all statutory reporting by companies are made in good time and are in conformity with the Nigerian content specifications. Scheduled and unscheduled visits to facilities (facility audit) are carried out to ensure that all activities including fabrication and engineering are done in compliance with the local content Act. Finally, the performance monitoring is conducted by the Board to ensure that oil companies' day-to-day activities or performance are in line with the terms of their certificate of compliance (NCDMB, 2013). Under its monitoring functions, however, the Board embarked on Compliance, Monitoring and Enforcement Strategy (COMES), to monitor oil companies' commitments to local content at every stage of oil biddings before issuance of the Nigerian Content Compliance Certificate (NCCC). In every contract award processes, the Nigerian content plan of oil companies including the advertisement, invitation to tenders (Appendix 1a), technical and commercial evaluations, and the final award would all be closely examined to ensure full compliance with local content. Monthly audit reports on performance would follow thereafter up to the completion of the project (Nwapa, 2012). In relation to the regulation and monitoring functions the Board was required to:

> *provide guidelines, definitions and measurement of Nigerian content and Nigerian content indicator to be utilized throughout the industry. S.70(l).*

As was briefly stated in the first chapter and the detailed presentation in Appendix2, the various local content agencies of oil-producing countries usually apply appropriate accounting, auditing and other investigative functions to monitor and follow up on the local content performances of oil companies according to the accounting and reporting requirements embodied in license agreements and contractual provisions. Alba (2009) also emphasised that these accounting rules and processes, as well as regular auditing, are critical in ensuring compliance with local content, social compensation and procurement rules. For this purpose, the NCDMB is required to:

> *make auditing procedures and conduct regular audits for the purposes of monitoring and implementing compliances with the provisions of this Act. S. 70(k).*

The monitoring function is a shared responsibility of the NCDMB and the operating companies who secure licenses and award contracts to foreign and local service companies. This provision stated that:

> *the operator shall effectively communicate its Nigerian content policies and procedures to its contractors and subcontractors and to monitor and enforce their compliance. S. 66.*

These and similar reasons are responsible for the adoption and modification of the stakeholder-accountability framework which took into consideration the network of relationships among all stakeholders not just between stakeholders and the NCDMB or the IOCs. Through its compliance and performance monitoring, the Board had detected that significant local value-added was captured through several commercial reports and Nigerian Content Compliance Certificates issued to oil companies between 2010 and 2012. It was reported that in 2010 8 NCCC and 39 commercial reports were issued by the Board to oil operators; in 2011 67 NCCC and 147 commercial reports were issued; in 2012 6 NCCC and 87 commercial reports were issued. The results showed significant Nigerian content share retained in-country as shown in Table 4.3 below.

Table 4.3: Local Content Values Captured through the Nigerian Content Compliance Certificate (NCCC) 2010-2012

Description	2010			2011			2012		
	Cumulative value	**Value capture**	**%**	**Cumulative value**	**Value capture**	**%**	**Cumulative value**	**Value capture**	**%**
Training man-hours	-	-	-	355,674.8	355,674.8	100	889,187	889,187	100
Employment (man-Hours)	-	-	-	1,384,850	1,384,850	100	3,462,126	3,462,126	100
Training expenditure	-	-	-	$77,716,137.29	$77,716,137.29	100	$33,083,149.29	$33,083,149.29	100
Estimated contract values	$429,207,533.77	$265,769,575,79	60%	$24,959,439,312	£17,628,251,950	74%	£1,627,639,683	£1,314,886,960	72%

Source: NCDMB Annual Performance Report (2012)

From the above table we can observe the level of local content in volume and value generated through various activities ranging from labour hours to contract values. While the training and employment hours as well as training spend were 100% captured indicating optimal use of local labour, the significant portion of contracts locally captured showed the increased participation of local firms. The next section considers the NCDMB's fiscal responsibility.

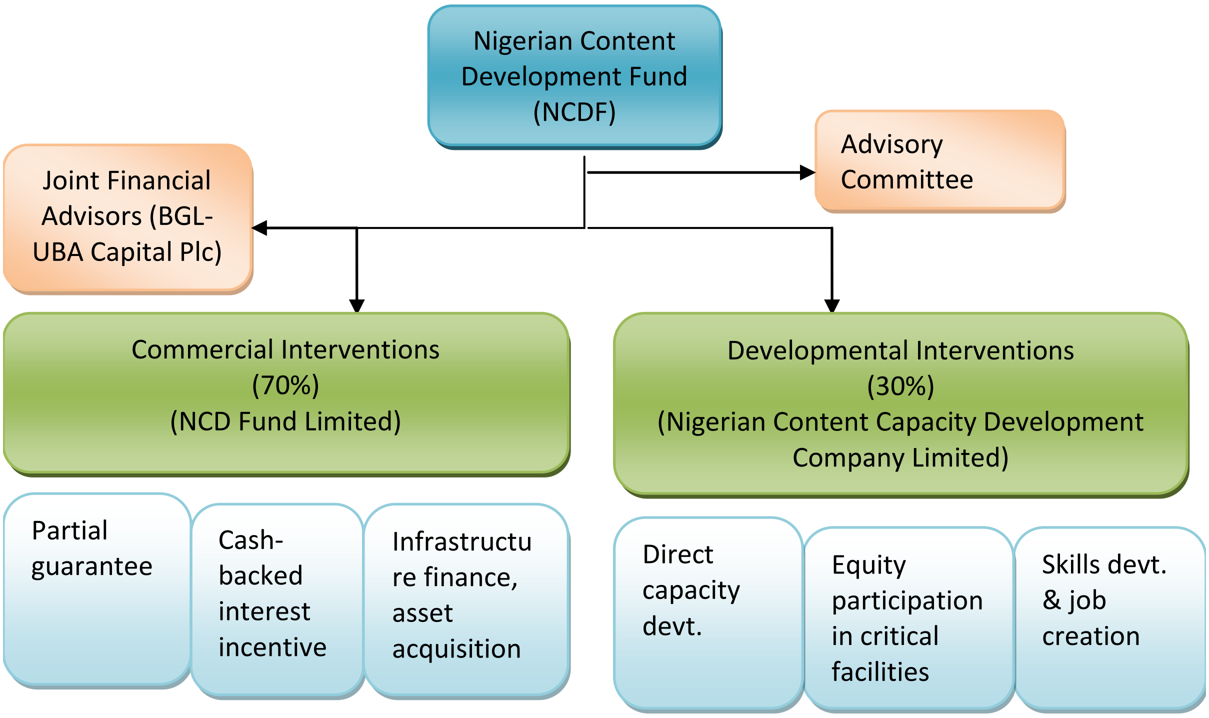
4.8.3 Collection of Taxes and Royalties

Although in Nigeria it is the duty of the Federal Inland Revenue Service (FIRS), the NNPC and the DPR to collect crude sales revenues, royalties, and petroleum profit taxes (Gboyega et al., 2011), the NCDMB as well has a specific fiscal responsibility of deducting a mandatory levy of 1% from the values of every contract awarded in the industry and keep in a fund called the Nigerian Content Development Fund (NCDF). The law stated that:

> *the sum of one percent of every contract awarded to any operator, contractor, subcontractor, alliance partner or any other entity involved in any project, operation, activity or transaction in the upstream sector of the Nigerian oil and gas industry shall be deducted at source and paid into the Fund. S.104.*

The NCDF levy was considered another form of tax (PwC, 2012; Michael, 2014; Deloitte, 2014). Hence, it was suggested that in collecting taxes the authority has to adopt the required accounting, auditing and reporting standards (Alba, 2009). Taxation is a tool in the second local content model (EY, 2014) used to influence local content performance by rewarding or punishing as appropriate. As an incentive, the NDCMB is required to liaise with other relevant agencies and secure favourable tax regime for firms that exhibit significant adherence to local content rules. The NCDF is a full-pledged entity with well-established governance structure capable of owning assets and liabilities. It is under the custody and management of the NCDMB and hence, requires a high level of accountability in its administration. This implies that the Board has a duty to render accounts in respect of the receipts and payments of the Fund to the industry stakeholders particularly the oil companies who are the contributors, risk-bearers as well as beneficiaries of the Fund (Post et al., 2002). As an international best practice, the EITI has required that all payments to governments by extractive companies should be published. Figure 14 below exhibits the governance structure of the NCDF.

Figure 14: Governance Structure of the NCDF



Source: BGL Plc and UBA Capital (2014: 3)

As indicated in the figure above, the Fund which is being overseen by an advisory committee to ensure accountability is to be applied as 70% commercial interventions and 30% developmental interventions. As of now the Fund is said to have hit $700m and is meant to tackle the financial and liquidity problems of the indigenous oil and gas companies and empower them to bid, win and execute oil contracts (The Nation, 2015). It was stated in the NOGICD Act that:

> *the Fund shall be managed by the Nigerian Content Development Board and employed for projects, programmes, and activities directed at increasing Nigerian content in the oil and gas industry. S.104(3).*

These interventions are some of the sustainability initiatives the Board has been striving for and will be discussed in the next section.

4.8.4 Revenue Management and Allocation & Implementation of Sustainable Development Policies and Projects

These are fourth and the fifth points on the value chain and refer to the ability of the authorities to manage and allocate the windfall to achieve sustainable development (Dobbs et al., 2013). That is why Myers and Mohammed (2015) contended that “resources in themselves are not a curse, but what a nation does with them can make it so or otherwise...” In view of this, the NCDMB on behalf of the government implements its sustainability performances through the local content policy to mitigate the gravity of the inherent resource curse in Nigeria. One of the fundamental mechanisms is the disbursement from the NCDF to effect the commercial and developmental interventions stated above. The two interventions are meant to assist indigenous firms to attain the needed financial and technological requirements over time up to the point where they can comfortably compete with their foreign counterparts. The sustainability relevance of these interventions is that indigenous operators and service providers would be able to generate employment and obtain specialised knowledge which has economic, social and environmental impacts. It was provided that the Board shall:

> *assist local contractors and Nigerian companies to develop their capabilities and capacities to further the attainment of the goal of developing Nigerian content in the Nigerian oil and gas industry. S. 70(h).*

The following sections consider the two interventions.

4.8.4.1 Commercial Intervention

Commercial intervention is allocated 70% of the NCDF to undertake critical functions in favour of local firms which include financing of contracts and projects, enhancing working capital, acquisition of assets, facility upgrade, procurement of machinery and equipment, and other infrastructural investments (Aigboduwa and Oisamoje, 2013; Okafor and Aniche, 2014). These are made possible via partial guarantee which allows local firms to access credit facilities or cash-backed interest incentives which reduce the cost of capital for local companies when utilising the credit facilities and infrastructure finance (UBA Capital and BGL PLC, 2014).

4.8.4.2 Developmental Intervention

Here, the Board utilizes the remaining 30% of the NCDF to undertake direct investment, capacity building, financing of training and development programmes as well as investing in the construction of infrastructure such as the on-going industrial park project. It also includes strategies and programmes that encourage the ownership and manning of oil and gas assets. The most important of these are the Offshore Rigs Acquisition Strategy (ORAS), the Marine Vessels Ownership Strategy (MAVOS) and the Equipment Component Manufacturing Initiative/Original Equipment Manufacturing (ECMI/OEM) (NCDMB, 2012, 2013). Following these initiatives, the Board recorded significant progress. The following sections consider each of these achievements.

4.8.5 The Offshore Rig Acquisition Strategy (ORAS) and the Marine Vessels Ownership Strategy (MAVOS)

These two initiatives are aiming at encouraging indigenous oil firms to own or co-own drilling rigs and oil vessels. This will also enable these companies to attain the 50% asset ownership requirement of the law (NCDMB, 2013). Ernest Nwapa[34] claimed that the Nigerian oil and gas industry has been spending about $2-$3 billion on drilling rigs in the offshore zone annually (Thisday, 2011). To respond to the challenge posed by domestic rig shortages which necessitate persistent rig leasing by oil firms the Board initiated the ORAS programme to boost rig availability in the industry. As reported by the Board, significant progress has been recorded, and many of the indigenous oil firms were said to own whole or part of these oil and gas assets. As at the 2012 global rig count, it was found that out of the world's 304 deepwater offshore drilling rigs only 14 operate in Nigeria. For the onshore rigs, out of the total of 864, only 5 were operating in Nigeria despite the country's position among global oil producers (Baker Hughes, 2012). The ORAS strategy is aimed at enabling sustainable financing plans for the acquisition of rigs as well as through partnerships between indigenous and foreign firms. Similar to the ORAS is the MAVOS programme

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[34] The Executive Secretary of the Nigerian Content Development and Monitoring Board (NCDMB).

which is aimed at enhancing local ownership of oil vessels. As a comprehensive record of the actual achievements of these programmes is lacking, the study relied on stakeholders' subjective assessment. This informed the adoption of the interpretive epistemology to acquire this knowledge.

4.8.6 Equipment Component Manufacturing Initiative (ECMI)

The issue of local manufacturing is a major concern of local content (Tordo, et al. 2010; Johnson, 2015). Johnson (2015) has presented a good account of the local manufacturing efficacies of local content policy which aims at creating jobs and facilitating exports in line with the balance of payment arguments reviewed in Section 2.7.3 and also recommended by the International Accounting and Reporting Issues in Section 3.12 above. One of the major achievements boasted by the NCDMB is its ongoing industrial park project meant to facilitate local manufacturing. The industrial park would consist of business units such as manufacturing, maintenance/repairing workshops, warehouses/load out centres, financial services, power plant, water supply, etc. (NCDMB, 2013: 43). Another achievement of the Board is the creation of over 30,000 new employments within the areas of the three programmes above. This is shown in Table 4.4 below.

Table 4.4 New Employment in the Nigerian Oil and Gas Sector (2010-2012)

Area of Specialization	No. of new jobs created
Marine vessel services	3000
Rigs	1500
Fabrication yard services	10792
Design Engineering	2130
Petroleum Technology	3000
Oil and Gas Equipment Manufacturing	1500
Management positions (in operating companies)	2143
Miscellaneous	6797
Total of new employment	**30862**

Source: NCDMB website (www.ncdmb.gov.ng) accessed 22nd Feb, 2013

Despite the above achievements, some industry stakeholders are alleging exclusion from the three programmes as stated in the first chapter of this work. This made it imperative for this work to among other things, apply a binary logistic regression on the three programmes to determine whether organizational membership or work experience influence stakeholders' knowledge and awareness of the existence and operations of the programmes (see Sections 7.10). The rest of this chapter is dedicated to discussing the various forms of accountability of the two accountors (NCDMB and IOCs) that form the central aim of this work. The first part examines the mandatory accountability of the two actors as understood from the critically reviewed and content analysed NOGICD Act 2010 which spelt out the legal responsibilities and accountability requirements of the accountors. This is presented below.

4.9 Accounting, Accountability and Governance Provisions in the Nigerian Oil and Gas Industry Content Development Act (NOGICD) 2010

In line with the accountability indicators identified by the study from the general review of the literature, and the corresponding accountability indicators identified by Crofts and Bisman (2010) from the accounting literature (see Tables 5.1 and 5.3), this section has taken a general overview of the local content legislation to see how such accountability terms were used in the Act. This would enhance the study's ability to develop the rest of the research questions for the study which were around the accountability of the two accountors. Rixon (2007) argues that accountability in legislation "impacts the ability of an agency to adequately demonstrate accountability to its stakeholders". This section, therefore, intends to use the NOGICD Act provisions to justify the question of why there should be accountability in local content implementation and why the Board (and in some instances, the IOCs) should be held accountable for the outcomes of the implementation. Table 4.5 demonstrates the accountability and governance requirements 'explicitly' provided in the NOGICD Act.

Table 4.5: Accountability Provisions in the NOGICD Act, 2010.

Accountability Dimensions	Sections of NOGICD Act
Objective/Targets	S. 4, 36, 41(1), 46, 90(d)
Balancing target with capacity	3(1), 11(4), 16, 50, 96, 97
Stakeholder engagement/collaboration	S. 57, 54(b), 55, 58, 99
Roles/Responsibilities of stakeholders	S. 54(c) & 33(2)
Governance	S. 54(b)
Reporting/disclosure	S. 29(c), 63, 64 & 66
Evaluation, measurement, review	S. 12, 14, 17(1), 20(d), 22(g), 22(g)iv, 56(c), 70(e)
Auditing	S. 54(b), 70(k), 91, 93(b), 94
Transparency/information dissemination	S. 17(2), 18(2), 21(f), 24(g), 29(d), 33(d), 22(g)iv, S. 54(b), 57, 57(b), 64, 65
Sanctions	S. 68
Enforceability	S. 66, 105

Source: generated by Author from an analysis of the NOGICD Act 2010

As such the accountability dimensions contained in the above table would be useful in assessing the accountability of the NCDMB. Besides this, the study had conducted a wider survey of the extant literature especially the accounting literature to expand the scope of these dimensions. The result was a comprehensive accountability scale which was used to construct the first part of the questionnaire used in the study (refer to Section 5.9). Basically, the assessment of the NCDMB's performance follows the same pattern as that of any other public agency. In this regard, Bolton (2003: 22) argues that public sector organizations have missions, and any performance measurement system should be in line with such a mission and will answer the questions of "how well does it fulfil its missions, how efficiently does it support that mission, and how does it report its achievements to its stakeholders?". For this purpose, the research questions designed to examine the NCDMB's performance are presented below:

3. *What is the extent of stakeholders' perceptions of the NCDMB's general accountability performance in the implementation of local content sustainability in the Nigerian oil and gas industry?*
4. *What is the extent of stakeholders' perceptions of the NCDMB's financial accountability in the Nigerian oil and gas industry?*
5. *What is the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provisions of the 'first considerations' to Nigerian oil and gas*

firms in the award of petroleum contracts, licenses, employment, procurement of materials, and technology transfer?

6. *What is the extent of stakeholders' awareness and effectiveness of NCDMB's local content programmes?*

Having discussed the roles and accountability of the NCDMB, the next section introduces the IOCs operating in Nigeria with their local content roles and accountability in the petroleum value chain.

4.10 The International Oil and Gas Companies (IOCs) in Nigeria

The major IOCs' roles in the petroleum value chain are investment, compliance with legal provisions, and collaboration with host governments to achieve sustainability through local employment and procurement, technology transfer, etc. In implementing local content in Nigeria, the IOCs have dual accountability – hard (mandatory) to the authorities and soft (voluntary) to the public.

As stated by Hufbauer et al. (2013) the Nigerian local content regime focuses on two main activities: employment and procurement by oil and gas companies. These activities are significantly controlled by the IOCs, as such, the NOGICD Act had issued exclusive requirements that oil companies (especially the IOCs) must give priority to local firms when awarding upstream contracts such as seismic, fabrication, engineering, drilling or procurement of materials needed for the production of oil. The primary accountability of the IOCs in Nigeria therefore, is to comply with these legal provisions as their minimum (Eweje and Wu, 2010) which form their mandatory (hard) accountability besides the voluntary (soft) one such as sustainability reporting. As several IOCs are operating in Nigeria, this study focuses exclusively on the five major ones, namely: Shell, Chevron, ExxonMobil, Total and Eni-Agip. This is because they are the oldest operating IOCs in Nigeria, produce the largest portion of the oil (between 80-95%), and operate the joint ventures (see Table 4.1), production-sharing and the service contracts in the country. Table 4.6 below presents the distribution of oil produced by each of these IOCs.

Table 4.6: Crude Oil Production by Company in Nigeria, 2010

Company	No. of wells operated	Annual barrels produced (millions)	Daily average production (thousands)	Share of total (%)
Joint ventures:				
ExxonMobil	219	166	454	28
Shell	NA	143	392	24
Chevron*	331	95	259	16
Total-Elf	143	51	141	9
Agip-Eni	211	41	114	7
Texaco*	25	4	11	1
Pan-Ocean	12	3	8	<1
Subtotal	941	503	1,378	84
Production-sharing contracts:	90	30	83	5
Addax	10	56	153	9
Esso				
Service contracts:				
Agip-Eni	6	2	5	<1
Independent operators: NNPC	7	9	25	2
Grand Total	1,054	600	1,643	100

Source: Modified from Hufbauer et al. (2013)

*Note that Chevron and Texaco have merged as ChevronTexaco.

The five major IOCs are selected and included in the study on the basis of the above oil production figures which indicated their significance in the Nigeria's upstream sector. The next section proceeds to discuss the roles, responsibilities and expectations of the IOCs as agents of local content implementation to serve the basis for the assessment of their accountability to their numerous stakeholders in the industry.

4.11 Roles and Accountability of the IOCs in the Implementation of Local Content Sustainability in the Nigerian Petroleum Sector

Frynas (2005) argues that the oil and gas sector is the one business segment of the economy that makes the strongest claims for ethical and corporate social performance including product and environmental accountability, protection of human rights, stakeholder rights, transparency and fighting corruption, good community relations, etc. Consequently, IOCs assumed "leadership roles in developing good corporate practices and codes of conduct in the workplace and engagement with different facets of society" (Tuodolo, 2009: 531). This led to the involvement of various IOCs (eg, Shell, Chevron ExxonMobil, Total, Eni, etc) in different international sustainability initiatives such as the Global Reporting Initiative (GRI), the UN Global Compact, the Dow Jones Sustainability Index, the World Summit on Sustainable Development, and the Millennium Development Goals (MDGs).

IOCs' roles in sustainable development in general and in local content[35], in particular, were enshrined in the Guidelines for Multinational Enterprises (OECD, 2011). The guidelines have expected multinationals to use developmental policies to "contribute to economic, environmental and social progress with a view to achieving sustainable development" of their host countries through capacity building, human capital formation, employment and training and promotion of local markets through local procurement (P. 19 & 36). There are diverse arguments about the accountability of businesses. These arguments hang on two competing theories of accountability – the shareholder theory which emphasises wealth-maximization accountability to shareholders (Jensen, 2002; Sundaram and Inkpen, 2004) and the stakeholder theory which focuses on the accountability to external constituencies (Donaldson and Preston, 1995; Freeman et al., 2004; Jorg et al., 2004; Kaler, 2006). These theories will be discussed at length in the next chapter. Due to the increasing prominence of the stakeholder perspectives, corporations are coming to terms with the glaring facts as to why they ought to be accountable to stakeholders. Gray et al. (1996) opined that the increasing recognition by corporations of the broad duty of non-financial-stakeholder accountability on them, corporate social reporting had become the frequent medium of discharging such accountability. In acknowledging the reality that multinational corporations have an obligation to be accountable to the state as well as the general public, Leisinger (2013) was reported in Egbon (2014) to have stated as follows:

> *The fact that a company knows what the state and the authorities should do or has identified governance deficits does not release it from its own obligation to behave responsibly … In concrete terms, if the government of a developing country fails to enact or enforce appropriate legislation regulating social and environmental matters,*

[35] The concept of 'Local content' was not explicitly used in the OECD Guidelines for Multinational Enterprises but other concepts that represent local content such as local capacity building, local employment and local sustainable development were used.

a responsible company must not take advantage of these deficits and remain inactive itself....

This is the impetus behind IOCs' engagement in sustainability performance and reporting such information to stakeholders in host countries. Sustainability reporting is viewed as "the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development". It involves the triple-bottom-line reporting on the "economic, environmental, and social impacts" of corporations (GRI, 2000-2001: 3). IOCs are increasingly adopting local content reporting in addition to the general sustainability reporting in line with the GRI/IPIECA sustainability reporting guideline as widely discussed in the previous chapter. Local content sustainability reporting is gaining ground to the extent that oil firms have begun to engage civil society and other professional groups to audit their local content reports (Ngoasong, 2014). Despite these attempts, Bowie (2013: 138) doubted the sincerity of the foreign multinationals in supporting host governments' developmental policies as they may "use their influence and money to defeat or water down regulations ..." This may also affect local content as the policy may not be in the IOCs' best interest. To incapacitate the positive impact of the policy, the IOCs may insist on subsidy, tax breaks or even bribe political elites to secure contracts (Esteves, 2013; Martini, 2014). In Nigeria for example, the IOCs use the current situation of crude oil crush to demand discounts of between 20-30 percent on concluded contracts (Sanyaolu, 2015). These and many other reasons can arguably be a justification why the IOCs' mandatory and voluntary accountability have to be examined. Against the above background the following research questions and hypothesis are formulated:

7. *To what extent do the IOCs operating in Nigeria comply with the mandatory local content reporting?*
8. *To what extent do the IOCs operating in Nigeria voluntarily disclose and report local content sustainability indicators in their global sustainability reports before and after the creation of the Nigerian local content law?*

9. ***H_0*** *There is no significant difference in the volumetric local content sustainability disclosures of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.*

   H_1 *There is a significant difference in the volumetric local content sustainability disclosures of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.*

4.12 Conclusion

This chapter reviewed the study context – the Nigerian oil and gas sector – with its two major local content actors – the NCDMB and the IOCs. A brief account of the various contractual arrangements in the industry and the dominance of the IOCs over their domestic counterparts were also discussed. One major essence of the chapter was the practical application of the petroleum value chain to illustrate the governance functions of the NCDMB in administering the local content policy. It demonstrated the practical responsibilities of the Board as well as its achievements so far. Besides the NCDMB, the IOCs were considered equally important accountors of local content. The nature of the accountability (mandatory and voluntary) of these actors were extensively reviewed where it was found that while the NCDMB's accountability was purely mandatory as provided by the law, the IOCs have dual accountability – those required by the law (such as statutory disclosure of contract documents) and the recommendations of best practice. Based on these discussions the study has drawn and justified its research questions and hypothesis. On the backdrop of the chapter and its review of local content actors' accountability and governance, the next chapter continues to provide the conceptual basis for the thesis.

CHAPTER FIVE
Accountability as the Theoretical Framework for Assessing Local Content Sustainability in Petroleum Contracts

5.1 Introduction

Previous chapters discussed local content sustainability, accountability, and accounting frameworks of local content within the context of the wider petroleum sector governance. Mandatory and voluntary accountability and their respective reporting frameworks were presented. This chapter is the heart of the thesis as it is the connecting chapter between the preceding chapters and the subsequent ones. It is intended to provide the theoretical lens through which local content accountability could be viewed so that a decision on the philosophical positions, methodology and methods of analysing data and discussing of results could be made. The chapter is premised on the conceptual model which systematically progressed from earlier chapters. The chapter would follow the model sequentially from two accountability theories to the selection of the appropriate approach to study local content sustainability.

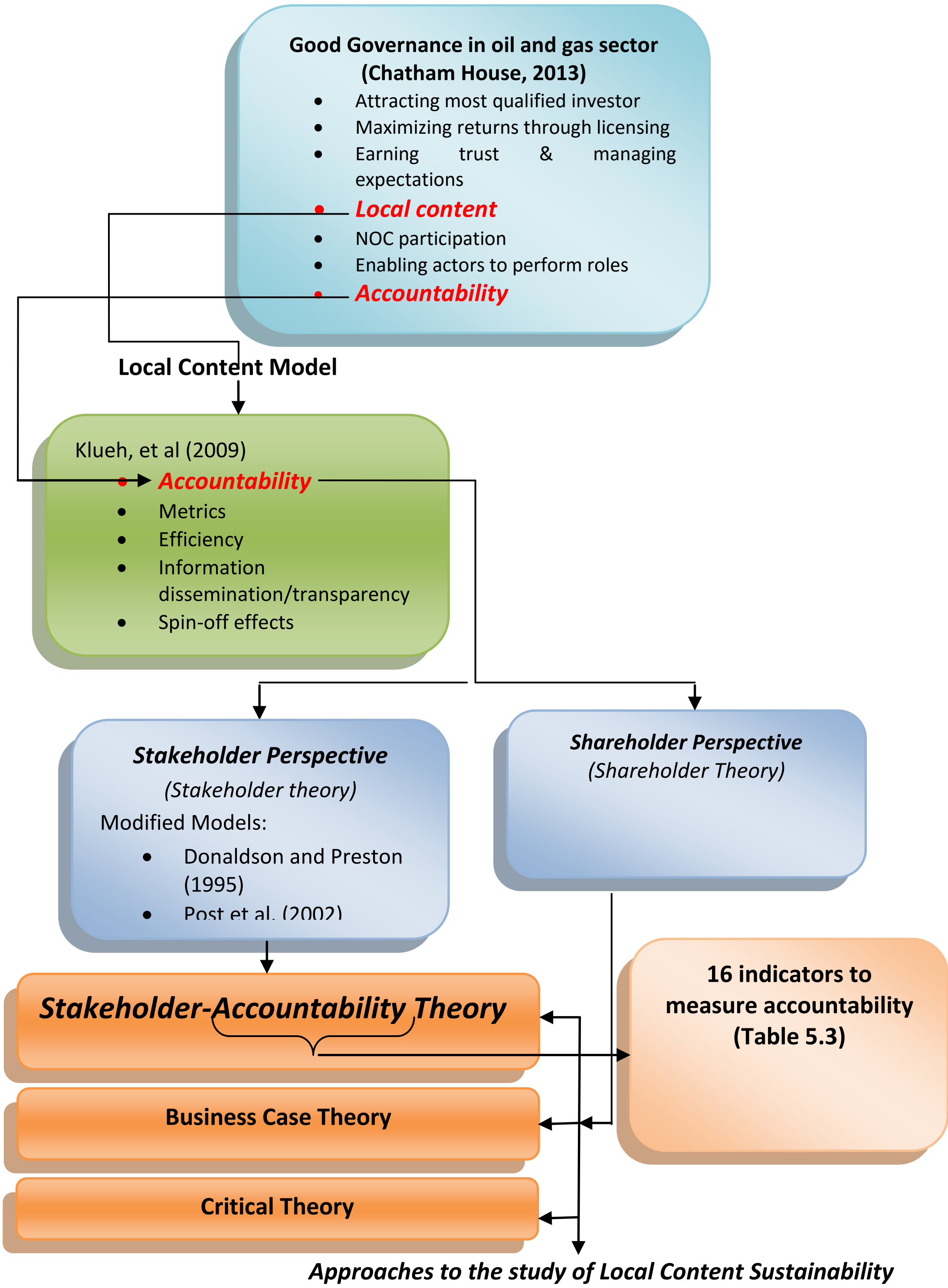
5.2 Theoretical Considerations

To provide a concrete theoretical basis, the work draws on Ijiri's (1983) accounting research frameworks classified into decision-based (otherwise called decision usefulness) and accountability-based. A decision-based accounting framework is unidirectional and focuses on the accounting information user alone in making economic-related decisions. On the other hand, an accountability-based framework is bi-directional and centres on the relationship between the accountee and the accountor, that is, the user and the provider of the financial and non-financial information (Ijiri, 1983: 75). It was argued that the accountability-based purpose of accounting is the most popular (Skinner, 1985; Pallot, 1992; Nelson et al., 2003; Jones and Pendlebury, 2004 and Stanley et al., 2008; Blanco, 2011); especially when the public sector is involved (Coy, 1995; Nelson et al., 2003). Thus, accountability undoubtedly forms the philosophical basis for the accounting practice (Andrew, 2001).

Reflecting on these frameworks is of particular importance because the two broad purposes of local content reporting are to allow the shareholders to assess and take decisions on the costs and benefits of investing in oil companies which are currently under the host governments' pressure to engage in local content activities. This may sometimes mean sacrificing resources and income by companies to undertake training of locals, transfer of technology and purchasing of local materials which may sometimes be more expensive than the imported ones. Principally this is where the decision-based accounting framework could apply. This is not the perspective taken by this research. The Second purpose of local content reporting is to inform all those negatively affected by oil companies' operations including the communities whose environmental ecosystem, farming lands and fishing waters are being damaged that the companies involved are not only accountable but also taking appropriate measures to positively compensate for such performance. The theoretical direction taken by this study is, therefore, the accountability-based as it involves giving and receiving information between accountors (NCDMB and the IOC) and accountees (other industry stakeholders) in relation to local content sustainability in the Nigerian oil and gas industry.

Three accounting paradigms or worldview have emerged from the two frameworks. These are the mainstream, the interpretive and the critical accounting (Chua, 1986). The mainstream is predominantly underpinned by positivism while the interpretive and critical are dominated by the interpretivist/constructivist conception (Bebbington, 1999). This issue is purely philosophical and embedded in the ontological and epistemological assumptions to be discussed in the next chapter. Before going into that, it should be recalled that in chapter three the study had presented a conceptual model that had used the oil sector governance framework to derive two local content models. Also, the governance framework and the first model are used to discuss the concept of "accountability". In the following section, the study continues with the "accountability" line of discussion to justify the selection of the conceptual framework. Figure 15 below exhibited the study's conceptual framework.

Figure 15: Conceptual Framework of the Study



Source: generated by Author from literature

In Figure 15 above the study's conceptual framework focuses on the first local content model because of the 'accountability' element it shared with the Governance framework. This follows that accountability is at the heart of the local content and the petroleum governance. This is evident from another natural resource governance framework developed by the Transparency & Accountability Initiative (Derby, 2010) which involves three principles of transparency, participation and accountability. It was decided not to present this framework to avoid repetition, as all its indicators are contained in the accountability-scale developed in this study (see Table 5.3).

Accountability is underpinned by two conflicting theories: the shareholder and the stakeholder theories. Apart from these two theories, some scholars also view accountability from the critical perspective (e.g., Smyth, 2013). This informs the study's methodological stance as these theories have some contributions to the understanding of accountability in the Nigerian oil and gas industry. As such, the framework informs the various methods of gathering and analysing data. As will be discussed in the following sections, the shareholder theory is largely based on the mainstream accounting using quantitative data, while the stakeholder and critical theories are interpretive. In the following sections, the study discusses these prominent theories of accountability. The next section starts with the shareholder theory.

5.3 The Shareholder Theory

Shareholder theory will remain in partial agreement with this study because of its narrow focus of stockholder exclusivity the consequences of which is "legitimised greed" for those with sole profit maximization interest (Levy and Mitschow, 2009: 2). The idea behind the theory is that organizations have shareholders' wealth maximization motive as their first and most important responsibility (Mansell, 2013). Friedman (1970) in Mansell (2013: 585) asserted that "…there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception and fraud". The shareholder theory is narrow in focus and fails to carry along all parties into the accountability relationship. The study's issue at hand is the accountability engagement of a government agency, the IOCs and their constituents. As such, neither the government has shareholders nor wealth maximization preferences over the welfare of its citizens. Also, the creation of the sustainability reports by the IOCs indicated their interests in stakeholder affairs in addition to the wealth-maximization motives. An alternative accountability theory is presented below.

5.4 The Stakeholder Theory

Stakeholder theory perceives organizations as responsible for providing benefits not only to their shareholders but also to other individuals and groups that have interests in one way or the other in the running of the organizations (Mutti et al., 2012). Stakeholder theory is the theory specifically adopted in CSR and sustainability studies and found to be "a necessary process in the operationalisation of CSR, as a complementary rather than conflicting body of literature" (Matten et al., 2003: 111). Post et al (2002: 19) defined stakeholders as "the individuals and constituencies that contribute, either voluntarily or involuntarily, to firms' wealth-creating capacity and activities and that are therefore its potential beneficiaries and/or risk bearers". Another good definition of stakeholders was suggested by Clarkson (1995: 106) as:

> *Stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future. Such claimed rights or interests are the result of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective".*

These definitions suggest that stakeholders as the beneficiaries and risk-bearers have legal and moral rights to demand accountability from corporations. Reflecting the Nigerian local content issue, the NCDMB as a representative of the government has to account for its responsibilities of enforcing compliance and reporting performance to all stakeholders in the industry who may be positively or negatively affected by such policies. Also, the IOCs are accountable to the Board for mandatory reporting and are expected to also voluntarily report to stakeholders such as oil communities who are affected by oil and gas operations. Donaldson and Preston (1995) and Fassin (2012) used the normative and the instrumental views to explain why organizations have to be responsive to their stakeholders. The normative view is based purely on ethics and morality and considers organizations to be ethically responsive to their stakeholders because it is a good thing to do. The instrumental view considers it as a "good business for organisations to be responsive to their stakeholders" (Barrett, 2001: 38; Levy and Mitschow, 2009). The instrumental view has a business-case undertone and assists organizations to maximize corporate values and goodwill through their relationship qualities with their stakeholders which subsequently impact on their financial performance (Waddock and Graves, 1997a, 1997b; Agle et al., 1999; MacMillan and Downing, 1999; Barrett, 2001). In relation to this win-win approach, Jensen (2001: 1) argues that "a firm cannot maximise value if it ignores the interests of its stakeholders".

A large number of studies conducted on corporate social and environmental responsibility (Clarkson, 1995; Weaver, 1999; Buysse and Verbeke, 2003; Sharma and Henriques, 2005; Pater and Van Lierop, 2006) especially in the extractive sector (Mutti, et al., 2012) have used the stakeholder theory to explain the importance of businesses and organizations to the society. The normative and instrumental views of stakeholders are applied to all organizations whether private, public, for-profit or not-for-profit (Barrette, 2001). This study is also aware of the 'convergent stakeholder' perspective which combines the normative and the instrumental views (Jones, 1999). The NCDMB is a government organization created specifically to attend to the needs of the society through designing regulations, monitoring performance, reporting and ensuring compliance with the Nigerian Content Act to ensure sustainable social, economic and environmental development. Hence, the stakeholder theory in its convergent perspective is the most appropriate in this case because the Board is simultaneously accountable for its financial and non-financial responsibilities including the utilisation of the NCDF described in the previous chapter. This is because performance "should be evaluated in terms of both profit and the accomplishment of social objectives" (Chen, 1975: 542). For the IOCs, their major accountability is their compliance with local content rules which will enhance their value maximization and goodwill (Jensen, 2001).The following section considers the various units that made up the stakeholder theory.

5.5 Components of the Stakeholder Theory

Post et al. (2002) cited in Mutti et al (2012: 213) identified the essential components of the stakeholder theory to include: (a) flow of benefits/threats between organizations and stakeholders; (b) stakeholder networks and roles; (c) varied interests; and (d) stakeholder engagement. The study reviews these components in the following sections and utilises them to build the stakeholder-accountability model to be used in the study.

5.5.1 Flow of Benefits and Threats

Relationships between organizations and stakeholders are accompanied by benefits and costs or opportunities and threats. Each stakeholder group has its own objectives, rights, responsibilities and expectations, and contributes a specific resource to the organization. These responsibilities and expectations should be clearly and transparently stated for any accountability relationship to be built. While organizations benefit from the patronage of their stakeholders, they could also be affected when such contributions are withdrawn (Mutti et al., 2012). For example, the NCDMB was created to manage the expectations of various stakeholders in the oil and gas operations; as such, the Board cannot operate in isolation, but relies on the contributions from the industry stakeholders. The operations of the agency would be negatively affected if say, the IOCs decide to terminate or reduce the volume of their operations in the industry. In case the IOCs terminate operations, no contract may be executed; no oil may be extracted and there may not be any discussion of local content. It was recently reported that about 10,000 jobs were at risk due to the divestment of Shell and Chevron from an LNG project in the Nigerian oil industry (Eboh, 2013). Similarly, if oil communities should withdraw their support to oil operations and maintenance of peace, oil companies will be badly affected. The contributions made by stakeholders in local content relationships are "valuable knowledge, resources and commitment" (IPIECA, 2011: 8).

5.5.2 Stakeholder Network and Roles

This is about identifying and understanding the nature of the stakeholder groups involved and their roles. These stakeholder groups may be institutional/ regulatory, industrial/organizational, or social/community (Henriques and Sadorsky, 1999; Post et al., 2002). Organizations should respond to their stakeholders according to the nature of their group and the contribution they are able to offer. By this component, the present study identifies these three major stakeholder groups to form the Nigerian oil industry's primary stakeholders for the purpose of local content accountability. Apart from the accountability relationships that exist between the organizations and these three groups, the groups may also be accountable to one another (Crane and Livesey, 2003). This point will be elaborated in Section 5.6 below. Stakeholder network and roles is the add-on feature used by this study to modify the existing stakeholder model to investigate the local content governance and accountability in the Nigeria's complex petroleum sector (see Figure 18).

5.5.3 Varied Interest

It is understood that satisfying the information and resource needs of all stakeholders may be problematic. As such, Mutti et al. (2012) considered it imperative for organizations to identify the nature of their stakeholders' interests and needs. From the context of this study, local content actors, the NCDMB and the IOCs are expected to identify the needs of their diverse stakeholders. For example, the public expects visible benefits through enforcement of local content rules, and oil companies expect new opportunities and good policy directions from the Board. For the IOCs, stakeholders are mostly interested in their compliance with local content rules exhibited via the mandatory and voluntary reporting.

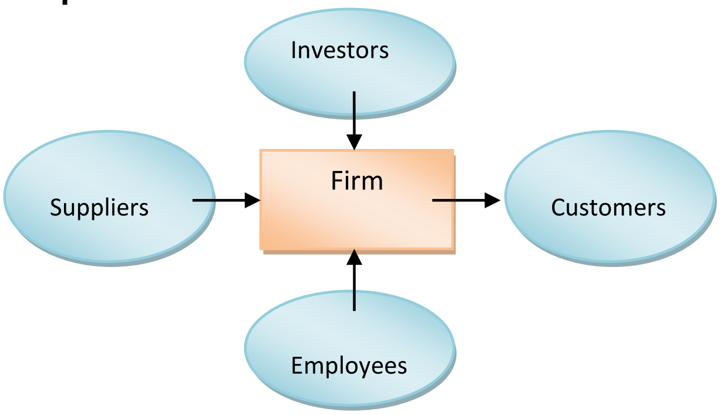
5.5.4 Stakeholder Engagement

This involves stakeholder inclusiveness in organizational processes and strategies (Post et al., 2002; AccountAbility1000, 2008) to ensure long-term success and survival of the firm (Sirgy, 2002). For this purpose, the wider view of accountability is required. Messner (2009) observes that discussions of accountability have previously focused on shareholders as supported by the agency theory; but, with the greater need for public accountability, the boundaries have been expanded to include the wider stakeholder groups. IPIECA (2011) argues that for any successful local content programme to be achieved, there has to be close and strong collaboration among industry stakeholders. OPEC (2011a) identified some key stakeholders whose engagement is inevitable in local content relationships to include national and international oil companies, service companies, local industries, local communities and governments. Levett and Chandler (2012: 11) made it clear that "involving all stakeholders ... from the earliest stages (of oil contracts) possible allows for greater understanding of both existing procurement patterns and real world barriers to expanding local content, and will deliver outcome with far greater efficiency and effectiveness". The idea behind the local content is based on the stakeholder theory, in that an organization has to be concerned about its "impacts on the economic conditions of its stakeholders and on economic systems at local, national, and global levels" (GRI, 2012: 34). Scholars have designed models to depict the relationships between organizations and their constituents (Freeman, 1984; Hill and Jones, 1992; Burton and Dunn, 1996; Mitchell et al., 1997). The next section presents the most commonly used stakeholder model highlighting its limitations and the reasons why it must be modified to fit the current study.

5.6 The Stakeholder Models

Initially, the Donaldson and Preston's (1995) model was created to contrast and extend the traditional input-output model of business. Three groups - suppliers, investors and employees collectively contribute inputs to the firm which converts them into output and channels them to the customers. There was not much interest on the returns to the providers of the inputs. Figure 16 below illustrates the input-output model.

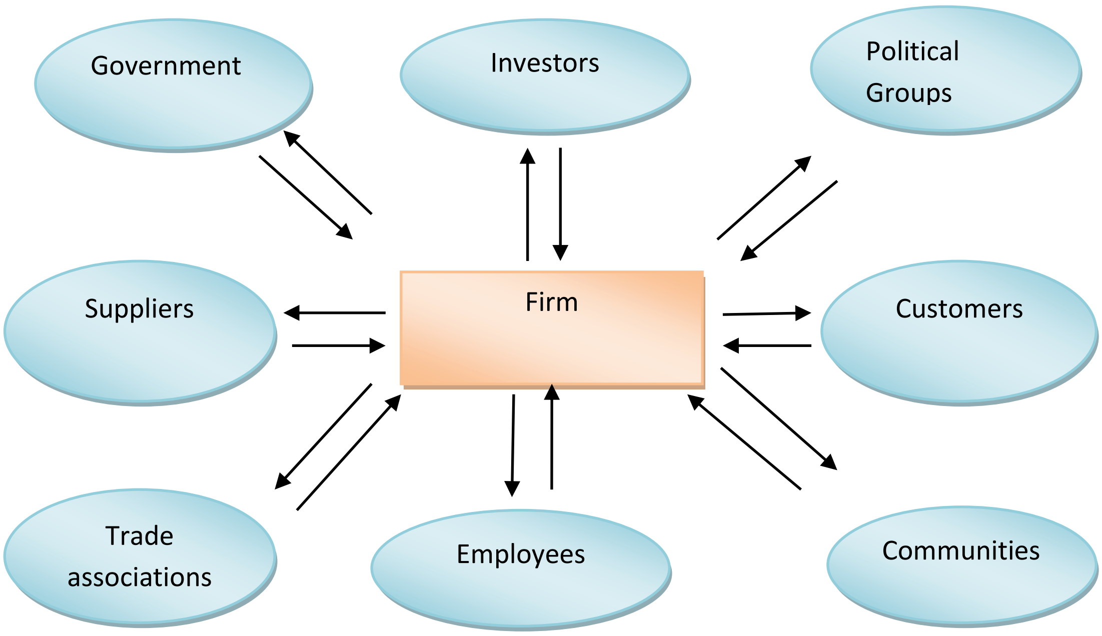
Figure 16: Input-Output Model of Business



Source: Adapted from Donaldson and Preston (1995)

The above model does not consider the reciprocities and exchanges between the firm and its stakeholders. Customers are the most important and the business is exclusively serving and protecting the interest of this group. The input-output model was criticized by Donaldson and Preston (1995: 68) who recognised that "all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another". Hence, the stakeholder model is favoured over the input-output model. Figure 17 below presents the adjusted model.

Figure 17: Donaldson and Preston's Stakeholder Model

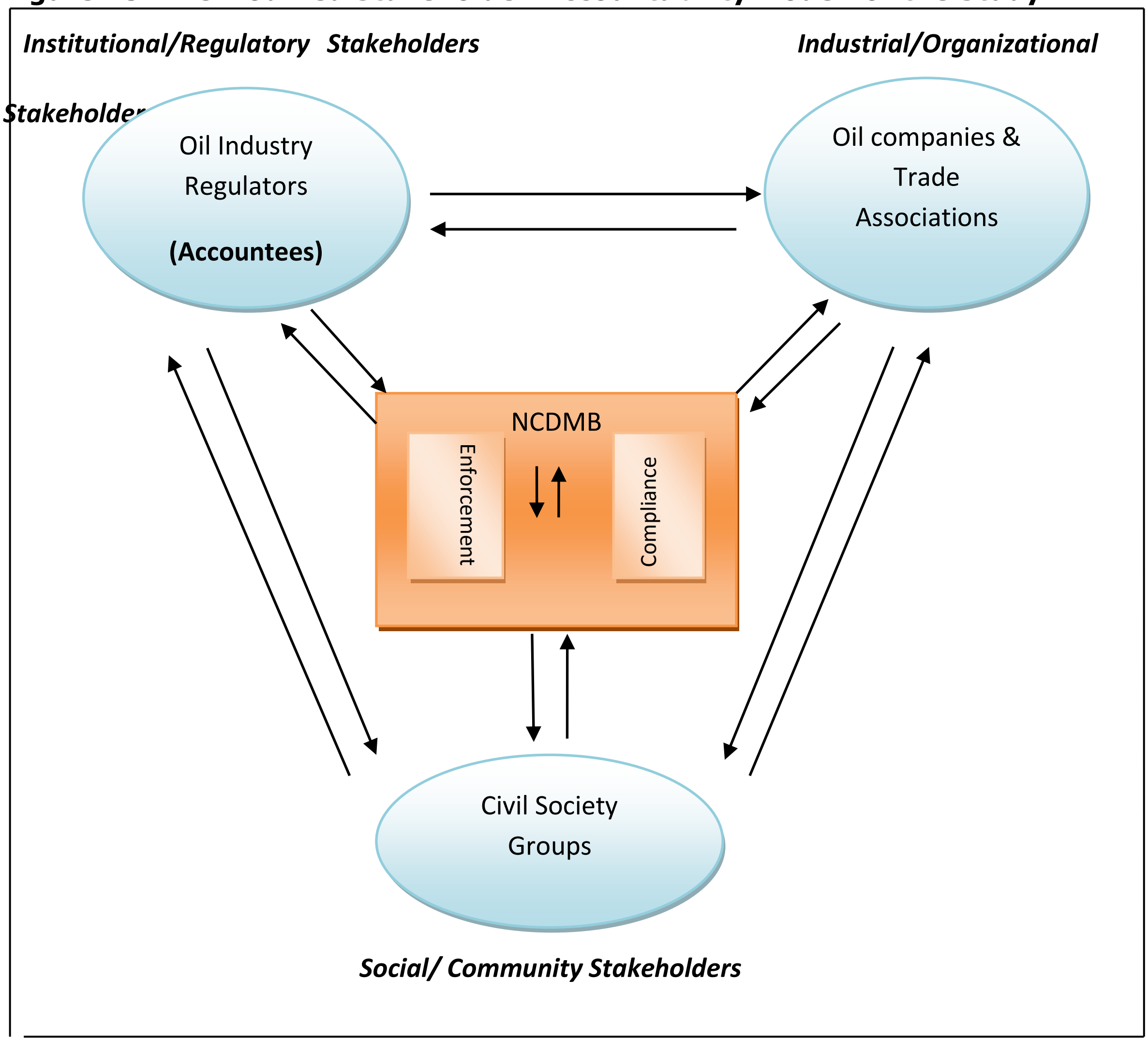


Source: Donaldson and Preston (1995: 69)

From Figure 17, various stakeholders have varied interests in the firm and vice-versa. The government has an interest in the firm for the purpose of taxation and regulation; investors have an interest in financial return; political parties are after recognition; suppliers are after quality, delivery and credit worthiness; employees and trade associations are interested in conditions of service; communities are interested in social responsibility, and customers are after service and quality assurance.

This study cannot use the above model unmodified because the model has failed to show that there is any network of relationship among the stakeholders as there are no arrows in-between the groups. The present study assumed a network of accountability relationships (Post et al., 2002) between the NCDMB/IOCs and stakeholders, and among stakeholders as absent in the Donaldson and Preston's model. Besides the stakeholders' expectations of new policies, opportunities, and sanctions from the NCDMB, similar expectations exist among themselves. For example, local communities, environmental activists and local oil servicing firms expect social responsibility programmes, local employment and training, technology transfer, local sourcing and resource conservation from the oil operating firms (the IOCs). The modified stakeholder model developed by the study is presented in Figure 18 below.

Figure 18: The Modified Stakeholder-Accountability Model for the Study



Source: Generated by Author from literature

The above model, unlike that of Donaldson and Preston (Figure 17), assumes a complex network of relationships among stakeholders. The fourteen arrows express these relationships and also show the flow of benefits and opportunities, and costs and threats among the accountees themselves and between the accountees and the accountors. It can also be seen from the centre that there are two corresponding arrows between the NCDMB and the IOCs implying reciprocal accountability. To buttress this point, we should consider the Crane and Livesey (2003: 41) argument that: "[s]takeholders are understood not to be just related to the firm but are also recognised to be related in many ways to each other, whether by exchange, communication or whatever other form of interaction." Having developed the new model, the next task is to review and select the appropriate perspective to the study of local content sustainability.

5.7 Approaches to the Study of Local Content Sustainability

Brown and Fraser (2006) argue that the increasing interest among businesses, investors, environmentalists, unions, public policy-makers and governments in Corporate Social Responsibility (CSR) and Social and Environmental Accounting (SEA) led many companies to engage in publishing sustainable development reports based on reporting guidelines. Approaches to the study of CSR and SEA were classified into three – the business case (or managerialist), the critical theory, and the stakeholder-accountability (or middle-of-the-road) (Tinker et al., 1991; Gray and Collison, 2002; Deegan, 2002; Brown and Fraser, 2006). These approaches can be underpinned by the mainstream, critical and interpretive accounting paradigms respectively. Being a sustainable development policy with a strong relationship with CSR (Ado, 2014), local content can be studied through these three approaches as discussed in the following sections.

5.7.1 The Business-Case or Managerialist Approach

This approach considers engagement with sustainability practices based on "what's in it for business and shareholders", that is, the financial return (Brown and Fraser, 2006: 104). CSR and SEA practices are viewed by business-case advocates as means to maximize shareholders' wealth and provide new business opportunities (Hedstrom, et al., 1998). This approach is in line with the shareholder theory as it exclusively focuses on the business-shareholder relationship and disregards the conflict of interest between society and the business (O'Dwyer, 2003). The concern "is with society's impact on business rather than business's impact on society" (O'Dwyer, 2003: 527). Although many of the Nigerian Content General Managers of selected IOCs have argued in favour of the business-case of local content (Ovadia, 2014), this approach can only underpin the voluntary but not the mandatory local content reporting practices of the IOCs.

Even though the NCDMB is a not-for-profit agency, it has a fiscal responsibility for collecting 1% of contract values, disbursing the funds for commercial and developmental interventions and charging interests on loans issued to local oil firms. In this case, the Board's revenue maximization tendency although not the primary motive, cannot be isolated. Therefore, the business-case approach has some relevance although little, to the understanding of local content accountability issues involved in this study. The critical theory approach is described below.

5.7.2 The Critical or Radical Theory

Critical theory criticizes both the business-case approach discussed above and the stakeholder-accountability discussed below. Proponents of this school doubt the existence of genuine accountability in a capitalist society as it is (Brown and Fraser, 2006). Burritt and Welch (1997) argue that although the concepts of stakeholders, democratic dialogue, and triple-bottom-line are good things, their effectiveness to establish equity and social justice may be eroded and result in the opposite. Global capitalism was accused of producing a "democracy of elites" (Lehman, 2002: 223) and the sustainable development agenda (CSR & SEA) may be captured by businesses "and lead to mystification rather than liberation" (Brown and Fraser, 2006: 110). This argument will also have some relevance to the political economy of local content in this study where political elites may manipulate the policy or engage in corruption to award contracts. The stakeholders-accountability is discussed below.

5.7.3 The Stakeholder-Accountability or Middle-of-the-road Approach

This approach laid the foundations of the triple-bottom-line concerning the matters of "accountability or sustainability", and "seeks to bridge between the managerialist and the critical" approaches (Gray and Collison, 2002: 805; Hubbard, 2009). Stakeholder-accountability is understood to refer to the manner "in which people and records must interact to achieve accountability" (Yokel, 2001: 234). As such, it is commonly used to study subjects such as social accounting, social auditing, and reporting (Rasche and Esser, 2006). Stakeholder-accountability is applicable in public organizations because they do not have shareholders (Blair and Whitehead, 1998). To assess the accountability relationships between the NCDMB and the key stakeholders in the Nigerian oil and gas industry, the stakeholder approach is the most suitable framework that would guide the study to achieve its intended objectives. This is because it is "the primary stakeholders (that) provide the best accountability perspective as their goals reflect, generally, the largest section of the community" (Harrison et al. 2012: 243). Stakeholder-accountability has a wider focus than the shareholder-accountability (Alam, 2006) and is applied to big organizations as they are viewed as quasi-public institutions aiming to promote openness, transparency and democracy in the society (Gray et al., 1996; Gray, 2002). Hence, external parties have the right to information from these organizations (Accounting Standards Steering Committee, 1975).

The underlying philosophy of the three approaches – the stakeholder-accountability, the business-case and the critical is similar as they all consider and account for the stakeholders, albeit in different degrees and intentions. The business-case considers the stakeholders because that would help the business and would maximize shareholders' value. The critical took the radical and extreme position to fight against injustice and domination of one group over the other. The stakeholder-accountability is the moderator between the business-case and the critical and considers the stakeholders on the grounds of morality and ethics and views this as what should be done. In this light, the moderated approach will be utilised in this work. There are several reasons why stakeholders may demand information from organizations. These reasons are stated in the following section.

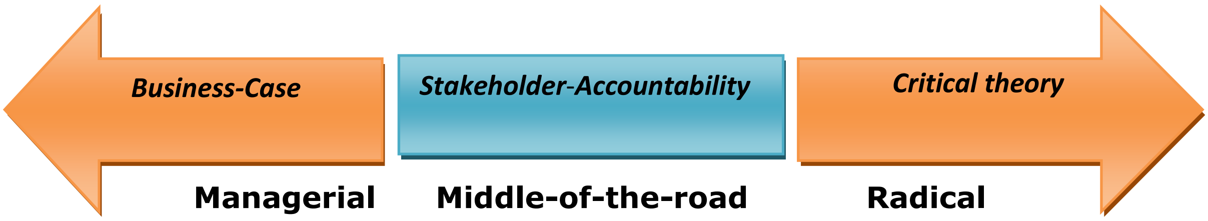
5.8 Basis of Stakeholder-Accountability

There are three reasons why organizations are accountable to their stakeholders: the interest-based, right-based, and duty-based (Werhane and Freeman, 1997). The interest-based purpose is related to the consequences of an organization's operations. In Nigeria for instance, oil firms and the civil society groups may be interested in the NCDMB's policies that guide oil contracts and their impacts on companies and society. Similarly, trade unions, communities and civil societies may be interested in the sustainability activities of operating companies incorporating local employment and training, local procurement and supplier development, and other social programmes capable of compensating for the adverse environmental, economic and social impacts caused by oil operations.

The right-based accountability entails an equitable distribution of benefits, resources and opportunities. For example, the Nigerian citizens especially the oil communities whose lives have been negatively affected by oil production have the right to a fair share of the benefits. They, therefore, have the right to investigate how the NCDMB and the IOCs enforce and comply respectively with the local content regulations including the financial and non-financial transactions between them as the first accountors of local content. It has been argued that when public agencies have fiscal mandates as in the case of the NCDF, they are under a relationship of trust with the providers of the resources to utilize the money objectively, honestly and prudently (Funnel et al., 2012). The local companies and communities will consequently exert pressure on the Board and the IOCs for accountability. This is why a section of the stakeholders had sued the Board for an alleged discrimination in favour of the IOCs. Lastly, duty-based accountability is seen as the most comprehensive form of accountability that looks beyond the mere commercial or profit-maximization activities (Werhane and Freeman, 1997) to the mandatory and voluntary duties of the accountors as in the case of the NCDMB's and the IOCs' soft and hard accountability discussed in Section 3.7.

To sum up this discussion, the relationships among the three approaches to the study of sustainability discussed in Section 5.7 above can be represented as a continuum. On the two extremes are the business-case and the critical theory approaches; and at the centre is the stakeholder-accountability approach which moderates the effects of the two sharply opposing perspectives. The business-case approach supports the shareholder accountability and focuses on wealth-maximization. The critical approach supports the radical change and adopts a communal form of accountability as the ideal for a just society. The stakeholder-accountability took a path between the two approaches and shifts the focus from an agency-based to a more inclusive accountability that considers all parties based on any one or more of the interest-based, right-based or duty-based reasons explained above. This study finds this continuum useful in the selection of its pragmatic philosophical and mixed methodological bases in line with the multiple accounting paradigms guiding the use of quantitative and qualitative methods. Figure 19 below shows this continuum of approaches.

Figure 19: Continuum for the approaches to the study of Local Content Sustainability



Source: Generated by Author

5.9 Implications of Stakeholder-Accountability in Accounting Research

From the stakeholder perspectives, accounting and accountability focus on a larger picture of organizations through performance measurement and reporting. To expand the accountability scope, organizations are engaged in financial and non-financial (social and environmental) disclosures to inform the stakeholders about the impact of their activities in the society (Gray et al., 1997). This has been the impetus behind the emergence of the social and sustainability accounting theories directed at informing the public about firms' sustainability efforts including health and safety, community development, and local content activities for oil companies. The essence of accounting in this regard is to satisfy the information needs of its users. This resulted in various forms of guidelines, among which is the comprehensive sustainability reporting guideline – the Global Reporting Initiative (GRI) (Accountability1000, 2003; Alam, 2006). GRI was discussed alongside the IPIECA guidelines in Section 3.11 as the accounting frameworks for assessing the voluntary sustainability reporting of the IOCs in Nigeria. The indicators contained in these two guidelines would be used as the coding guide to our content analysis in chapter nine. Another important aspect of stakeholder theory in accounting research is performance evaluation. Several calls were made to widen the frontiers of performance measurement beyond the mere financial performance (Mathew, 1993; Gray et al., 1997). This has given rise to the value-added and triple-bottom-line reporting. Burchell et al. (1985) observed that the value-added statement contains both commercial and social features. While it is mainly meant to measure economic performance, it also shows the contributions made by and to other stakeholders.

Moving a little further down the conceptual framework chart (Figure 15) the next important and possibly most challenging task is measuring the *'accountability'* aspect of the *'stakeholder-accountability'* concept. This is necessary to ascertain the level to which the two main accountors (NCDMB and IOCs) are responsible for their mandatory and voluntary accountability in the Nigerian oil and gas industry. For this purpose, the study conducted a content analysis of the NOGICD Act 2010 (see Section 4.9) to ascertain the dimensions of accountability explicitly used in the Act to require the accountability of the two accountors. The result was shown in Table 4.5 of the previous chapter. These results are found to be consistent with most of the indicators revealed by the work of Croft and Bisman (2010) who after reviewing over 100 journal articles of accounting research compiled a summary of the accountability dimensions in Table 5.1 below.

Table 5.1: Accountability Concepts in the Accounting Journals (2000-2007)

Concepts	Absolute count	Relative count
Reporting	4390	940
Performance	2269	689
Information (transparency)	1980	493
Role (of stakeholders)	1494	504
Audit	1330	324
Governance	1053	356
Disclosure	812	123
Participants(participation& engagement)	640	221

Source: Modified from Crofts and Bisman (2010)

The above table shows the degree of relevance of the listed terms to the accountability concept. These terms are found to be similar to those used in the NOGICD Act when stating the provisions of the hard accountability of the NCDMB and the IOCs. Further, considering the fact that local content is concerned with broad governance and accountability practices of both the regulators and the IOCs, this study undertook a wider survey of the literature to develop a more comprehensive accountability and governance measures. This will allow a more comprehensive assessment of the two local content accountors. The result of this survey is presented in Table 5.2 below.

Table 5.2: Accountability Indicators Reviewed from Literature

Author(s)	**Accountability indicators**
Davies, 2001	• Standard setting • Obtaining account • Judgement and consequences
Ebrahim, 2003	• Reports and Disclosure Statement • Performance Assessment and Evaluation • Participation • Social audit
Kingsbury, et al. (2005)	• Transparency • Participation • Reasoned decision • Legality
Koppell, 2005	• Transparency • Liability • Controllability • Responsibility • Responsiveness
Salawu and Agbeja, 2007)	• Clear role and responsibilities • Clear performance expectation • Balanced expectations and capabilities • Credible reporting • Reasonable review
Fowler and Kuyama, 2007	• Clear objectives • Performance measurement • Communication, reporting and transparency
Wood and Winston (2007)	• Responsibility • Openness • Answerability
Blagescu et al. (2005) (One World Trust)	• Transparency • Participation • Evaluation • Complaint and response
OECD, 2008	• Setting objectives • Reviewing performance • Auditing performance • Reporting on Performance • Adequate disclosure and transparency
AA1000, 2008	• Inclusivity • Materiality • Responsiveness
Darby, 2010	• Standard Setting • Investigation

	• Answerability • Sanction
Weber, 2011	• Established standard • Existence of readily available information • Sanction ability

Source: Compiled by the author

As there is no single definition of accountability (Bovens, 2010), the procedures to measure accountability also vary, thus, the emergence of the above sets of accountability measures many of which have wide application. For instance, the One World Trust's Global Accountability Report (GAR) (Blagescu et al., 2005) has been one of the most successful efforts to measure the accountability of several international organizations including the IMF, World Bank, WHO, ILO, WTO and OECD (Blagescu and Lloyd, 2006; Bovens, 2010). The Fowler and Kuyama's framework was dedicated to measuring the accountability of the United Nations. Darby's (2010) scale was meant to measure the accountability and governance of the natural resources sector. The OECD's (2008) indicators have measured the accountability of the state-owned enterprises. The Wood and Winston's (2007) factor analysed indicators have measured the required leadership accountability in organizations. Ebrahim (2003) has provided the mechanisms for measuring the accountability of the NGOs. To assess the complex accountability and governance of the political-economic policy of local content, this study combined the above indicators into a single set of 16 indicators to form a comprehensive accountability measurement scale as shown in Table 5.3 below.

Table: 5.3 Accountability Measurement Scale

Accountability Dimensions/indicators	*Authors*
1) Clear Objectives and Standards	*Davies (2001), Fowler and Kuyama (2007), OECD (2008), Darby (2010), Weber (2011).*
2) Balancing expectations with capacities	*Salawu and Agbeja (2007).*
3) Clear roles & responsibilities	*Salawu and Agbeja (2007).*
4) Transparency	McClellan (1999), *Davies (2001), Koppell (2005), Kingsbury, et al. (2005), Fowler and Kuyama (2007), Wood and Winston (2007), Lloyd (2008), OECD (2008), Weber (2011).*
5) Participation, engagement and Inclusivity	*Ebrahim (2003), Kingsbury et al. (2005), Lloyd (2008), AA1000APS (2008).*
6) Performance review and evaluation	*Ebrahim (2003), Kingsbury et al. (2005), Salawu and Agbeja (2007), Fowler and Kuyama (2007), Lloyd (2008), OECD (2008a), Darby (2010).*
7) Performance Reporting & Disclosure	*Davies (2001), Ebrahim, (2003), Kingsbury et al. (2005), Salawu and Agbeja (2007), Fowler and Kuyama (2007), OECD (2008).*
8) Auditing	*Ebrahim (2003), OECD (2008).*
9) Responsiveness	*Koppell (2005), AA1000APS (2008).*
10) Responsibility\Legality	Kouzes and Posner (1993), *Kingsbury et al.(2005), Koppell (2005), Wood and Winston (2007).*
11) Sanctions	*Frink and Klimoski (1998), Davies (2001), Koppell (2005), Weber (2011), Darby (2010).*
12) Complaint and Response	*Lloyd (2008), Hortsch (2010)*
13) Enforceability	Newell and Bellour (2002); Goetz and Jenkins (2005)
14) Answerability	*Frink and Klimoski (1998), Wood and Winston (2007), Darby (2010)*
15) Materiality	*AA1000APS (2008)*
16) Governance	*Hortsch (2010)*

Source: Compiled by author from literature

The 16 indicators or dimensions of accountability above were used to construct the survey instruments for this study. Analysis of the data collected was made on the basis of each dimension. Before concluding this chapter, it is imperative to remind ourselves that stakeholder-accountability only operates in a social setting in which the Weberian aspects of laws, performance standards, governance institutions, regulatory frameworks as well as mechanisms for enforcement are all available (Arugay, 2005). This undoubtedly refers to the developed democratic societies. Nigeria is a good example of the few complex and sophisticated democratic developing countries where stakeholder-accountability can operate to some extent. Thus, foreign and local companies in Nigeria, especially in the oil sector, have to be accountable to stakeholders for their contributions to sustainability.

5.10 Conclusion

The chapter presented the conceptual framework of the study which was guided by an Oil Sector Governance Framework. The framework was utilised to develop the two useful local content models and show the intersection between local content and accountability. The stakeholder and the shareholder theories of accountability were reviewed, and the study found it convenient to adopt, modify and apply the existing stakeholder model. Three approaches to the study of sustainability were also considered, and the study selected the middle-range stakeholder-accountability which is a path between the business-case and the critical approaches. The chapter finally developed sixteen (16) proxies of accountability to be used to construct the study's survey instrument.

CHAPTER SIX
Research Philosophy, Methodology and Methods

6.1 Introduction

The preceding chapters have considered the concept of local content in petroleum contracts within the context of accountability and governance in the petroleum sector. As the study's context the Nigerian oil and gas industry, with its major local content sustainability accountors – the NCDMB and the IOCs was reviewed. The middle-range stakeholder-accountability approach was adopted as the pragmatic approach to the understanding of local content sustainability relationships among the stakeholders in the Nigerian petroleum sector. This chapter aims at discussing the philosophy, methodology, methods and strategy used in this research to address the research questions and hypothesis formulated earlier. A mixed-method procedure based on the middle-range pragmatic philosophy is the method adopted by the study in order to acquire information from various sources. The various data sources and the analytical tools employed are also described.

6.2 Philosophical Assumptions of the Study

Research philosophies or paradigms are the windows through which the researcher views the real world. They are the assumptions, beliefs and perceptions of the nature of social reality and its knowledge. They influence the way a study is conducted from the very beginning through to the end. Exploration of philosophy in research assists the researcher to identify the appropriate methods to employ including the nature and the source(s) of evidence to be obtained and how such evidence would be interpreted to answer the research questions (Esterby-Smith et al., 1997). Basically, the five elements of research are the ontology, epistemology, methodology, methods and data sources (Grix, 2002; Scotland, 2012). Ontology is described as "a theory of being" which consists of assumptions and claims about the nature and constituencies of social reality including perceptions "about what exists, what it looks like, what units make it up and how these units interact with each other" (Blaike, 2000: 8; Mash and Furlong, 2002:

18; Tuli, 2010). It deals with the investigation into *'existence'* and how individual considers the universe and its constituents to be; what exists, what is real and what is not (Ryan et al, 2002). Simply, it is about taking a stance by researchers on "how things really are and how things really work" (Scotland, 2012: 9). Two positions stand out from the ontological perspective – *objectivism*, and *constructivism (or subjectivism)* (Bryman, 2012; Grix, 2002). Objectivism claims that "social phenomena and their meanings have an existence that is independent of social actors" (Bryman, 2012: 33). This, in other words, is the philosophical position of realism (Cohen et al., 2007). For example, Crotty (1998: 8) argues that "a tree in the forest is a tree, regardless of whether anyone is aware of its existence or not...., when human beings recognize it as a tree, they are simply discovering a meaning that has been laying in wait for them all along". Constructivism, on the other hand, views that "social phenomena and their meanings are continually being accomplished by social actors…" (Bryman, 2012: 33). This follows that the social structures of the world are not real and did not exist before us but rather, are merely social constructs made by social actors and interpreted by researchers. Each of these branches of ontology has its own perspective of studying the social phenomena. The ontological position of this study is rather complex. While the understanding of whether or not local content is a sustainability policy, and some of the accountability and governance of the NCDMB depend on the stakeholders' constructed meanings and perceptions, the IOCs' voluntary accountability is measured through their pre-existing sustainability reports and not as perceive by stakeholders.

Epistemology is another branch of research philosophy that deals with the nature of knowledge and theory, their methods, validation and limits (Blackburn 1996; Cohen et al., 2007; Grix, 2002; Mash and Furlong, 2002). It deals with "how knowledge can be created, acquired and communicated" (Scotland, 2012: 9) based on individual's ontological stance. It is according to Blaike (2000: 8), "about how what is assumed to exist can be known". It simply involves knowledge-gathering procedures (Bryman, 2001). There are two epistemological assumptions – *positivism* and *interpretivism*. While positivism is in line with the ontological position of objectivism and favours the application of natural science process (quantitative), interpretivism is in line with the ontological position of constructivism and advocates an alternative process (qualitative) in studying the social reality.

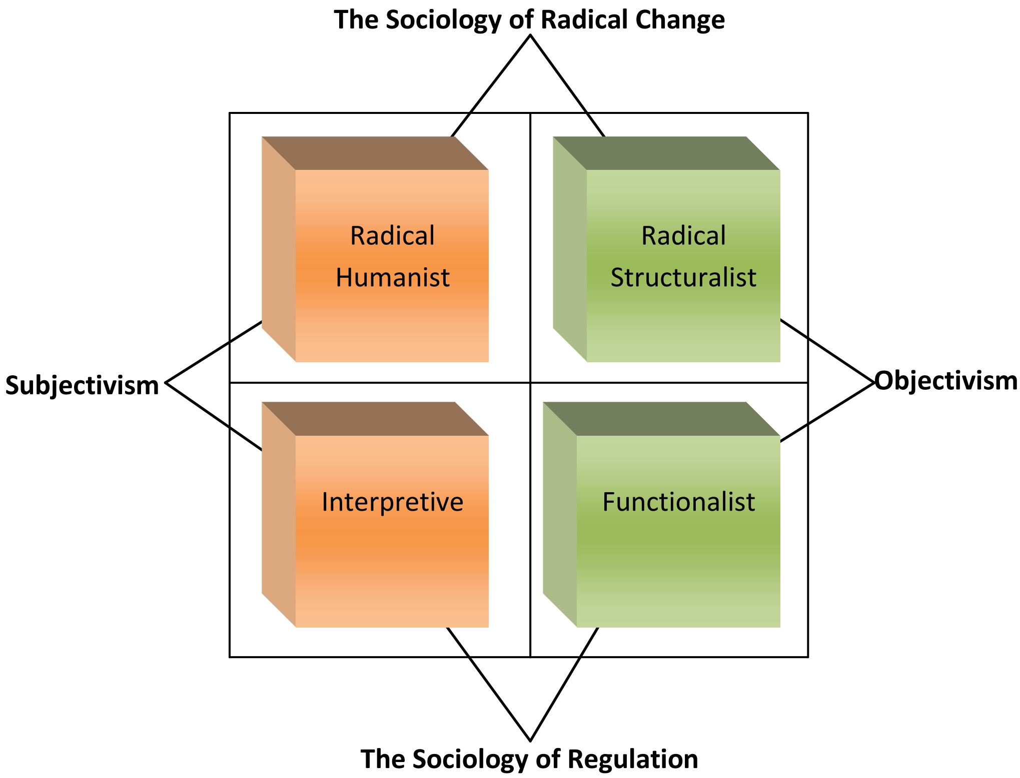
Burrell and Morgan (1979) provided a schema that categorised research in social sciences into different orientations. The most attractive aspect of their schema according to Bebbington (1999: 182) is how:

> *it provides a structure within which the underlying assumptions within a body of work can be explored and hence, the ontological and epistemological nature of an area of study can be delineated and linked in a logical way to methodological choices and research methods used.*

Burrell and Morgan's framework was categorised into two dimensions with the first dimension reflecting the degree to which a subjective or objective world is believed to exist. This dimension was then positioned along the second dimension which views society as either "consensual" or "conflictual" (Bebbington, 1999: 182). Their classification formed a two-by-two matrix with four emerging paradigms, the functionalist, the interpretive, the radical humanist and the radical structuralist.

Hassard (1991) opined that the functionalist paradigm advocates that society has a concrete and real existence based on regulations and order which are value-free and objective. It views the researcher as far away from the subject-matter through scientific procedures. This paradigm was viewed by Ryan et al (2002) as the philosophy that underpins the accounting research. Followers of this paradigm are purely positivists and are more inclined to use quantitative methods in their investigations. But under the interpretive paradigm, the social world neither has external existence nor concrete form. Social reality can only be understood from the perspectives and perceptions of the active participants. Meanings are therefore constructed by social actors. Researchers under this paradigm are subjectivists and use qualitative procedures in their inquiries. The radical humanist paradigm is in line with the interpretivism and assumes that the daily reality is constructed socially (Hassard, 1991) and the social actors were alienated in the social world which they themselves create. Lastly, the radical structuralist paradigm regards social reality as a fact with an external existence just like the functionalist. In a nutshell, Burrell and Morgan (1979) classified the radical humanist and interpretive paradigms as subjective, while the radical structuralist and functionalist as objective approaches. The Burrell and Morgan's (1979) four paradigms can be illustrated in the following 2 x 2 matrix.

Figure: 20 Burrell and Morgan's (1979) paradigms for the analysis of social reality



Source: Modified from Burrell and Morgan (1979)

Figure 20 above depicted the Burrell and Morgan's (1979) Objective-Subjective paradigms. From this figure, Table 6.1 made the following summary:

Table 6.1: Summary of Burrell and Morgan's (1979) Research Paradigms

Paradigms	Radical change/ Regulation	Ontology (Objective/Subjective)	Epistemology (Positivist/Interpretive)	Methodology (Quantitative/ Qualitative)
Radical Humanist	Radical	Subjective	Interpretive	Qualitative
Radical Structuralist	Radical	Objective	Positivist	Quantitative
Interpretive	Regulation	Subjective	Interpretive	Qualitative
Functionalist	Regulation	Objective	Positivist	Quantitative

Source: Author

Table 6.1 above shows that the radical humanist and the radical structuralist although both guided by "radicalism", have different ontological, epistemological and methodological positions. Likewise, the interpretive and the functionalist paradigms though underpinned by "regulation" have different philosophy and methodology. Burrell and Morgan (1976) have argued that the four paradigms were mutually exclusive as each represents a different worldview. This claim was however criticised by later researchers especially with the advent of mixed-methods research.

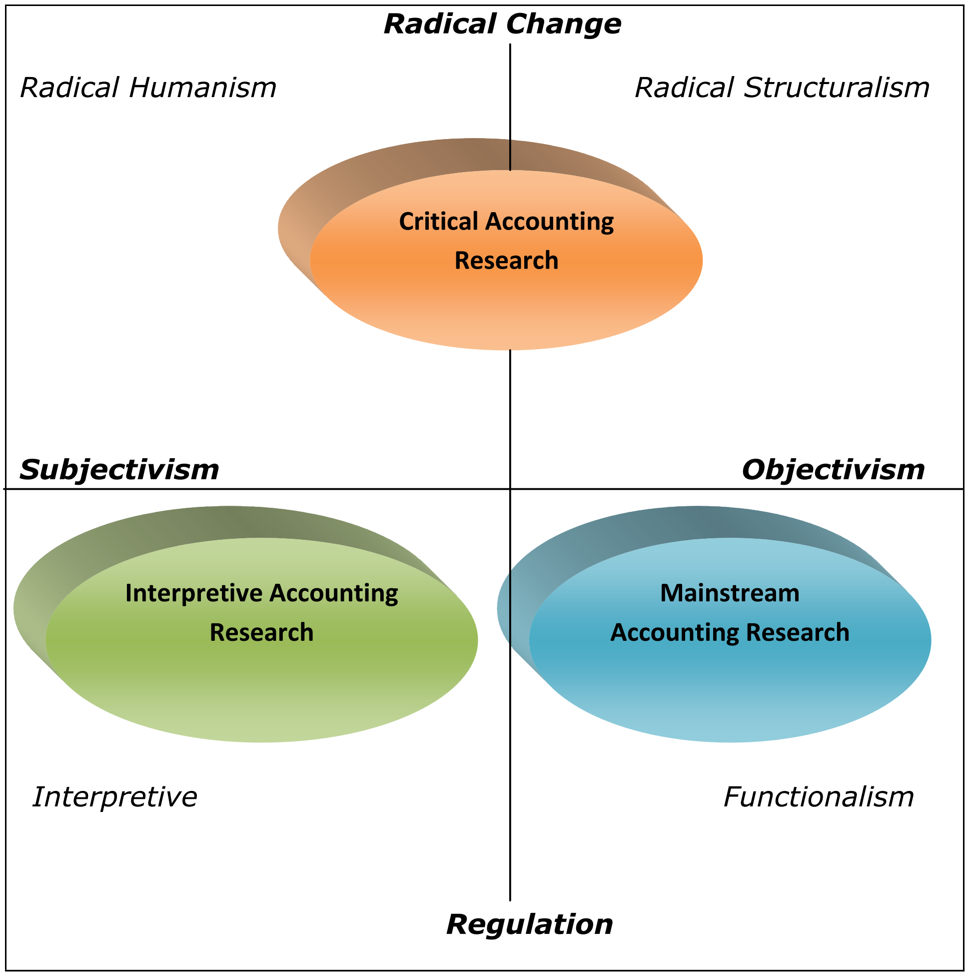
The major concern of this research is to firstly explore the relationships between local content and sustainability; and secondly to assess the accountability of the major actors, including the accounting and reporting practices of local content in upstream petroleum contracts in Nigeria. The local content policy, its mandatory accounting, accountability and governance practices have been regulated in Nigeria by the NOGICD Act while the voluntary accountability of the IOCs' is regulated by the GRI/IPIECA guidelines. As such, these two layers of the research are basically about regulation, hence placed on the regulation axis of the Burrell and Morgan's (1979) framework that is, along the interpretive and the functionalist paradigms. Similarly, the concept of accountability is also considered from the critical point of view where its concerns are extended beyond mere financial, to include other socio-political aspects such as stakeholder roles and engagement, enforceability, complaint and response, sanctions, etc. (see Table 5.3). This layer of the research is therefore guided by the radical humanist/structuralist.

As a matter of fact, exploring whether or not local content relates to sustainability is based on subjective opinion, reasoning and the perceptions of stakeholders which are personal, context-specific and not a given. This knowledge can only be acquired by interacting with and interviewing the appropriate stakeholders who use their feelings, senses and personal experiences in evaluating the efficacies of local content policy. Simply put, the reality in this instance is not singular, concrete, or out there, but rather, a subjective construction of actors. In this regard, the ontological position of subjectivism/constructivism and the epistemological position of interpretivism are the appropriate philosophy to adopt. Also, measuring accountability using specific indicators though produces quantitative data, is also based on the opinions and perceptions of stakeholders as guided by the subjectivist/objectivist paradigms. However, the content-analysed secondary data from sustainability and annual financial reports of the IOCs is a reality that is objective, concrete, unity, out there and independent of the researcher's intervention. For example, even if this study is not conducted the reality that the IOCs engage in local content sustainability reporting will not be affected as it has been their established strategy. Hence, the objectivist' ontology and the positivist' epistemology would be the underpinning philosophies for this part of the study. In a nutshell, this study has a complex methodology and uses both quantitative and qualitative methods with the aim of obtaining a full understanding of the phenomena under observation. To eschew confusion or invoking the paradigmatic incompatibility debates of mixing methods, the accounting research paradigms derived from the Burrell and Morgan (1979) framework were discussed alongside the underpinning pragmatist philosophy.

6.3 Accounting Research Paradigms and their Relevance to the Current Study

Later researchers (Hopper and Powell, 1985) have found the Burrell and Morgan (1979) framework useful to be modified and used in accounting research (Dillard, 1991; Baker and Bettner, 1997). For this purpose, accounting theories were classified into the mainstream, the interpretive and the critical (Chua, 1986; Ryan et al., 2002). Hopper and Powell's (1985) classification is the most widely applied taxonomy of accounting and finance research among several others (Ryan, et al., 2002). This classification is presented in Figure 21 below.

Figure 21: Hopper and Powell's (1985) Taxonomy of Accounting Research



Source: Ryan et al. (2002)

Figure 21 showed Hopper and Powell's (1985) taxonomy as fitted into the Burrell and Morgan (1979) 2X2 matrix. Occupying the radical humanist and radical structuralist quadrants is the critical accounting research paradigm. The two lower quadrants consisting of interpretive and functionalism are occupied by the mainstream and interpretive paradigms respectively. The following sections briefly discussed the mainstream, interpretive and critical accounting paradigms and their contribution to the present research.

6.3.1 The Mainstream Accounting Paradigm

Mainstream accounting paradigm is an economic-based approach which investigates "what is out there" (Hines, 1992: 314). It assumes the world to be "rational, logical and analysable". Accounting methods and measures supply the foundations for rational and efficient decision-making on resources and profits. It is more concerned with "material reality – goods and services. This is why the analysis of sustainability or integrated annual financial reports largely uses the mainstream accounting techniques because these documents contain analysable quantifiable economic information pertaining to local content on which the IOCs have to decide rationally as it has consequences on resources and profits. Studies have found that CSR and sustainability practices have impacts on companies' financial performance or generally, value (e.g., Bartlett, 2012; Servaes and Tamayo, 2013; Kiran et al., 2015). Hence, as this study found a strong relationship between local content and the CSR/sustainability, it is very likely local content engagements may affect profitability in several ways. For example, local content sustainability reporting may be used to improve refutation, gain recognition and obtain a social licence to operate by IOCs. Mainstream accounting, therefore, provides objective information that facilitates the optimal allocation of economic resources (Gaffikin, 2010).

From the mainstream point of view events are not seen as the results of power relations, and so, conflicts occur unnaturally and can be tackled by the use of technical accounting knowledge (Hines, 1992: 314; Madell, 2010). For instance, the IOCs in Nigeria increasingly use the politics of local content disclosure in sustainability reports to show that they care for the communities. Mainstream paradigm leads to quantitative research dealing with numerical data which is statistically analysed to create meaning from the uncovered objective and singular truth that exists within the data while the researcher maintains their independence (Sale et al., 2002; Williams, 2007). This paradigm will be used to guide the quantitative aspects of this study. Mainstream accounting paradigm has some practical limitations (Eldanfour, 2011) which make it incapable to single-handedly underpin this study. Chua (1986: 601) argued that the paradigm "with its emphasis on hypothetico-deductivism and technical control, possesses certain strengths but has restricted the range of problems studied and the use of research methods". For instance, while the local content accountability behaviour of the IOCs can be objectively analysed, the underlying reasons for such behaviour remain unknown. Rather, the 'why' of a social phenomenon is best answered through the interpretive approach (Hirschman, 1986; Kates, 1998; Grace and O'Cass, 2002). The mainstream accounting paradigm is "incapable of addressing accounting's complex social ramification" (Baker and Bettner, 1997: 293) involving for example, why the NCDMB does not disclose its financial dealings to the industry stakeholders, or why the IOCs disclose information on local hiring rates but not local wages and salaries. Chua (1986: 626) argued that the mainstream assumptions "offer certain insights but obscure others. By changing them, new insights may be gained which can potentially extend our knowledge of accounting". These limitations gave rise to two alternative perspectives that incorporate the cultural, political, historical and linguistic issues (Baker and Bettner, 2010; Gaffikin, 2010) presented below.

6.3.2 The Interpretive Accounting Paradigm

Based on the needs to enhance the understanding of the effects of accounting on individuals, entities and society, Baker and Bettner (1997) suggested more application of the sociology-based (Modell, 2010) interpretive and critical accounting approaches. Interpretive accounting involves analysing, translating and deriving the meaning of accounting/economic phenomena occurring in the social world. In this regard, accounting was described as a "socially determined technology" (Dillard, 1991: 10) as it relies on subjectivism to deliver a better understanding of accounting reality (Hopper and Powell, 1985). It is the appropriate procedure to answer the question why local content can be regarded as a sustainability policy and what are its accountability requirements, or why the NCDMB discloses or fails to disclose its financial performance, or what factors impede the effectiveness of some of the

NCDMB's programmes, etc. It could also explore deductively[36] the social, non-financial relationships among NCDMB's stakeholders. Interpretivism is, therefore, a social science technique that "challenges the purpose of disclosure" and requires accounting research to apply methods that are more informative to stakeholders "to facilitate critical intervention" (Lehman, 2010: 231). The interpretive paradigm is used to guide the qualitative part of this work.

6.3.3 The Critical Accounting Paradigm

Also sociology-based (Baxter and Chua, 2003; Modell, 2010) the critical paradigm deals with social relationships where domination, conflict and inequality are perceived. The theory drew heavily on the Marxist and the Frankfurt School traditions (Baxter and Chua, 2003; Gaffikin, 2010) to challenge the capitalistic settings and to investigate "the problem of reluctance to disclose information" (Greiling and Spraul, 2010: 355). It was dominated by the advocates of radical change who criticise the status quo and support reforms in the accounting practice. This paradigm would assist in discovering whether certain stakeholders have been denied the information they were entitled to or faced discrimination by the NCDMB.

To summarise the above points, each of the three paradigms presented has some relevance to this mixed-methods research. Modell (2005) and Lillis and Mundy (2005) have recognised the rapid prominence of mixed-method research in accounting. It was therefore accepted that the Hopper and Powell (1995) taxonomy can be manipulated to accommodate the use of multiple paradigms in accounting. The advantage of mixed-method research is the freedom it gives the researcher to conduct an in-depth empirical investigation to validate findings (Creswell, 2003). The underpinning philosophy when mixing methods is 'realism' (Modell, 2010) or the dominant 'pragmatism' (Johnson et al., 2007). Chua (1986) contended that the traditional approach of mainstream accounting research

[36] The use of interpretive epistemology and qualitative methodology in this work is only exploratory around the existing stakeholder-accountability theory. So the qualitative method is partially deductive (see for example, Hyde, 2000).

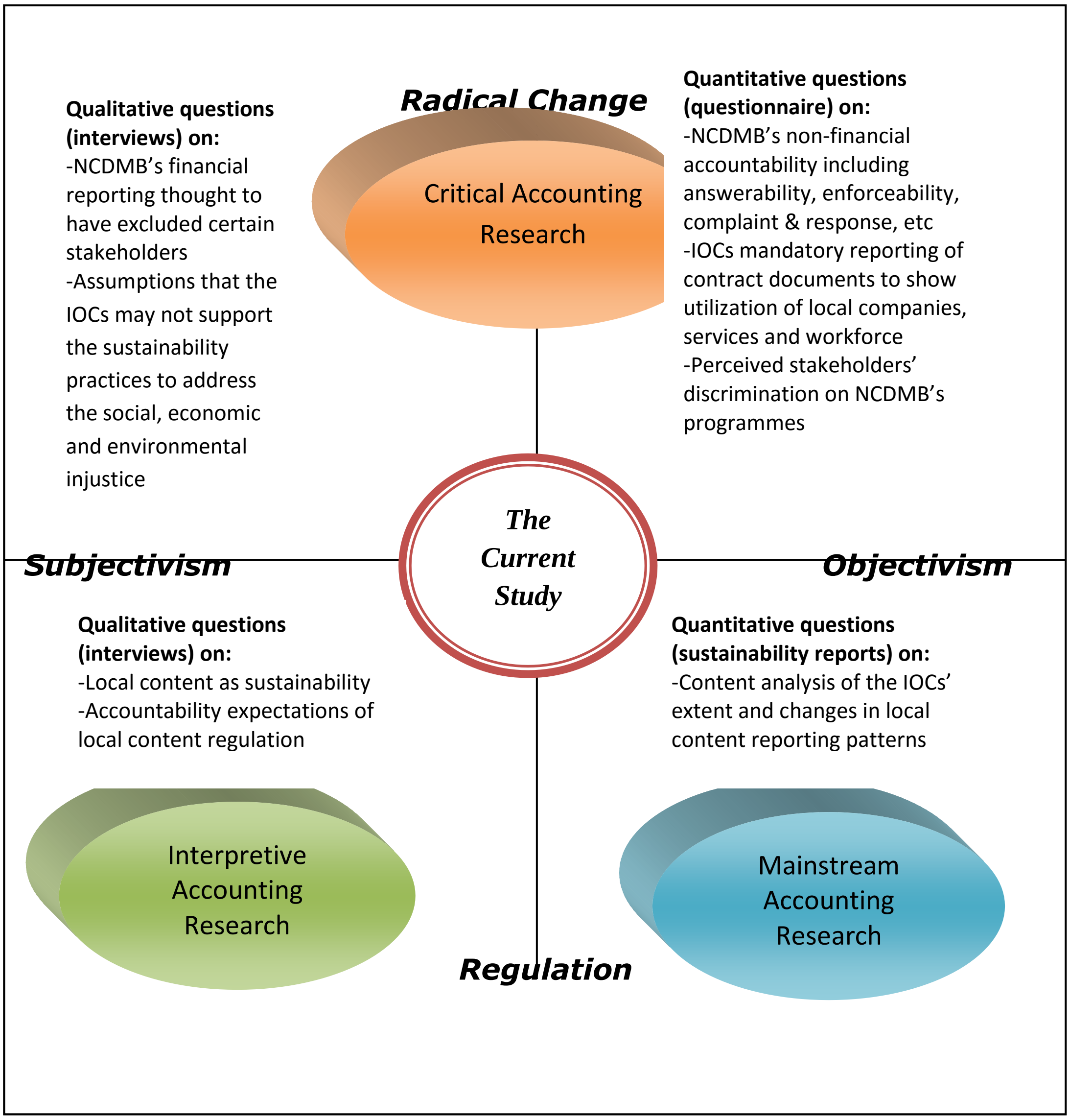
is often fortified by the interpretive or critical as adopted by this study. Discussion of mixed-method research follows later in the chapter. The next section took a short overview of local content sustainability approaches reviewed vis-á-vis the three paradigms of accounting research.

6.4 Local Content Sustainability Approaches and the Accounting Paradigms

Anchoring the discussion that started from the framework of the study and extended to this chapter, it could be justified that the study is a mixed-methods (quantitative and qualitative), mixed paradigms (mainstream, interpretive and critical) and mixed approach enshrined in the business case, stakeholder-accountability and critical theory perspectives. Although the dominant approach adopted is the stakeholder-accountability, it was shown that as a middle-range, the approach incorporated some elements of the business-case and the critical since they are all mindful of the larger constituencies, albeit for varied motives. While the business-case only considers the stakeholders for the benefit of the business, and the critical approach is concerned with the stakeholders to establish justice and equality, the stakeholder-accountability as a moderator uses ethics and morality to incorporate stakeholders based on the interest-, rights- and duty-based reasons (see Section 5.8).

Moreover, as local content involves rules, regulations, policies and guidelines that direct and control the behaviours of oil and gas companies, the study had simultaneously used both the mainstream and interpretive paradigms which are founded on the "Regulation" axis of the Hopper and Powell's (1985) taxonomy of accounting research. Also, as the policy was initially developed to address the resource curse issues and the domination of foreign oil companies, and compensate the deprived communities with a sustainable development, the critical perspective is also relevant. This is found on the "Radical Change" axis of the Hopper and Powell's (1985) taxonomy (see Figure 21). Based on the above arguments, the Hopper and Powell's (1985) schema is modified to accommodate the present study as shown in Figure 22 below.

Figure 22: Accounting Paradigms and the Position of the Current Study



Source: Author

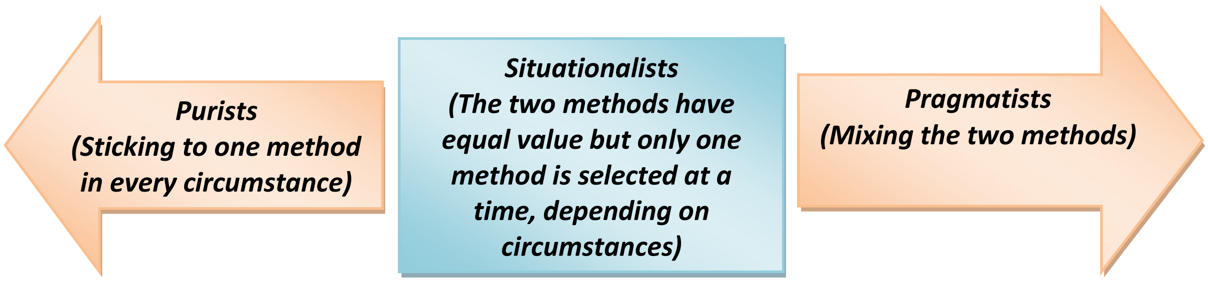
Figure 22 above shows that all the three paradigms have some contributions to answering the research questions raised in the study. Bebbington (1999) was found to have mixed the interpretive and the critical accounting paradigms contemporaneously in one study, but it has never come to the attention of the present study any research that has attempted to mix the three paradigms. This is one of the original contributions of this work. The following section presents the detailed account of the methodology adopted in the study.

6.5 Research Methodology and Methods

Research methodology is “the general approach the researcher takes in carrying out the research project” (Leedy and Ormrod, 2001: 14). The aims are "to describe and to examine the logic of the composition of research methods and techniques, to reveal their powers and limitations, to generalize success and failures, to find domains of appropriate application and to predict possible contributions to knowledge" (Krippendorft, 1980: 10-11). This involves applying the quantitative, qualitative or mixed-method procedures. Quantitative research is found to either be descriptive, experimental or causal-comparative (Leedy and Ormrod, 2001 in Williams, 2007: 66). Except in a minor part of the work where a causal process was used to examine whether or not organizational membership and years of service determined stakeholders’ awareness of local content programmes, the present study would largely use the descriptive statistics. Using these procedures, the study examined how the local content accountability of the NCDMB and the IOCs is discharged. For example, the study measured the extent to which the NCDMB enforces the provision of the first considerations for indigenous oil firms in the award of contracts and licenses. It also examined and described the existence, extent, and variations in local content sustainability reporting practices of the IOCs Nigeria before and after the enactment of the Nigerian local content law. Qualitative research, on the other hand, may take the form of a case study, Phenomenology, ethnography, content analysis, grounded theory, narrative or action research (Williams, 2007; Saunders et al., 2012). This study uses the qualitative procedure as a complementary method to collect and analyse interview data.

The heated debate among scholars on the application of either quantitative or qualitative methods in research is yet to be resolved (Sale et al., 2002; Johnson and Onwuegbuzie, 2004; Migiro and Magangi, 2011). Rossman and Wilson (1985) cited in Onwuegbuzie and Leech (2005: 376) observed the emergence of three different schools of thought related to the quantitative-qualitative debates. These schools are the Purist, Situationalist and Pragmatist. Purists and pragmatists lie on the two extreme ends of the continuum while situationalists are located in the middle. The Purists (either quantitative or qualitative purists) hold the view that the assumptions underlying the quantitative and qualitative methodologies are completely different because they emerge from different ontology and epistemology; as such, no successful attempt could be made at combining the two. They argued in favour of a mono-method research. The Situationalists, although believed in the mono-method of the purists, gave equal importance and value to the two conflicting approaches – the quantitative and the qualitative. To them, while specific research is more conveniently conducted through quantitative methods, others are done through the qualitative approach. Hence, researchers should use any one method at a time. The pragmatists' view is that the issue of positivism and interpretivism might only be a false dichotomy and it is not necessary that quantitative researchers are positivist or qualitative researchers are interpretivist (Newman and Benz, 1998). They recommended the use of a combination of the two methods in a single design. Pragmatism is the foundation on which the idea of mixed-method research was built, hence, its philosophical underpinning (Pansiri, 2005; Somekh and Lewin, 2005). The above classifications are presented in Figure 23 below.

Figure 23: Classifications of Research Methodology



Source: Compiled by author from literature

The research methods continuum illustrates the three main views discussed above. In summary, the purists believe in using the single method consistently (i.e., if quantitative, always quantitative; and if qualitative, always qualitative). This is in line with the Marsh and Furlong's (2002) view that the research philosophy is a skin and not a sweater. Therefore, researchers must stick to a particular method. The situationalists have a more liberal position and give equal weight to the two methods; hence, researchers can select an appropriate method in a particular circumstance. The pragmatists believe in simultaneous mixing of the two methods in a single research. One of the justifications for mixing methods is that it has more strength than any one single method (Creswell and Plano Clark, 2007). Thus, the following sections consider the mixed-methods research approach.

6.6 Mixed Methods Research

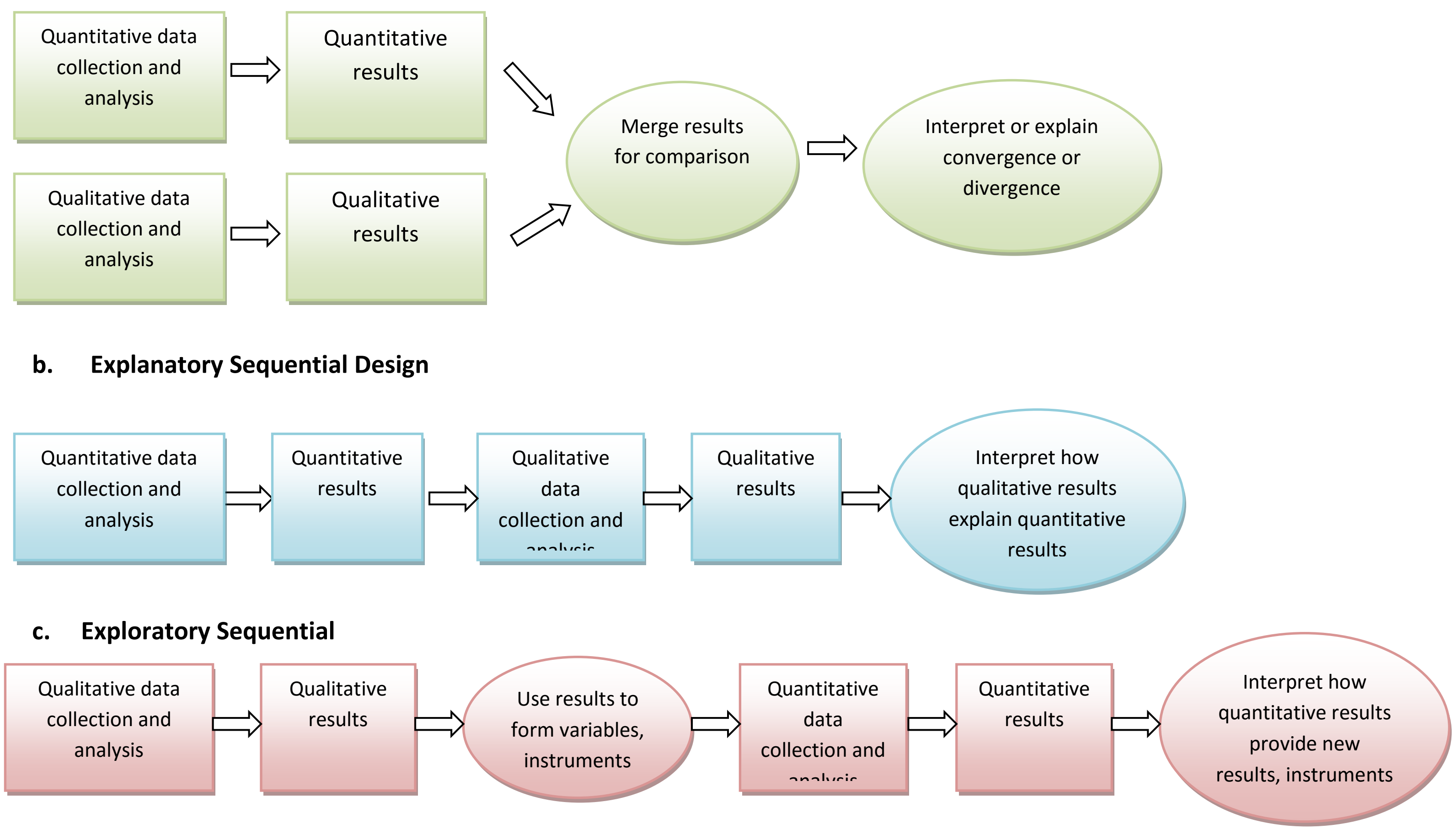
Mixed methods are usually cross-paradigmatic and involve the application of more than one method "that draw on different meta-theoretical assumptions" (Moran-Ellis et al., 2006: 46). Each of the quantitative, qualitative or mixed-methods research has its own specific strategy. Quantitative research inclines to the deductive approach; qualitative research is (often) attached to the inductive approach, and mixed-methods incline to the abductive approach (Saunders et al., 2012). These approaches apart from being one of the key bases for distinguishing the types of research, also explain the connections between data and theory. Deductive reasoning is 'theory-driven' and used in confirmatory research, inductive reasoning is 'data-driven' and used in qualitative research, and abductive reasoning is a movement between the two (Morgan, 2007: 71). Mixing method is viewed to have been influenced by post-positivist viewpoints (Lincoln and Guba, 2005) and is often complicated and time-consuming because of the different data involved as well as the inherent philosophical crisis (Tashakkori and Teddlie, 2003; Onwuegbuzie and Johnson, 2004; Creswell, 2006). Mixed-methods research is underpinned by the pragmatic paradigm, and its design can either be sequential or concurrent. The concurrent design was considered more prominent (Plano, 2006; Collins et al., 2006; Johnson et al., 2007). Mixed methods prioritise the objective of gaining in-depth knowledge above any methodological norms and preferences. Hence, "the research questions, not ideologies or the researcher's preference for quantitative or qualitative analysis, drove the study" (Christ, 2007: 237). Section 6.9 below presents the design of the study and makes the above point clearer.

6.7 Research Design of the Study: Mixed-Methods Design

There are several mixed-methods designs. The most common are the Convergent Parallel Design, the Explanatory Sequential Design, and the Exploratory Sequential Design (Creswell, 2015: 35). Convergent Design aims to collect and analyse quantitative and qualitative data separately and independently, and then merge the results to assess convergence or divergence. The intent is to provide deeper understanding by examining the problem from different perspectives. Exploratory Sequential Design uses qualitative analysis to explore the problem, construct instrument and then collect and analyse quantitative data. Finally, the Explanatory Sequential Design utilises the quantitative component initially and then collect and analyses qualitative data to explain the quantitative result. It can be seen that in the last two designs the quantitative and qualitative strands are dependent on each other unlike in the first design. The appropriate design for this study is the convergent parallel because the study concurrently collects and analyses both data independently but merges as far as possible the results during the discussion. Figure 24 below illustrates the three designs.

Figure 24: Basic Mixed-Methods Designs

a. Convergent Parallel Design



Source: Modified from Creswell (2015: 56)

The rationale for adopting the convergent parallel approach is that the study wants to explore an inadequately theorized and un-empirically tested phenomenon (i.e., local content sustainability). It also wants to apply the accountability indicators and the sustainability reports to examine the mandatory and voluntary accountability of the local content actors. These tasks therefore call for the qualitative and quantitative data collection and analysis. This methodology is supported by the Edmundson and McManus' (2007) methodological fit schema which divided the empirical research into nascent, intermediate and mature according to the levels and stages of theories involved. To fully understand the applications of mixed-methods in this research, the following table presents the Edmundson and McManus' (2007) classifications.

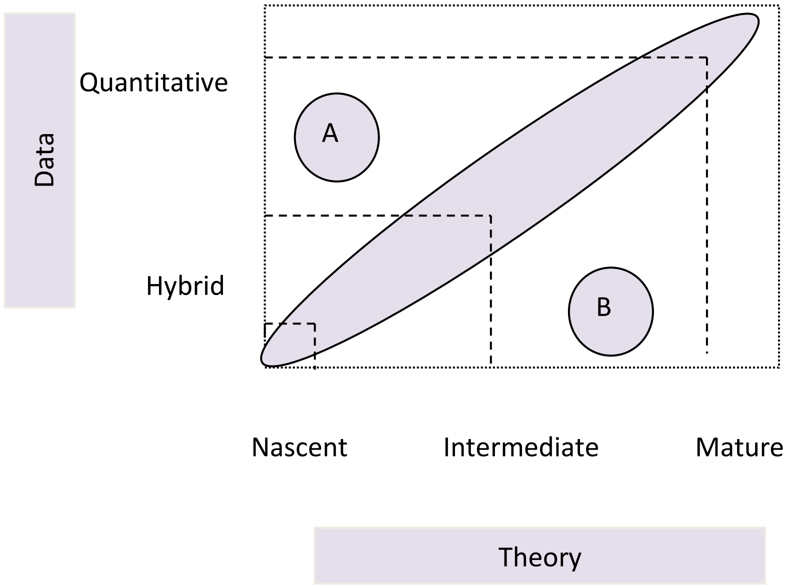
Table 6.2: Three Types of Methodological Fit

Research Aspects	**State of Prior Theory and Research**		
	Nascent	**Intermediate**	**Mature**
Research questions	Open-ended inquiry about a phenomenon	Proposed relationships between new and established constructs	Focused questions and/or hypotheses relating to existing constructs
Type of data	Qualitative, open-ended data to be interpreted for meaning	Hybrid (both qualitative and quantitative)	Quantitative data; focused measures
Possible data collection methods	Interviews; observations; documents/ material from field/sites	Interviews; observations; surveys; material from field/ sites	Coded Surveys; interviews or observations
Constructs and measurement	New constructs, few formal measures	One or more new constructs and/or new measures	Relying heavily on existing constructs and measures
Goal of data analyses	Pattern identification	Preliminary or exploratory testing of new propositions and/or new constructs against some existing ones	Formal hypothesis testing
Data analysis methods	Thematic content analysis coding for evidence of constructs	Content analysis, exploratory statistics, and preliminary tests	Standard statistical analysis and inference
Theoretical contribution	A suggestive theory; invitation for further research on issues opened up	A provisional theory, often one that integrates previously separate bodies of work	A supported existing theory(ies)

Source: Modified from Edmondson and McManus (2007: 1160)

Edmondson and McManus (2007) presented an interesting diagram which summarises the above discussion. This is relevant to this study and is shown below.

Figure 25: Research Classification Curve



Source: Edmondson and McManus (2007)

The above figure presents a pictorial representation of Table 6.2 above. This research is within the hybrid-data and intermediate-theory range because it used two different data sources (quantitative and qualitative) in line with the mainstream, interpretive and critical accounting approaches to address the issue of local content-sustainability which has an intermediate theory. As has already been stated, the relationship between local content and sustainability calls for proper theorising, and that is one of the major contributions of the present work (see Figure 2.1). Having adequately dealt with the mixed-methods issue, the next target is to discuss the strategy and data collection methods adopted by the study.

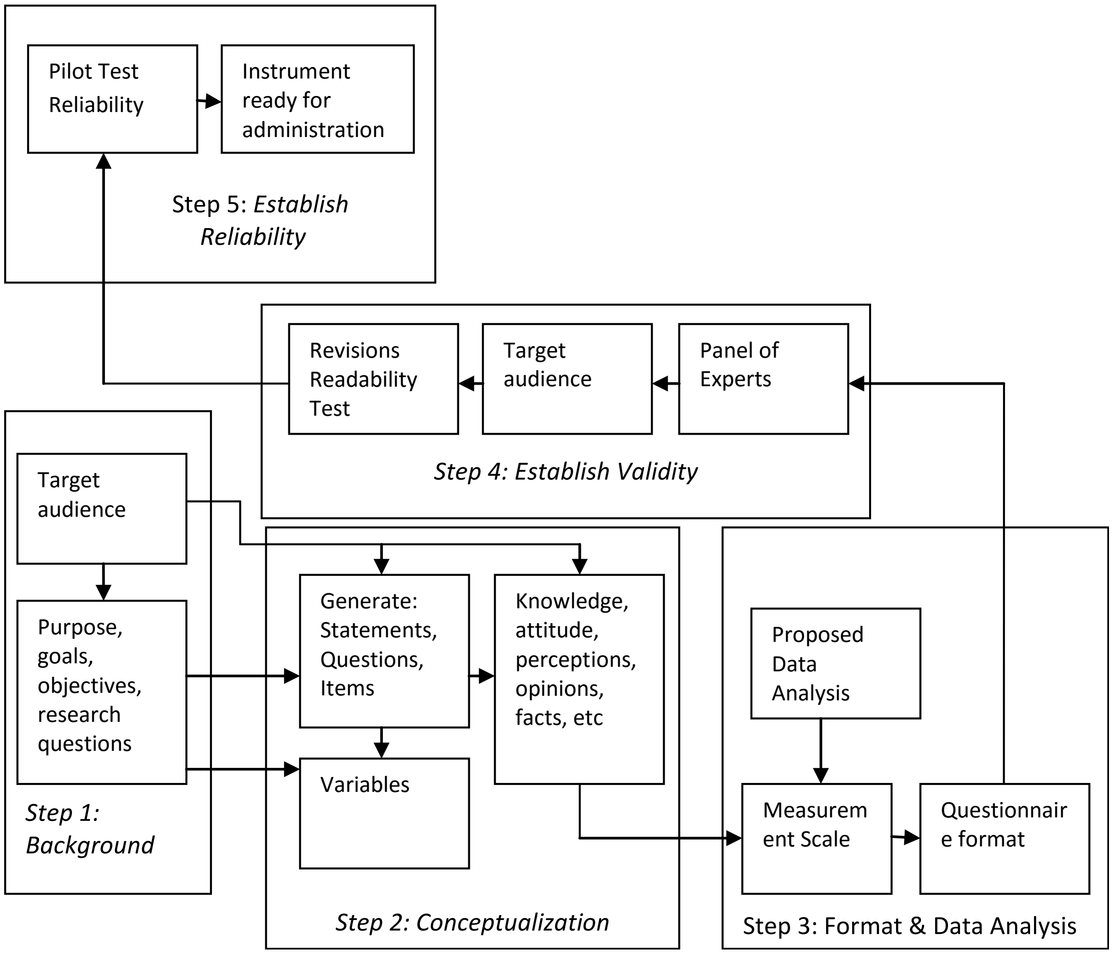
6.8 Strategy and Data Collection Methods for the Study

Having classified the present research as an intermediate one, selecting the appropriate strategy and methods of collecting the required empirical evidence would be much easy. As previously stated (Section 6.6) the abductive reasoning is the strategy guiding the pragmatic mixed-methods research (Saunders et al., 2012). This strategy combines both the data-driven (inductive) and theory-driven (deductive) reasoning. This study is more concerned with deductivism than inductivism because even the qualitative data used is based on an apriori theory which makes it possible to undertake a selective and non-open coding for the data (Hyde, 2000). In line with the mixed-methods study this research collects and analyses data from questionnaires, interviews and sustainability/ integrated annual financial reports. These three methods are elaborated in the following sections.

6.8.1 Primary Data: Questionnaire

This study utilises self-administered questionnaires which measure the extent of stakeholders' agreement or disagreement with the accountability and governance practices of the major accountors of local content sustainability in the Nigerian petroleum sector. Likert's-scales are applied in which the respondents indicate the level of their agreement with certain statements based on discrete and restricted values (de Winter and Dodou, 2012). The rationale behind the use of the questionnaire is that it is the most appropriate means to measure the accountability indicators identified; it is also the most frequent and standardised medium that allows the respondents to interpret and answer the same questions (Saunders et al, 2003). The questionnaire developed for this study has been subjected to rigorous design and construction process before administered to the target audience. The variables used to construct the questionnaire statements were the sixteen (16) accountability indicators identified by the study (see Table 5.3). Figure 26 below illustrates some of the major steps that were undertaken during the design and construction of the questionnaire.

Figure 26: Questionnaire Design/Construction Process



Source: Modified from Radhakrishna (2007)

As shown above, the design starts by considering the study context and the type of audience (i.e., oil industry stakeholders). The study's purpose and objectives stated in the first chapter of the work became the basis for generating the statements around the concept of accountability, upon which the stakeholders' perceptions and opinions were sought. The constructed questionnaire was then submitted to the panel of experts (my able supervisory team) for vetting. The team considered every bit of information contained given the type of audience and the language used. Re-drafts and revisions were made several times to correct all noted errors so as to enhance stakeholders' readability and understanding of the instrument. The questionnaire was also pilot-tested before it was administered. Three Ph.D students from the Aberdeen Business School and four other knowledgeable Nigerian oil industry stakeholders participated in the pilot test. This exercise was necessary to detect all lapses and problems at the early stage and ensure the validity and reliability of the instrument. Validity and reliability as argued by Jopp (2000) are the probabilities that the instrument could test what it is designed to test, and could reproduce equal results under a common methodology. All observations were duly incorporated. To make the questionnaire useful for statistical analysis, the responses were pre-coded using the numbers 1-5 as strongly agree, agree, neither agree nor disagree, disagree and strongly disagree respectively. This quantification paved the way for the generation of ordinal data suitable for quantitative analysis. During the analysis, the statements will be coded according to the sections and the number in which they serially appeared on the instrument. For example, the statements in the first section of the questionnaire are coded as s1q1[37], s1q2, s1q3, etc.

6.8.2 Primary Data: Interview

A mixed-method study collects qualitative data on the participants' subjective opinions, perceptions, experiences and views mostly through interviews (Munhall and Oiler 1986; Sim, 1998; Morse 1991; Somer and Somer 1991; Burnard, 1994) in addition to quantitative data. The justification for using interviews in this study is that it will help to obtain more information and explore other issues not covered by the questionnaires. For instance, the questions on the effectiveness of NCDMB's programmes, enforceability of the first consideration requirements, and the NCDMB's financial accountability are addressed by both the questionnaire and the interview. But testing whether or not local content is a sustainability initiative and its perceived accountability implications, are only addressed in the interview. As the other quantitative questions, the interview questions arose from the problem and the objectives of the study the answers of which will be guided by theories. The questions were piloted

[37] This implies, section one question one, section one question two, and so on.

to some Ph.D colleagues and industry practitioners. All useful comments were duly incorporated.

Although the interview was semi-structured, some degree of flexibility was allowed as one answer may lead to another question to get a deeper knowledge because interview "does not follow explicit steps and rule-governed method" but rather, depends on interviewer's skills and judgement (Brinkmann and Kvale, 2015: 20). An account of how the interview questions have emerged as well as the protocol followed to conduct the interview is attached as Appendix 4.

6.8.3 Secondary Data: Sustainability/Integrated Financial Reports

Apart from using the two forms of survey techniques, an intermediate field of study (Edmundson and McManus, 2007) can also utilize a secondary source of data as a complementary means of obtaining a deeper understanding of the dimensions of a given phenomenon. For this reason, the present study uses the IOCs' sustainability/integrated financial reports to answer the question and test the hypothesis relating to voluntary accountability raised in the research. This includes investigating the degree to which the IOCs disclose their local content performances over the years. This led to the adoption of the content analysis which is a flexible and reliable procedure for analyzing and codifying textual data into categories and groups based on predetermined criteria (Weber, 1988; Tesch, 1990; Abrahamson, 1993; Cavanagh, 1997; Guthrie and Abeysekera, 2006). The sustainability data covers a ten-year period – 2005-2009 and 2010-2014 (i.e., five years before and five years after the NOGICD Act). Data will be collected from fifty (50) sustainability and integrated financial reports. Methods of data analysis are discussed in the following sections.

6.9 Methods of Data Analysis

This research collects both quantitative and qualitative data. Each of the data collected has its own specific analytical procedures which are discussed in the following sections.

6.9.1 Analysis of Questionnaire Data: The Descriptive and Inferential Statistics

The Likert-type questionnaire in this study uses the numerical values of 1-5 (from strongly agree to strongly disagree) to convert the responses into ranks which will produce the ordinal data to be analysed using the non-parametric statistical tools (Kuzon et al., 1996; Jamieson, 2004; Jakobsson, 2004; Carifio and Perla, 2008; DeWinter and Dodou, 2010). The data will firstly be subjected to reliability test using the Spearman-Brown, Cronbach's Alfa and Guttman Split-Half Coefficients to ensure that the questionnaire items are consistently measuring what they are supposed to measure.

Descriptive statistics: this is the first step of the analysis. This statistics help to describe the data and present results in a clear, concise and summarised manner (Healey, 1990). For each of the questionnaire statements, medians[38] are computed to determine the majority opinion on the agreement, indifference or disagreement with the statements. After a position is taken the result will be submitted to further inferential statistical analysis.

Kruskal-Wallis test: this an among-group non-parametric test will be used to measure whether there are differences among the responses of the five stakeholder groups. A hypothesis that "*there is no significant difference <u>among</u> the responses of the stakeholders*" will be assumed. For any result that shows differences among the responses, further ad hoc test will be conducted.

Mann-Whitney test: this between-group non-parametric test will be conducted to test each group with one another to test an assumed hypothesis that "*there is no significant difference <u>between</u> the responses of the stakeholders".* Cross-tabulation will be used to analyse and provide the possible reasons for the differences.

Logistic regression: this test will be conducted to analyse the impact of two categorical independent variables (organizational membership and years of experience) on one dichotomous dependent variable (awareness of three

[38] The median is the most relevant statistic when dealing with ordinal data gathered from the Likert-Scale. Mean is not applicable as the data is not continuous.

local content programmes). SPSS Version 21 will be the statistical software package to be used in the analysis.

6.9.2 Analysis of Interview Data: The Thematic Analysis Technique

The recorded interview will be transcribed and read over and over to familiarize with the data and identify the major themes using the thematic analysis technique (Pope et al., 1999; Ritchie et al., 2004; Kelle, 2005; Burnard et al., 2008; Reichertz, 2010). Thematic analysis is a flexible and one of the most frequent procedures applied in almost all sorts of qualitative analysis including the bottom-up data-driven and the top-down theory-driven; and can answer almost all forms of research questions (Braun and Clarke, 2013). Its aim is to identify key themes from the data to facilitate coding.

6.9.2.1 The Coding System

Coding aims to identify elements of the data that relate to the research questions. There are two broad categories of coding – complete and selective (Braun and Clarke, 2013). Complete coding may involve the Strauss and Corbin's (1998) and Charmaz's (2006) open, focused and axial coding processes. This type of coding is mainly applied in grounded theory research where the aim is to identify "anything and everything of interest or relevance" to the research question (Braun and Clarke, 2013: 206). The selective coding which is the relevant process adopted in this research identifies and selects particular instances or corpus of interest to the research questions. This coding process is said to work with a pre-existing theory which will guide the researcher in selecting the relevant concepts from the data (Brau and Clarke, 2013). As stated earlier, the interview analysis in this study will largely be based on a deductive reasoning and the coding will be guided by pre-existing theory (Burnard et al., 2008). This is as Kirk and Miller (1986) contended that any good qualitative methods should balance between the inductive and deductive techniques. Specifically, the question of the relationships between local content and the three tenets of sustainability would be guided by the tentative theory presented in Figure 2.1 which forms one of the major contributions to the literature of the work. Therefore, concepts relevant to the three sustainability dimensions are of interest. Similarly, all coding of qualitative data relevant to the research questions on accountability and governance of the local content actors will focus on the sixteen (16) accountability indicators that form part of the conceptual framework. Any new theme will be used to modify the framework. In a nutshell, the qualitative analysis involved in this research is theory-driven rather than data-driven, confirmatory rather than exploratory, and top-down rather than bottom-up (Hyde, 2000; Braun and Clarke, 2013).

6.9.3 Analysis of Sustainability/Integrated Financial Reports: The Mechanistic Content Analysis Technique

Content analysis is the easiest way to detect the presence of information on corporate social responsibility and sustainability including local content (Kondracki et al., 2002; Patten and Crampton, 2004; GRI, 2013). It mainly uses frequencies or occurrence as indicators of the importance and relevance of a matter (Krippendorff 2004; Guthrie et al. 2004; Abdolmohammadi 2005; Gamerschlag et al., 2011). The method has received particular attention in social and environmental reporting and disclosure studies (Gray et al. 1995; Deegan and Gordon 1996; Guthrie et al., 2004; Guthrie and Farneti 2008; De´jean and Martinez 2009). Its major aim is to produce a quantitative account of a textual material (Neuendorf, 2002; Krippendorff, 2004). Content analysis can either be mechanistic or interpretive. While mechanistic is form-oriented and depends on volumetric or frequency of terms (Beck et al., 2010), interpretive is meaning-oriented and focuses on the meanings embedded in communications (Smith and Taffler, 2000). The mechanistic content analysis is selected for this study because it is more objective and unbiased than the interpretive. The method detects the presence/absence and the volume of local content sustainability disclosure but not the meaning or the quality of information contained. Specifically, the purpose is to investigate whether or not certain local content information is disclosed as well as the disclosure trends before and after the enactment of the NOGICD Act 2010. This will tell how these companies are able to align the mandatory (hard) and the voluntary (soft) local content accountability. This method is guided by the objectivist ontology and positivist epistemology within the mainstream accounting paradigm. The use of this deductive procedure was informed by the fact that the indicators to measure local content sustainability have already been determined by the GRI and the IPIECA (see Section 3.11, and Tables 3.1, 3.2 and 6.3), and adopted and applied by the five oil companies; hence, the reality is concrete and out there to be studied.

As stated earlier, the unit of analysis is the 'word-count' as applied in other studies (Zeâghal and Ahmed, 1990; Deegan and Rankin, 1996; Deegan and Gordon, 1996; Ince, 1997; Neu et al., 1998; Gamerschlag et al., 2011). Since the five selected IOCs report their local content sustainability performances through their global sustainability or integrated financial reports, the procedure adopted by this study is to use the simple computer search function of *"Ctrl + F + Nigeria"*. This aims to identify all relevant passages where the term 'Nigeria' appeared in the reports because the companies present specific information of their activities in all the countries where they have significant local operations consistent with the IAS 14 (now IFRS 8). On detecting the term 'Nigeria', the researcher then reads the sentence to ascertain whether they refer to local content activities and the specific categories. If that is the case, then the sentence would be copied and pasted into a word document which would automatically count the number of words contained in the sentence(s). The numbers are the data points to be inputted into the SPSS program for analysis. This method is selected because of its objectivity, reliability, replicability and frequency of application. For the purpose of this study, the local content sustainability categories of the GRI and the IPIECA guidelines are merged as both guidelines are concurrently used by the sampled companies. This is shown in Table 6.3 below.

Table 6.3: Definition of the Sustainability Indicators Used

Indicators	GRI/IPIECA	Definition
SE5	IPIECA	Local content policies
EC5	GRI	Local wages
EC6/SE6	GRI/IPIECA	Local hiring/hiring practices
EC9	GRI	Local procurement (monetary and non-monetary)
DMA/SE7	GRI/IPIECA	Local procurement practices/supplier development activities, programmes

Source: Compiled from GRI & IPIECA

The study will firstly calculate and compare the disclosure index of the two periods (2005-2009 and 2010-2014) to detect variations. Disclosure index is a list of items supposed to be disclosed in company reports (Marston and Shrives, 1991) for specific purposes. In this context disclosure index is only used to show whether or not the items are reported, but not the quality at which they are reported. The disclosure index formula to be applied is as follows:

Disclosure Index (di) = *actual disclosure/total possible disclosure*

$$= \sum_{i=1}^{m} \mathrm{di} / \sum_{i=1}^{n} \mathrm{di}$$

The idea of the disclosure index was initially applied by Buzby (1975) and Stanga (1976) and formalized later by Cooke (1989a, 1989b). Chavent et al. (2006) observed that the majority of studies on disclosure have used a dichotomous item-based approach which assigns '1' if an item is disclosed, otherwise '0'. This is termed the unweighted approach as it treats the various disclosed information equally; any attempt to rank the disclosed items, i.e., the weighted approach, would amount to subjectivity as stakeholders give different values to same information item (Cooke, 1989). For example, local hiring information would be more important to the workforce of the oil industry while information on local supplier development would be more valuable to local entrepreneurs. For this reason, it would be highly biased for the researcher to decide to give weight to these variables. This work adopts the unweighted disclosure index approach to avoid these problems. The next section deals with the population and the sample of the study.

6.10 Population of the Study

The population of the study includes the various stakeholder groups who are directly related to local content implementation as understood from the OPEC (2011), and the suggestions of the Department of Petroleum Resources (DPR) and the Petroleum Technology Association of Nigeria

(PETAN). Thus, the study's population is divided into five groups: (a) the government (all oil industry regulatory agencies) (b) the indigenous oil and gas firms (all local oil firms), (c) the IOCs (all IOCs operating in Nigeria), (d) the oil and gas trade unions (all oil and gas trade unions in Nigeria), and (e) the civil society (all relevant civil society groups). Since it is not practically possible to engage all the above stakeholders, sampling became necessary. The population and the sample are summarized in Appendices 4, 5 & 6. The following sections discuss the sampling methods adopted by the study.

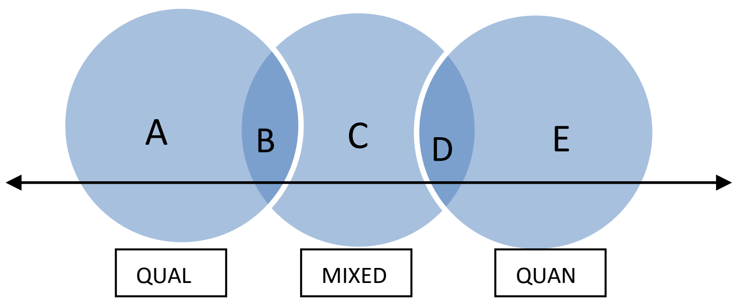
6.11 Sampling and Sample Size of the Study

Sampling is classified into probability and non-probability (Teddlie and Yu, 2007). Probability sampling is usually applied in quantitative research and deals with a large portion of a population selected randomly (Tashakkori and Toddlie, 2003). Its major purpose is to select a representative sample size. Non-probability sampling consists of selecting units in a population for a particular purpose (Teddlie and Yu, 2007). It is viewed as a deliberate selection of people, settings or programmes in order to get the useful information that would assist in answering the research question(s) (Maxwell, 1997). Probability sampling is classified into random, stratified and cluster. The three techniques may also be combined to produce multiple probability sampling (Teddlie and Yu, 2007). While the random sampling gives participants an equal chance of being drawn, and the cluster sampling selects participants in groups (such as the IOCs, local oil firms, civil society, etc), the stratified sampling divides the population or groups into subgroups (such as the local content managers within the IOCs, or local content experts within the civil society groups). On the other hand, the non-probability or purposive sampling technique selects cases based on a particular purpose but not randomly. While the probability sampling focuses on representativeness and generalization of findings, the non-probability is more concerned with the depth of information to be obtained (Teddlie and Yu, 2007). The present study combined these techniques and used the purposive-mixed-probability technique as will be shown in the next section.

6.11.1 Purposive-Mixed-Probability Sampling Techniques

Purposive-Mixed-Probability Sampling is the mid-point between the non-probability and the probability sampling (Teddlie and Yu, 2007) used in mixed-methods research. Figure 27 below depicts five sampling points used in research.

Figure 27: Purposive-Mixed-Probability Sampling Continuum



Source: Teddlie (2005) in Teddlie and Yu (2007)

The five sampling points above are elaborated in Table 6.4 below.

Table 6.4: Classification of Sampling Techniques

Categories	Description	Purpose
A	purely qualitative	in-depth knowledge acquisition; not usually generalizable
B	mixed but largely qualitative	in-depth knowledge and some representativeness
C	purely mixed, equal relevance of purposive and probability sampling	balance between in-depth knowledge and representativeness
D	mixed but largely quantitative	more of representatives than in-depth knowledge
E	purely quantitative probability sampling	adequate representation of population; usually generalizable

Source: Author generated from Teddlie (2005) in Teddlie and Yu (2007)

This study initially adopts the non-probability (purposive) sampling to identify all possible stakeholders and then proceeds to use cluster sampling to identify five most relevant groups within the stakeholders. For the oil companies, stratified sampling is also used to exclusively select the staff of the local content/contract and procurement units. For the interview respondents, pure purposive sampling is used to select at least two (2) participants from each of the five groups. This is because in the qualitative aspect of the research representativeness is not the priority, but the depth of information to be obtained (Teddlie, 2007). The process, in some cases, would involve snow-balling (Heckathorn, 2011) where one respondent will be asked to recommend another. This is considered an easy way to reach out to the appropriate participants.

A partial probability sampling will be used to select some of the questionnaire respondents. For example, for the indigenous firms a company has to be a PETAN member with a separate local content/contracts and procurement division and be located in the Lagos area for easy access. The other four groups will be selected based on purpose. The summary of the study's population and the sample is in Appendix 6b. The stakeholder groups selected and the reasons for the selection are presented in the following paragraphs.

Government: this group involves the primary regulators of the Nigerian petroleum sector, namely: NCDMB, DPR, NEITI and NNPC. These are the agencies directly related to the award of petroleum contracts and licenses, local content implementation, and the accountability and transparency in the industry.

International Oil Companies (IOCs): the IOCs are one of the most important players in the local content regime. Five major IOCs are selected for the study based on four reasons: they are the oldest and most visible (Bowen, 2000), they produce between 80%-95% of the Nigeria's oil (Frynas and Paolo, 2007; Hufbauer et al., 2013), and they have up to 10-year local content sustainability data.

Indigenous oil and gas companies: indigenous/local companies are the vehicle through which local content aspirations are achieved. They serve as producers and contractors and work alongside their international counterparts. This study found it convenient to engage the companies that are among the over 40 PETAN members but those located in Lagos[39] for the reason stated above. Fifteen companies were found to have satisfied these criteria.

Trade Unions: the major trade unions in the Nigerian oil and gas industry are the PENGASSAN and the NUPENG which are the associations of senior and junior oil workers respectively. They are local content advocates and also critical to industry practices. Their involvement in this research would have a moderating effect on the empirical data.

Civil Society Groups: this group includes the Natural Resources Governance Institute (NRGI), the Civil Society Legislative Advocacy Centre (CISLAC) and the Borderless Local Content Advocacy Group. These groups are directly working with stakeholders to ensure accountability, governance and transparency in local content. As the trade unions, this study would benefit from the critical point of view of this pressure group.

6.12 Recruitment of the Respondents

The researcher was able to get access to the respondents with the assistance of two oil and gas regulatory agencies namely: the Petroleum Technology Development Fund (PTDF)[40] and the Department of Petroleum Resources (DPR). The researcher firstly contacted the PTDF for an introductory letter to the oil companies. The PTDF instead, drafted a letter to the DPR (letter attached as Appendix 6a) requesting introductory letters to the various organizations since it is the agency that deals more directly with the industry stakeholders particularly the oil companies to whom it grants licenses. The DPR drafted several letters each to the various companies. For the interview, it was decided that the participants should be at the management level in order to gain from their strategic knowledge. In this case, some form of snow-balling was used where, in some cases, the

[39] http://www.petan.org/downloads/petan_brochure_final.pdf
It should be mentioned that the researcher has firstly attempted to access PETAN members located in Port Harcourt, but that proved difficult because many of the companies were not found at the addresses shown. This was shown to be a strategy to protect their staff from kidnappers and terrorists operating in the Niger-Delta. This made it necessary to use the Lagos location.
[40] PTDF is the sole sponsor of the researcher. Apart from the monetary funding, the Fund has also been guardian and councillor to the researcher throughout the exercise.

researcher asked participants whether they could recommend other people. Again, the two oil and gas conferences attended in Abuja and Aberdeen have contributed immensely in getting some questionnaires completed by participants.

6.13 Ethical Considerations

This research will be conducted in strict compliance with the research ethics of the Robert Gordon University. Research ethics refer to doing what is right in research and avoiding harming the participants (Orb et al., 2001). It is concerned with “the moral problems encountered in connection with scientific or other academic research by the researcher, their subjects or their social environment” (Berg and Tranoy, 1983 in Broom, 2006:152). In conducting the present research, sincerity, honesty and human respect are the basic elements to be considered in selecting the participants, collecting evidence as well as presenting and interpreting results (APA, 1992; Gravetter and Forzano, 2003). The research carefully identifies and selects the most important stakeholders in the Nigerian oil and gas industry who could provide the required information. To protect their rights, dignity and values, and to assure their voluntary consent (Lupto, 2004; Broom, 2006) each respondent will be informed of the aim and purpose of the study (Mcqueen and Knussen, 2002; Gravetter and Forzano, 2003). Efforts will be made to avoid any circumstance considered abusive or which could psychologically, emotionally or physically affect the participants (Gravetter and Forzano, 2003). This may include citing specific names or assessing the performance of specific persons from the NCDMB or the IOCs, except where terms not considered personal such as ‘the Minister’, ‘a manager’, ‘an activist’, ‘a unionist’ etc., were used. Another important aspect is respect for the respondents’ privacy and confidentiality (Broom, 2006). For the interview participants, codes will be used to represent their actual identities. No part of the information acquired will be directed for commercial purposes but rather, to conduct an academic research and to make recommendations to the policy-makers and oil and gas companies on the way forward concerning the mandatory and voluntary local content accountability in Nigeria and elsewhere.

6.14 Conclusion

This chapter presented and discussed the study's philosophy, methodology and methods. Based on the nature of the research questions which are partly exploratory and partly confirmatory, it was considered appropriate to adopt the mixed-methods design based on the pragmatist paradigm which combines the objectivist and subjectivist ontology as well as the positivist and interpretivist epistemology. The study's middle-range stakeholder-accountability framework is considered in the context of the mainstream, interpretive and critical accounting paradigms. The study's data sources (interview, questionnaire and sustainability reports) and the statistical and thematic analysis methods to be used were also discussed. The chapter also presented the population, sample and the sampling design compatible with the nature of the study. The chapter concluded with an overview of ethical considerations observed throughout the study.

CHAPTER SEVEN
Presentation and Analysis of Questionnaire Responses

7.1 Introduction

This chapter presents and analyses the responses gathered from the questionnaires. As pointed out earlier, the questionnaire involved the 16 accountability indicators (see Table 5.3). These indicators were used to construct the accountability scale of the first part of the questionnaire which consists of 26 statements that test the NCDMB's general performance. Data gathered are tested for reliability and validity to ascertain internal consistency. Part two of the questionnaire tests the NCDMB's financial accountability; part three tests the ability of the Board to enforce compliance with the first consideration rules; part four tests the IOC's compliance with the mandatory local content reporting; part five tests the stakeholders' awareness and the effectiveness of the ORAS, MAVOS and ECMI programmes. The last part of the questionnaire considers the stakeholders' demographic information.

7.2 Questionnaire Response Rate

This section considers the distribution, collection and the response rate achieved from the 360 questionnaires administered. Table 7.1 below presents the break-down.

Table 7.1: Questionnaire Response Rate

Respondent Groups	Questionnaire Statistics				
	Administered	Returned	Excluded	Valid	Response Rate
GV	110	91	6	85	77%
LOC	100	83	4	79	79%
IOCs	55	42	-	42	76%
TU	60	46	-	46	77%
CS	35	27	1	26	74%
Total	360	289	11	278	77%

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

From the above table, it was shown that a total of 360 questionnaires were distributed to various stakeholders, and 289 questionnaires were completed and returned; out of this total 11 were invalid as a result of being wrongly completed or not completed at all. Altogether, 278 valid questionnaires were analysed. This amounted to a response rate of 77% which is sufficient to draw conclusions about the stakeholders' positions. The high response rate was achieved partly because of the assistance that was given by the Department of Petroleum Resources (DPR)[41] and the Petroleum Technology Development Fund[42], and partly because of the personal involvement and persistent follow-up by the researcher. Furthermore, the researcher's participation at the Nigeria Oil and Gas Conference that took place at the National Conference Centre Abuja in 2013 as well as a conference organised by Shell Nigeria in Aberdeen have also helped in meeting with stakeholders in one place and getting many completed questionnaires.

To repeat what has already been stated the respondents were drawn from different organizations directly related to local content implementation. When recording the responses in the SPSS software, some missing values were detected. These are the statements for which no responses were recorded for reasons best known to the respondents. As such the study applied one of the frequently used missing data tests, the Little's MCAR test, to analyse and uncover the type of the 'missingness' (i.e., whether or not data are missing at random) before applying another procedure to impute those missing values for easier analysis. The next section considered these issues.

7.3 Missing Data Analysis

Ordinarily, it happens that in a survey of this magnitude missing values may occur. This survey has some missing values, that is, the unrecorded responses to some statement. The following table is a distribution of the

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[41] The Department of Petroleum Resources (DPR) is the responsible agency in charge of the negotiations and awards of oil blocks in Nigeria.

[42] As this research was completely funded by the Petroleum Technology Development Fund (PTDF), the body has performed all that is possible to ensure its successful completion.

missing values according to the sections and statement numbers as they appeared on the questionnaire.

Table 7.2: Missing Values

S1	**2**	**3**	**4**	**5**	**7**	**8**	**11**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
	5	*1*	*1*	*6*	*2*	*5*	*6*	*3*	*2*	*1*	*3*	*4*	*2*	*3*
	20	**23**	**24**	**26**										
	2	*1*	*1*	*1*										
S2	**3**	**6**	**7**	**8**	**10**	**13**	**17**							
	1	*1*	*2*	*2*	*1*	*1*	*3*							
S3	**10**	**12**	**13**	**14**	**15**	**1**	**3**	**5**						
	4	*3*	*1*	*3*	*4*	*1*	*2*	*3*						
S4	No missing value detected													
S5	**4**	**7**												
	2	*1*												

Source: Author from Field Survey

In Table 7.2 above, S1, S2, S3, S4 and S5 are the sections of the questionnaire in which statements have some missing values. Numbers in bold are the statement numbers on the questionnaire, and numbers in italics are the total number of values that are missing from each statement. For example, in section 1 (S1) there were five missing values under statement 2; 1 missing value under statement 3; 1 missing value under statement 4; 6 missing values under statement 5, and so on.

When dealing with missing values, the major task is the decision on how to fill in these values so that statistical software could perform the analysis without any hindrance. However, before attempting to fill in the missing values it was recommended that the nature and patterns of the missing values should firstly be investigated (Little and Rubin, 1989). When applying the Little's Test at 0.05 alpha level, results showed that data were missing completely at random (MCAR) at the significance level of 0.137 which was greater than the alpha. This indicated that there was no systematic pattern of the missing data which may necessitate further investigation. The next task is to test the reliability and consistency of the first section of the questionnaire since it was intended to be a comprehensive scale that measures accountability. This is the essence of the next section.

7.4 Testing the Reliability and Consistency of the Accountability Scale

In this section, the study presents the results of a reliability test conducted on the 26-item Accountability-Scale. This preliminary analysis was made to confirm that all items of the scale are testing a common thing (Iacobucci and Duhachek, 2003). Although the Cronbach's alpha is one of the most prominent reliability tests (Eisinga, et al., 2012), researchers that it is more suitable for scales with multiple items on each factor (Sainfort and Booske 2000; Cramer et al. 2006). When items on a scale are less than three the Spearman-Brown Coefficient is recommended (Hulin et al. 2001). Due to the fact that some of the factors that form the accountability scale do have only single items as shown in Table 7.3, the study used the split-half method and computed the Spearman-Brown Coefficient. The result is as follows:

Table 7.3: Split-Half Reliability Statistics for the Accountability Scale

Tests	Values/Coefficients
Cronbach's Alpha:	
Part 1- Value	.879
No. of items	13
Part 2- Value	.863
No. of items	13
Total No. of items	26
Correlation between form	.818
Spearman-Brown Coefficient-	
equal length	.900
Unequal length	.900
Guttman Split-Half Coefficient	.899

Source: Computed by the author from field study

The above table showed the reliability results for the Accountability scale constructed by the study. From the table, we can see that the Spearman-Brown Coefficient and the Guttman Split-half Coefficient were 0.90 (equal length) and 0.899 respectively indicating very high reliability. Although the Split-half is more relevant due to the reasons stated above, Cronbach's Alpha was also computed and showed a high reliability of 0.82 approx.

7.5 Analysis of the Questionnaire Responses

This section presents and analyses the main questionnaire items. This will enable us to answer the research questions already generated in the first chapter and re-presented in the fourth chapter. To do this, each research question will be presented and followed by the analysed questionnaire statements relevant to the research question. Basically, descriptive statistics is used to estimate the mean and median values of the data. Also, for each statement, there is an assumed and implicit null hypothesis that there is no significant difference among stakeholders' responses. Analysis of the possible differences called for the use of the non-parametric Kruskal-Wallis and Mann-Whitney tests. The next section began with the respondents' characteristics.

7.5.1 The Respondents' Demographic Information

Before going into the main analysis, it is always important to present the demographic information of the respondents as this has the advantage of showing the calibre of people selected for the study and the appropriateness of doing so. Although the demographic section is the last part of the questionnaire, it would be the first to be analysed for the reason just stated. This is done in the following table.

Table 7.4 Demographic Data of the Respondents

Sex (%)		Age (%)		Qualification (%)		Organization (%)		Year of Service (%)	
Male	205(73.7)	20-29	32(11.5)	Below degree	32(11.5)	GV	85(30.6)	1-5	101(36.3)
Female	73(26.3)	30-39	131(47.1)	First degree	121(43.5)	LOC	79(28.4)	6-10	92(33.1)
		40-49	77(27.7)	Masters	114(41)	IOC	42(15.1)	11-15	53(19.1)
		50-above	38(13.7)	PhD	3(1.1)	TU	46(16.5)	16-above	31(11.2)
				Others	8(2.9)	CS	26(9.4)		

Source: Author from Field Survey

Table 7.4 above shows the categories of stakeholders involved in the survey. It is considered important to show this spread in order to justify that the most appropriate respondents were selected for the study. The most important indicators in this instance are the stakeholders' years of experience and their level of education rather than their actual age (Morgeson et al., 2008; Maheswari and Krishnan, 2014). As the current round of local content policy in Nigeria has started in 2010, that is five years ago, it logically follows that industry respondents with six and above years of experience in relevant the area could be assumed to have the required knowledge of the policy. From the table, the respondents with 6-10, 11-15 and 16-above years of experience were 33.1%, 19.1% and 11.2% respectively (collectively, 63.4%). It is also instructive to note that even the respondents with 1-5 years of experience that formed the remaining 36.3% have their own experiences with the policy in varying degrees. In addition, 43.5%, 41% and 1.1% of the respondents held a first degree, a masters and a Ph.D respectively. This spread showed that 85.6% of the respondents were adequately educated as against the remaining 11.5% who attained qualifications below the first degree.

The next section analyses the first section of the questionnaire which involves the 26-indicator scale built from the 16 accountability indicators (see Table 5.3). The aim is to investigate the general accountability arrangements of the NCDMB in the discharge of its statutory responsibilities in the implementation of local content in Nigeria.

7.6 Stakeholders' Perceptions of NCDMB's General Accountability Performance

This section presents the descriptive statistics results of questionnaire responses to statements on NCDMB's accountability in the general administration of local content policy. Twenty-six statements were designed to explore this area of the Board's mandatory accountability using sixteen accountability indicators generated from the literature. This section is designed to answer the following research question:

What is the extent of stakeholders' perceptions of the NCDMB's general accountability performance in the implementation of local content in the Nigerian oil and gas industry?

Table 7.5 below shows the results of the descriptive statistics for the 26 statements. For each statement, the mean, median, and percentages were computed based on the five categories of responses.

Table 7.5: Descriptive Statistics of NCDMB's General Accountability Performance

Statements	Median (Mean)	Responses					
		1 SA (%)	2 A (%)	3 N (%)	4 D (%)	5 SD (%)	Total (%)
1) NCDMB has clearly communicated the objectives it wants to achieve for the Nigerian oil and gas industry through the implementation of the Nigerian Content Development Act	2.0000 (2.0827)	97 (34.9)	106 (38.1)	47 (16.9)	11 (4.0)	17 (6.1)	278 (100)
2) NCDMB has clearly defined the criteria/ metrics by which local content can be measured	2.0000 (2.2410)	60 (21.6)	134 (48.2)	52 (18.7)	21 (7.6)	11 (4.0)	278 (100)
3) NCDMB has sufficient capacity (in terms of qualified staff) to fully implement the provisions of the Nigerian Content Development Act	2.0000 (2.6331)	33 (11.9)	109 (39.2)	72 (25.9)	55 (19.8)	9 (3.2)	278 (100)
4) NCDMB has sufficient funding to fully implement the provisions of the Nigerian Content Development Act	3.0000 (2.6942)	38 (13.7)	88 (31.7)	80 (28.8)	65 (23.4)	7 (2.5)	278 (100)
5) NCDMB has sufficient power in 'practice' to enforce compliance with all the provisions of the Nigerian Content Act on all oil and gas companies	2.0000 (2.2338)	76 (27.3)	107 (38.5)	53 (19.1)	38 (13.7)	4 (1.4)	278 (100)
6) NCDMB ensures that each stakeholder group in the oil and gas industry (regulators, companies, etc) effectively discharges its roles and responsibilities in the implementation of local content	3.0000 (2.8453)	18 (6.5)	69 (24.8)	131 (47.1)	58 (20.9)	2 (0.7)	278 (100)
7) NCDMB provides timely information about new local content policies and regulations to the key stakeholders involved in the industry	2.0000 (2.6187)	47 (16.9)	95 (34.2)	61 (21.9)	67 (24.1)	8 (2.9)	278 (100)
8) NCDMB provides relevant information about new areas and opportunities for indigenous participation in oil and gas activities	2.0000 (2.5791)	32 (11.5)	120 (43.2)	69 (24.8)	47 (16.9)	10 (3.6)	278 (100)
9) Whenever NCDMB fails to disclose certain important information to stakeholders, it provides reasons for the non-disclosure	3.0000 (2.7986)	20 (7.2)	83 (29.9)	119 (42.8)	45 (16.2)	11 (4.0)	278 (100)
10) NCDMB engages all the key stakeholders in major decisions concerning the implementation of the provisions of the Nigerian Content Development Act	2.0000 (2.3237)	62 (22.3)	121 (43.5)	52 (18.7)	29 (10.4)	14 (5)	278 (100)
11) NCDMB accepts advice from the key industry stakeholders if considered appropriate for the achievement of Nigerian content objectives	2.0000 (2.5755)	31 (11.2)	113 (40.6)	85 (30.6)	41 (14.7)	8 (2.9)	278 (100)
12) NCDMB maintains an effective system of internal auditing which ensures stewardship of financial and non-financial resources	3.0000 (2.5432)	31 (11.2)	106 (38.1)	101 (36.3)	39 (14)	1 (0.4)	278 (100)
13) NCDMB regularly conducts facility audit to assess the capacity of companies to execute oil and gas contracts in the industry	3.0000 (2.6439)	38 (13.7)	73 (26.3)	120 (43.2)	44 (15.8)	3 (1.1)	278 (100)
14) NCDMB conducts social audit to assess the impacts of its policies on the lives of the general public (in terms of job creation, etc)	3.0000 (2.6511)	38 (13.7)	81 (29.1)	104 (37.4)	50 (18)	5 (1.8)	278 (100)
15) NCDMB reports its financial performance to	3.0000	14	73	112	70	9	278

all the key stakeholders in the oil and gas industry	(2.9532)	(5)	(23.3)	(40.3)	(25.2)	(3.2)	(100)
16) NCDMB reports its non-financial performance (process, achievements, etc) to all the key stakeholders in the oil and gas industry	2.0000 (2.4849)	20 (7.2)	127 (45.6)	62 (22.3)	59 (21.2)	10 (3.6)	278 (100)
17) NCDMB periodically (monthly, quarterly, yearly) conducts performance monitoring and evaluation exercises to assess the extent of compliance with local content requirements by the oil and gas companies	3.0000 (2.6079)	25 (8.9)	77 (27.8)	127 (45.6)	44 (15.8)	5 (1.8)	278 (100)
18) NCDMB operates in the best interest of the government to achieve the required level of local participation in the Nigerian oil and gas industry	3.0000 (2.6187)	25 (9.1)	71 (25.4)	126 (45.5)	46 (16.5)	11 (4.0)	278 (100)
19) NCDMB considers the best interests of Nigerian oil and gas companies in the process of implementing the provisions of the Nigerian Content Development Act	2.0000 (2.3813)	52 (18.7)	112 (40.3)	74 (26.6)	36 (12.9)	4 (1.4)	278 (100)
20) NCDMB always responds to stakeholders' demands to give account on actions undertaken to ensure effective implementation of the provisions of the Nigerian Content Development Act	2.0000 (2.5612)	37 (13.3)	109 (39.2)	86 (30.9)	31 (11.2)	15 (5.4)	278 (100)
21) NCDMB complies with all existing laws and due process in discharging its responsibilities with regards to the implementation of the provisions of the Nigerian Content Development Act	2.0000 (2.2446)	57 (20.5)	119 (42.8)	80 (28.8)	21 (7.6)	1 (0.4)	278 (100)
22) NCDMB maintains effective complaint and response mechanisms to address matters raised by the key stakeholders with respect to local content implementation issues	2.0000 (2.4604)	48 (17.3)	101 (36.3)	86 (30.9)	39 (14)	4 (1.4)	278 (100)
23) NCDMB maintains an effective 'whistle-blowing' system to consider complaints from the general public	3.0000 (2.6115)	35 (12.6)	102 (36.7)	83 (29.9)	52 (18.7)	6 (2.2)	278 (100)
24) NCDMB provides justification for all material (major) decisions it embarks on in relation to the implementation of the Nigerian Content Development Act	2.0000 (2.2842)	57 (20.5)	119 (42.8)	74 (26.6)	22 (7.9)	6 (2.2)	278 (100)
25) NCDMB can effectively impose sanction on any company that violates the provisions of the Act	3.0000 (2.8914)	18 (6.6)	70 (25.1)	126 (45.3)	37 (13.3)	27 (9.7)	278 (100)

Source: Author generated from field survey

Note: 1 = strongly agree (SA); 2 = agree (A); 3 = neither agree nor disagree (N); 4 = disagree (D); 5 = strongly disagree (SD).

The last indicator 'governance' was measured on a scale of 1-7 point. The results are presented in Table 7.6 below.

Table 7.6: Descriptive Statistics of NCDMB's Overall Governance in the Implementation of Local Content

Statements	Median (Mean)	1 EE (%)	2 VE (%)	3 EF (%)	4 N (%)	5 IE (%)	6 VIE (%)	7 EIE (%)	Total (%)
26) Effectiveness of the overall governance of local content	3.0000 (3.2482)	21 (7.6)	64 (23)	86 (30.9)	60 (21.6)	27 (9.7)	19 (6.8)	1 (0.4)	278 (100)

Source: Author generated from field survey

Note: 1 = extremely effective (EE); 2 = very effective (VE); 3 = effective (EF); 4 = neither effective nor ineffective (N); 5 = ineffective (IE); 6 = very ineffective (VIE); 7 = extremely ineffective (EIE).

Unlike the first 25 statements, above the 26th statement was assessed on a scale of 1-7 from ‘extremely effective’ to ‘extremely ineffective’. The rationale is that the statement is assessing the overall governance of the administration of local content in Nigeria, hence, requires a wider spectrum of assessment points. On applying the Kruskal-Wallis test to the 26 statements in Table 7.5 and 7.6 above, differences in perceptions among the five respondent groups (GV, LOC, IOC, TU and CS) on certain statements (not all) were discovered. In order to locate where these differences occurred and to facilitate their interpretation in chapter ten, the between-group Mann-Whitney test was conducted on pairs of groups for each statement that showed the differences. For each test that revealed difference(s), a cross-tabulation test was further applied to enable comments as to the possible reasons for the differences. In order to avoid a type I error[43] in using the Mann-Whitney multiple comparisons, the study applied the Bonferroni Correction method (Fenwick et al. 2012; Armstrong, 2014) on the study’s alpha value of *0.05*. Since ten comparisons are required to test ten hypotheses for each statement (i.e., five groups each compared with one another = 10 comparisons) the Bonferroni Corrected alpha is calculated as ***0.05/10 = 0.005***[44]. Hence, only values that are found to be less than or equals to *0.005* are considered significant.

Tables 1a-7b (Appendix 7) presented the Kruskal-Wallis/Mann-Whitney multiple comparison results and the respective cross-tabulations for all the statements in Table 7.5 that showed differences in stakeholders’ responses. The next section considers the financial accountability of the NCDMB to its various stakeholders in administering local content.

[43] Type I error is the risk of rejecting a null hypothesis (e.g., no differences, no association, etc) that is true. It amounts to “false positive” and sometimes called the alpha error (see Banerjee et al., 2009; Rothman, 2010: 223).
[44] As far as the Mann-Whitney multiple comparison tests are concerned the new 0.005 corrected alpha would substitute our existing 0.05 alpha level earlier selected. Apart from this, our 0.05 alpha is retained for the logistic regression and the t-test involved in the study.

7.7 Perceptions of NCDMB's Financial Accountability to Stakeholders

This section aims to test whether or not the NCDMB is financially accountable to the stakeholders, specifically, on the positions of the NCDF. Four statements were prepared for stakeholders. Table 7.6 presents the descriptive statistics for these statements. The results were used to answer the following research question:

> ***What is the extent of stakeholders' perceptions of the NCDMB's financial accountability in Nigerian oil and gas industry?***

Table 7.7: Descriptive Statistics on NCDMB's Financial Accountability

Statements	Median (Mean)	Responses					
		1 SA (%)	2 A (%)	3 N (%)	4 D (%)	5 SD (%)	Total
1) NCDMB ensures that all oil and gas operators/contractors remit the mandatory 1% of the contract sum to the Nigerian Content Development Fund (NCDF)	2.0000 (2.1187)	78 (28.1)	116 (41.7)	62 (22.3)	17 (6.1)	5 (1.8)	278 (100)
2) NCDMB reports the financial position (income and expenditure) of the Nigerian Content Development Fund to all key stakeholders in the oil and gas industry	3.0000 (2.6871)	32 (11.5)	71 (25.5)	138 (49.6)	26 (9.4)	11 (4.0)	278 (100)
3) NCDMB Consults with key stakeholders before spending any money from the Nigerian Content Development Fund	3.0000 (2.9784)	20 (7.2)	50 (18.0)	132 (47.5)	68 24.5	8 (2.9)	278 (100)
4) the Nigerian Content Development Fund is achieving its purpose of providing easy access to finance for indigenous oil companies to execute oil and gas projects	3.0000 (2.8381)	31 (11.2)	61 (21.8)	112 (40.4)	59 (21.2)	15 (5.4)	278 (100)

Source: Author from field survey

Note: 1 = strongly agree (SA); 2 = agree (A); 3 = neither agree nor disagree (N); 4 = disagree (D); 5 = strongly disagree (SD).

Regarding the financial accountability, Table 7.7 above showed that three statements have medians of 3.00 each while one statement has 2.00. Further post hoc test revealed differences in responses. Tables 8a-9b (Appendix 8) used the multiple comparisons procedure to analyse the differences as well as the cross-tabulation tables to facilitate the interpretation of the reasons for the discrepancies. The next section considers the research question on the ability of the IOCs to give preference to Nigerian oil firms in their operations.

7.8 First Consideration for the Nigerian Oil and Gas Firms in the Award of Petroleum Contracts, Procurement of Materials, Employment and Technology Transfer

This section presents the analysis of the NCDMB's accountability to enforce the requirements that local oil and gas companies are to be given exclusive consideration when issuing petroleum licenses, contracts, procurements and employment and training provided under S. 3(1) and (2) of the NOGICD Act. This section would answer the following research question:

> ***What is the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provisions of the 'first consideration' to Nigerian oil and gas firms in the award of petroleum contracts, licenses, employment, procurement of materials, and technology transfer?***

To answer the above research question, fourteen (14) statements were presented to stakeholders for consideration. Table 7.8 below presented the descriptive statistic results of the statements.

Table 7.8: Descriptive Statistics on whether Local Oil and Gas Firms and Local Labour are Given Preference in the Award of Licenses, Contracts and Employment

Statements	Responses						
	Median (Mean)	1 SA (%)	2 A (%)	3 N (%)	4 D (%)	5 SD (%)	Total (%)
1) NCDMB ensures that Nigerian indigenous oil and gas companies are always given priority in the awarding of contracts that are within their capacity	2.0000 (2.2410)	72 (25.9)	106 (38.1)	66 (23.7)	29 (10.4)	5 (1.8)	278 (100)
2) NCDMB ensures that Nigerian indigenous oil and gas companies are not excluded from the award of oil and gas contracts only on the 'lowest bidder' basis as stated by the law	2.0000 (2.5324)	39 (14)	103 (37.1)	87 (31.3)	47 (16.9)	2 (0.7)	278 (100)
3) NCDMB ensures that the minimum Nigerian content set by the law is always achieved before oil and gas contracts are awarded to any company	2.0000 (2.4388)	63 (22.7)	86 (30.9)	77 (27.7)	48 (17.3)	4 (1.4)	278 (100)
4) NCDMB ensures that the indigenous oil and gas companies win more contracts after the enactment of the Nigerian Content legislation	2.0000 (2.5360)	47 (16.9)	99 (35.6)	85 (30.6)	30 (10.8)	17 (6.1)	278 (100)
5) NCDMB ensures that all materials used in oil and gas operations which are available in Nigeria are sourced locally and not imported	2.0000 (2.2302)	72 (25.9)	115 (41.4)	53 (19.1)	31 (11.2)	7 (2.5)	278 (100)
6) NCDMB ensures that International Oil and Gas Companies give priority consideration to the Nigerian banks for services that are within their capacity	2.0000 (2.2266)	55 (19.8)	128 (46)	76 (27.3)	15 (5.4)	4 (1.4)	278 (100)
7) NCDMB ensures that International Oil and Gas Companies give priority consideration to the Nigerian insurance companies for services that are within their capacity	2.0000 (2.3633)	56 (20.1)	107 (38.5)	77 (27.7)	34 (12.2)	4 (1.4)	278 (100)
8) NCDMB ensures that International Oil and Gas Companies give priority consideration to	2.0000	53 (19.1)	114 (41)	61 (21.9)	44 (15.8)	6 (2.2)	278 (100)

the Nigerian legal firms for services that are within their capacity	(2.4101)						
9) NCDMB ensures that International Oil and Gas Companies give employment priority to Nigerian labour for services that are within their expertise	2.0000 (2.5000)	55 (19.8)	106 (38.1)	55 (19.8)	47 (16.9)	15 (5.4)	278 (100)
10) NCDMB is making all necessary efforts to ensure that International Oil and Gas companies set up offices and facilities in the communities they operate as required by the law	2.0000 2.3705	35 (12.6)	137 (49.3)	81 (29.1)	18 (6.5)	7 (2.5)	278 (100)
11) NCDMB ensures that all information on employment and training programmes are made public	2.0000 2.5432	36 (12.9)	107 (38.5)	95 (34.2)	28 (10.1)	12 (4.3)	278 (100)
12) NCDMB ensures that only Nigerians are employed by the International Oil Companies in junior and intermediate cadre as required by the law	2.0000 2.5360	36 (12.9)	114 (41.0)	78 (28.1)	43 (15.5)	7 (2.5)	278 (100)
13) NCDMB effectively involve the oil industry Trade Unions (NUPENG and PENGASSEN) in important training and employment decisions	2.0000 2.5683	39 (14.0)	105 (37.8)	88 (31.7)	29 (10.4)	17 (6.1)	278 (100)
14) NCDMB effectively collaborates with International Oil and Gas Companies to facilitate technology transfer programmes to Nigerian workforce	2.0000 2.3561	41 (14.7)	130 (46.8)	80 (28.8)	21 (7.6)	6 (2.2)	278 (100)

Source: Author generated from field survey

Note: 1 = strongly agree (SA); 2 = agree (A); 3 = neither agree nor disagree (N); 4 = disagree (D); 5 = strongly disagree (SD).

All the fourteen statements in Table 7.8 above have indicated a median of 2.00. However, on a further check, the following significant differences were discovered and analysed in Tables 10a-13b (Appendix 9). The following section aims to present the results from the analysis of responses on the IOCs' accountability to comply with the mandatory local content reporting provisions enshrined in the NOGICD Act.

7.9 Perceptions of the Extent to which IOCs Comply with the Mandatory Local Content Reporting

This section is concerned with the assessment of how oil companies (IOCs in particular) comply with the legal provision that required reporting/disclosing and submission of certain documents periodically before considered for any contract. These documents are: (i) the quarterly contracting plan of which values are in excess of $1 million, (ii) invitation to tenders for all contracts above $1 million[45], (iii) quarterly procurement report, (iv) employment & training plan, (v) technology transfer plan, (vi)

[45] Appendix 9 presented a sample invitation to tender and all the accompanying local content rules. In Nigeria, the local content section of the invitation to tenders form 'a fatal flaw' that is, deviating from these provisions will disqualify any company from the bidding process.

annual Nigerian Content performance report, and (vii) half-yearly financial, legal and insurance plans. The result will be used to answer the following research question:

> ***To what extent do Nigerian oil and gas companies comply with the mandatory reporting of local content performance?***

A single statement was used to assess this compliance as shown in Table 7.9 below.

Table 7.9: Descriptive Statistics of Mandatory Local Content Reporting by Oil Companies

Statements	Responses						
	Median (Mean)	1 SA (%)	2 A (%)	3 N (%)	4 D (%)	5 SD (%)	Total (%)
1) Do you agree that oil and gas companies submit the above-listed documents to NCDMB before they are awarded any oil and gas contracts?[46]	2.0000 2.4820	29 (10.4)	115 (31.4)	108 (38.8)	23 (8.3)	3 (1.1)	278 (100)

Source: Author generated from field survey 2014

Note: 1 = strongly agree (SA); 2 = agree (A); 3 = neither agree nor disagree (N); 4 = disagree (D); 5 = strongly disagree (SD).

Table 7.9 above indicates that for the single statement, a median response of 2.00 was computed. No statistically significant differences in stakeholders' responses were noted. As such, no further analysis is required. The last question that investigates the NCDMB's accountability is presented in the following section. In this question, the awareness of stakeholders of certain NCDMB's programmes and their effectiveness were assessed.

7.10 Assessment of the Awareness and Effectiveness of NCDMB's Programmes Initiated for the Smooth Implementation of Local Content Policy

This section evaluated the effectiveness of the major programmes run by the NCDMB in an attempt to realise the maximum benefits from local content in the Nigerian oil and gas industry. Three statements were developed under this section. Table 7.14 presents the descriptive statistics

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[46] These documents were listed on the questionnaire and included the Quarterly contracting plan, Invitations to tender, Quarterly Procurement Report, Annual Nigerian Content Performance Report, Technology Transfer Plan, and half-yearly Financial Services Plans.

of the three statements used to determine whether or not these initiatives are effective. The research question to be answered is as follows:

> ***What is the extent of stakeholders' awareness and effectiveness of NCDMB's local content programmes?***

To answer this research question the study firstly assessed the level of stakeholders' awareness of the programmes by using binary logistic regression on the three NCDMB's local content programmes (MAVOS, ORAS and ECMI) which were treated as the dependent variables. Each dependent variable is tested in a separate model against two predictors or independent variables namely: organisation and years of service. The aim here is to test whether organizational membership of stakeholders and the years they spent in service predict their awareness of the three NCDMB programmes. This is to address the allegations that certain stakeholder groups were excluded from some of these programmes (Ovadia, 2013). Secondly, the analysis proceeded to test the effectiveness of the three programmes from the stakeholders' point of view.

Three most important tables were produced by the binary logistic regression and presented here. These tables include the Omnibus test of model coefficient, the Hosmer and Lemeshow test and the model summary of the three local content programmes. The tables are presented below.

Table 7.10: Omnibus Test of Model Coefficients for the Three Programmes

	MAVOS			ORAS			ECMI		
	Chi-Sq	df	Sig.	Chi-Sq	Df	Sig.	Chi-Sq	Df	Sig.
Step1									
Block	22.946	7	.002	18.634	7	.009	25.862	5	.014
Model	22.946	7	.002	18.634	7	.009	25.862	5	.014
	22.946	7	.002	18.634	7	.009	25.862	5	.014

Source: Author from Field Study

Note: MAVOS=Marine Vessels Ownership Strategy; ORAS=Offshore Rig Acquisition Strategy; ECMI=Equipment Component Manufacturing Initiative

The above Omnibus test of model coefficients is the goodness of fit test which indicates how well the overall model works (that is, the model consisting of all the three programmes). High significant values ($p<.05$) are preferred in this model (Pallant, 2007). The above table showed significant results in all the three cases as: MAVOS = .002, Chi-square and degree of freedom = 21.071 and 5; ORAS = .009, Chi-square and degree of freedom

= 18.634 and 7; ECMI = .014, Chi-square and degree of freedom = 25.862 and 5. All the three models have exhibited good fit for the data. To further examine the usefulness of the models, the next table presented another important test – the Hosmer and Lemeshow Test.

Table 7.11: Hosmer and Lemeshow Test for the Three Programmes

Step	MAVOS			ORAS			ECMI		
	Chi-Sq.	Df	Sig.	Chi-Sq.	Df	Sig.	Chi-Sq.	Df	Sig.
1	8.023	7	.331	30.676	8	.000	7.889	7	.343

Source: Author from Field Study

Note: MAVOS=Marine Vessels; ORAS=Offshore Rig Acquisition Strategy; ECMI=Equipment Component Manufacturing Initiative

Results from Table 7.11 above support the results provided in Table 7.10. This test is one of the most reliable tests of model fit (Pallant, 2007). As oppose to the criteria used in the Omnibus test, this test prefers results that are not significant ($p>.05$). In support of our Omnibus model, the above results showed that both of the MAVOS and the ECMI models had a good fit of .331 and .343 respectively ($p>.05$), but the ORAS had a poor fit of .000 ($p<.05$). This is because there was a large variation between the expected and the observed frequencies which created a large Chi-square value. The next task is to measure the amount of variations in the dependent variables that were explained by the model. This is called the Pseudo R-square statistics (Pallant, 2007). In a simple term, the degree to which the independent variables (organization & year of service) explain or determine the stakeholders' awareness of the three programmes. These variations are presented in the following table.

Table 7.12: Model Summary of the Three Programmes

Step	MAVOS			ORAS			ECMI		
	-2Log likelihood	Cox & Snell R Sq.	Nagelkerke R Sq.	-2Log likelihood	Cox & Snell R Sq.	Nagelkerke R Sq.	-2Log likelihood	Cox & Snell R Sq.	Nagelkerke R Sq.
1	344.626	.079	.108	353.704	.065	.088	356.182	.050	.068

Source: Author from field study

Note: MAVOS=Marine Vessels Ownership Strategy; ORAS=Offshore Rig Acquisition Strategy; ECMI=Equipment Component Manufacturing Initiative

The variations in each of the dependent variables explained by their respective models were simplified and summarised in the following table.

Table 7.13: Variations in the Dependent Variables Explained by the Models

Dependent variables	Variations explained by models
MAVOS	Between 7.9% and 10.8%
ORAS	Between 6.5% and 8.8%
ECMI	Between 5% and 6.8%

Source: Author from field study

Note: MAVOS=Marine Vessels Ownership Strategy; ORAS=Offshore Rig Acquisition Strategy; ECMI=Equipment Component Manufacturing Initiative

The above results showed no significant predictive ability of the independent variables (organization and years of service) on the dependent variables (MAVOS, ORAS and ECMI). For example, only 7.9% and 10.8% of the awareness of the MAVOS programme were due to the stakeholders' organizations and years of service while the remaining 92% and 89.2% were due to other things outside the model. The ORAS and the ECMI programmes also followed same patterns.

After determining the extent of stakeholders' awareness of the above local content programmes, Table 7.14 below presented the assessment on whether or not the three programmes are effective. Five-point scale (from very effective to very ineffective) was used as provided below.

Table 7.14: Descriptive Statistics of the Effectiveness of NCDMB's Programmes

Statements	Responses						
	Median (Mean)	1 VE (%)	2 E (%)	3 N (%)	4 IE (%)	5 VIE (%)	Total (%)
1) Marine Vessel Ownership Strategy (MAVOS)	3.0000 2.6043	38 (13.7)	78 (28.1)	119 (42.8)	42 (15.1)	1 (0.4)	278 (100)
2) Offshore Rig Acquisition Strategy (ORAS)	3.0000 2.6978	25 (9.0)	84 (30.3)	125 (45.0)	38 (13.7)	6 (2.2)	278 (100)
3) Equipment Components Manufacturing Initiative (ECMI)	3.0000 2.7122	27 (9.7)	88 (31.7)	114 (41.0)	36 (12.9)	13 (4.7)	278 (100)

Source: Author from Field Study

Note: 1 = very effective (VE); 2 = effective (E); 3 = neither effective nor ineffective (N); 4 = ineffective (IE); 5 = very ineffective (VIE).

From the above table, all of the three statements have shown a neutral stance with a common median score of 3.00 in each case. This will be explained in chapter ten.

7.11 Conclusion

The chapter presented the analysis of questionnaire data which formed part of the three data collection procedures used in the present study on the basis of the convergent parallel mixed-methods design. The analysis was based on the sixteen (16) accountability indicators obtained from literature as well as the NOGICD Act (2010). For each section, descriptive statistics were presented together with tests for differences (Kruskal-Wallis and Mann-Whitney Tests) and cross-tabulation tests where applicable. It was explained earlier that in order to suppress the effects of type I error, a Bonferroni corrected alpha of 0.005 was applied. Inferential binary logistic regression was also conducted to determine the predictors of stakeholders' awareness of three NCDMB's programmes – ORAS, MAVOS and ECMI. The analysis in this chapter aims to contribute to answering the research questions on NCDMB's and IOCs' accountability in local content sustainability. The analysis in this chapter and the two subsequent chapters are followed by detailed discussion in chapter ten.

CHAPTER EIGHT
Presentation and Analysis of Interview Results

8.1 Introduction

This chapter presents and analyses the interviews conducted with the oil industry stakeholders using the thematic analysis technique (see Section 6.9.2). The results of these interviews will be interpreted alongside other quantitative results to provide more understanding and more insight into the issues at hand. The chapter is divided mainly into five sections in line with the objectives of the research formulated in the first chapter of the work. As it has already been stated, the deductivism would be applied to the thematic analysis as the interview was guided by the local content, sustainability and accountability theories. All relevant themes will be identified and discussed in line with the theories reviewed. Both open and *in vivo* coding systems will be utilised to identify as many codes as possible to form the themes.[47] The relevant transcripts from the interviews will be quoted to demonstrate the emerging themes *in situ* (Burnard, 1994) while making the necessary minor adjustments to tenses or sentence construction errors (Bebbington, 1999)[48]. Irrelevant sections of the transcripts will not be presented. The following section starts by analysing stakeholders' views on local content and sustainability.

8.2 Analysis of Stakeholders' Perceptions of Local Content as a Sustainability Policy Pursued through the Petroleum Contracts

There are several arguments in the literature (see chapter two) that show that local content policy is a variant of sustainability or the triple-bottom-line[49]. It has been provided that local content has social, economic, and environmental implications for the countries hosting oil and gas operations. This line of argument lacks empirical grounding. One of the major significant aims of this study is to explore this argument by collecting,

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[47] In vivo coding is the type of coding based on the concepts or phrases used by the participants in the text. Open coding is where researchers use their own words and constructs to represent an idea within the text.
[48] The corrections were put in brackets within the transcripts.
[49] These terms are often used interchangeably (see Pavlova, 2006; Lozano, 2008; Fauzi, et al., 2010).

analysing and drawing conclusions from stakeholders on this issue. The coding and analysis in respect of this are deductive and guided by the sustainability/local content theory developed by this study from pieces of literature and proposed for testing. The coding was therefore done around the three tenets of sustainability – social, economic and environmental. After the rigorous exercise, the several codes generated were gathered under the main codes using selective coding in order to make a meaningful analysis. The emergent themes are considered in the following sections.

8.2.1 Economic Growth and the Business-case

Other themes identified from stakeholders' responses were the policy's contribution to economic development at the macro (national) and micro (firm) levels. The policy was also particularly viewed as having a business-case. An IOC manager argues that:

> *".....so it's part of the business imperatives that you do local content. Your own motivation for driving it depends on what business principles and where you want to place it in your strategy as an organization. So for me I think it's the right thing to do even without being compelled, even without legislation you should do business in a way that engenders the most sustainability; and local content provides the platform to do that".* *[IPI02]*

An official of a government agency who was at the helm of the affairs of the Board observed more business-case in local content as he stated that:

> *"....there are collaborators in local content development which we see their participation as enhancing their own businesses. When you empower your vendors; when your vendors are able to provide quality service to you, you will reduce the cost of running your business. So, developing a local supply-chain means that you have the supply-chain at your finger-tips. You don't need to go outside the country to fly in expatriates, fly in goods, equipment, materials. So developing these vendors as part of the local content philosophy means that there is more reliability. So they see it as part of a deal to enhance their own business success and sustainability".* *[IPG02]*

As part of its economic benefits, it was pointed out by the participants that local content had a role to play in mitigating economic damaging activities caused by the absence of indigenous capacity. One of the contributors was a manager in one of the petroleum industry trade unions who opined that:

> *"First of all, you will find that if the policy works as it is expected to be (sic) we will be able to increase employment and stop capital flight".* *[IPT01]*

This increase in employment of the local people reduces the cost of maintenance of oil facilities spent in billions of dollars as a result of sabotage:

> *"So when you empower the youth (by providing jobs) you have protected the infrastructural facilities. This is another way of providing security on which billions (money) were spent". [IPG01]*

Another similar opinion was submitted by an indigenous firm staff who also confirmed the policy's corrective economic measures:

> *"Local content is a sustainable development tool that developing countries use to encourage local capacity growth and contain capital flight".*
>
> *[IPL04]*

An employee of a trade union further observed the destructive effects of economic drains especially when coupled with unemployment. But with proper implementation of local content:

> *"....most of the technology will be domiciled in the country, which means it will be able to check capital flight,...job flight. ..". [IPT02]*

It was further pointed out that the national economic benefits of local content are almost a given. A government official and a manager in an implementation agency gave a comprehensive account of the policy and its major relevance to economic growth. He stated that:

> *"... I can elaborate and give some evidence on how local content leads to sustainable development. Now when we talk about local content we are actually talking about in-country value addition, and value addition means in-country participation along the exploration and production value chain. When we talk about value creation or value generation we are talking about harnessing our natural resources, we are talking about engaging our youths in contracts and employment and also optimizing the potentials of our youth for development. Now when you put all these together, you are seeing wealth creation in communities, you are seeing sustainable development". [IPG01]*

As a result of the above activities that involve the local workforce, local content was viewed as an easy avenue to transfer technology by the foreign partners with the superior know-how to the local personnel. A local operator appreciated this by saying that the policy:

> *"helps to transfer technology at a faster pace....". [IPL04]*

8.2.3 Social Stability

On the relevance of local content to social stability a unionist considered the policy from the angle of job provisions and concluded that:

> *"...most of the crises in Nigeria are being perpetrated by people that do not have job".* *[IPT02]*

Substantiating on this claim, a top industry regulator made a further assertion and cited specific example:

> *"The existence of youth restiveness and vandalisation in the Niger-Delta*[50] *is a common knowledge. So when you empower the youth (by providing jobs) you have protected the infrastructural facilities. This is another way of providing security on which billions (money) were spent".* *[IPG01]*

The above comment showed that the social dimension of local content also affects the economic dimension as it leads to cost-saving. More of this was presented by the above participant where he concluded that:

> *"The moment there is something for everybody from (sic) the community level to the local government, the state and the national level you will find out there will be tranquillity, there will be peace; everybody is engaged, everybody is happy, everybody has a stake. The oil companies will be happy because their platforms will be secured; people are looking up to these platforms, there will be no more destruction, the country is happy because Nigerians are being engaged, Nigerians have stopped taking jobs outside, revenue is being retained, the pressure on foreign exchange will reduce because of the reduction in foreign supplies. People will see their government accountable".* *[IPG01]*

8.2.3 Environmental and Intergenerational Survival

In emphasizing the roles of local content to sustainability, stakeholders have shown a strong connection between local content and the survival of the present and the future community members as well as the environment. For example, a high-ranking officer in one of the local oil firms makes the following assertion:

> *"Yes. My opinion on this is that if you look at local content efforts in Nigeria it actually, you know, fulfils a lot of the criteria of what sustainable development is all about, ok. Now sustainability or sustainable development is ... they are trying to look at what is good in the interest of mankind, you know, today without compromising what is going to happen further down in the future. In other words, it is built on the*

[50] The oil-producing region of Nigeria where constant restiveness as a result of the operations of the oil and gas companies have been experienced.

simple principle (that), everything that we need for our survival today depends either directly or indirectly on our national environment". [IPL01]

The above opinion was supported by a manager in the PETAN who placed particular emphasis on the engagement of local people in petroleum activities:

"Well, definitely local content is a sustainability policy because the Nigerian oil and gas industry generally cannot survive without the input and involvement of the locals, and if the industry must survive the locals must be involved. Local content policy is that local players can participate in the oil industry. One, it helps sustain the industry, two it also helps to sustain the people whose environment is subjected to destruction". [IPL02]

The suggested engagement of local people and its impact were upheld by two other participants. One of the expressed that:

"Local content seeks to ensure that host communities get their end on the bargain in a specific, measurable and sustainable way. ..... it empowers local people, and it has a multiplier effect on the lives of local communities". [IPC02]

As such, the other observed that:

"... local content is all about converting the natural resources or the resources of a particular people of a country or communities into jobs and opportunities, so that is sustainability". [IPI02]

In an apparent show of acknowledgement of the above facts, oil companies appeared to be making some moves to promote the policy within their operating environmental. A CEO in one of the local firms claimed that:

"I agree that the local content as a tool has contributed to the social, economic and environmental development. I see that from the perspective on (the) ground. There is no doubt that some of us who are players in the industry have been empowered by the local content policy. .... what I can say is this: there is no doubt that the local content policy has been further taken to communities by the operators, the contractors like us". [IPL01]

Engagement with local communities has appeared to have a direct correlation with the reduction of social crisis (as claimed by IPT02) and the promotion of environmental protection. By engaging the youths:

"Platforms, pipes, etc will actually be secured, and pollution-free environment will be achieved and the enormous costs for clean-up be saved[51]. So if you look at the pillars that local content is trying to promote, you will find out that yes, it is a source for (sic) sustainable development and economic prosperity." [IPG01]

Apart from protecting the environment through curbing social unrests, local content was also believed to support the green environment through the transfer of technology which is one of the major concerns of the policy. A respondent from local firm agreed that local content:

"helps to transfer technology at a faster pace. It often brings in environmental concerns at a larger scale". [IPL04]

From the view of one activist it appeared that local content instils good citizenship in the minds of the local people at it was argued that:

"Yes... I am one of those persons that will agree that local content actually will contribute to environmental development... we are dealing with the international oil companies ..., the tendency for us (is) to begin to see the issue from the perspective of: "...we (IOCs) are only here in this country to do business", and after that they are eventually going to find their way to the various countries where they came from. But local content...(gives) a sense of belonging to those taking the resources given that they (i.e., locals) are not only to make money; they also know that they don't have any country other than Nigeria to call their own. So, to such an extent it (not only) involves making profit through oil exploration and production, it also means even in profit-making...., putting it at the back of minds that they also need to sustain the environment given that they are from this country. So they are going to be exploiting with care with all the caution knowing fully that there are environmental hazards that come with it". [IPC01]

This good citizenship tendency emanated from the government itself as one manager from the agency in charge of awarding oil and gas exploration and development licenses made a strong claim which showed the supremacy of national/intergenerational interest over the economic benefits when it comes to the oil and gas drilling and production. He stated that:

"...for us the first is national interest. Well, you have oil like 100 million barrels; you get a recovery factor of 30%. We don't want you to extract it within two, three, or four years because you can harm the reservoir. It may not be in the interest of the future generation to do so. You have to do it in such a way that technology may exist (in the future) to improve your recovery factor from 30% to 60%. If you harm the reservoir the country losses (and) you win, you take your money and go". [IPG02]

[51] Whatever loss is suffered by the oil-producing companies particularly the IOCs that are in JVCs is shared with the Nigerian government according to equity holdings of 60:40. For those companies in PSCs most of these losses are recoverable costs.

The above good citizenship and the discussions before it concerns with the survival of human, environment and resources; and this upholds the notion that sustainable development is the “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs” (UNCED, 1987: 8).

Table 8.1 below exhibits the summary of the findings for the above interview data.

Table 8.1 Summary of the Interviews on Local Content as Sustainability Policy

Research Question: *To what extent do the stakeholders in the Nigerian oil and gas industry perceive local content to be a sustainability policy pursued through the petroleum contracts?*	
Participants	**Major themes**
IPL01, IPL01, IPI02, IPG02, IPC02, IPL01, IPG01, IPL04, IPC01, IPG02, IPG01, IPT01, IPT02	**Sustainability relevance of local content policy:** • Economic growth and business-case • Social stability • Environmental and intergenerational survival

Source: Author from field survey

8.3 Analysis of Stakeholders' Perceptions of the Accountability Expectations of Local Content in the Nigerian Petroleum Sector

Having observed the stakeholders' acknowledgement that local content was a sustainability policy the study moved on to assess the accountability implications of local content. From this point to the rest of the chapter, the study's conceptual framework – the stakeholder-accountability – with its sixteen (16) accountability dimensions (Table 5.3), will be the guiding theory in the selection of the relevant themes, codes and the interview quotations. The themes that have emerged from the data about the accountability aspects of the local content are discussed below.

8.3.1 Setting of Realistic Targets

Setting performance targets is often the first step in achieving accountability, hence, became one of the themes of interest to the stakeholders. A CEO in one of the local oilfield servicing companies made this general statement:

> *"When you are setting a target it should be articulated, achievable, you know, it should be realistic and determined. Once you don't follow that way then the level of what you get will be in dissonance and it will not be in consonance".* [IPL01]

8.3.2 Understanding, Engagement and Commitment to Targets

Targets should be understood by stakeholders who are expected to show a strong commitment to performing in a transparent manner. An industry insider alleged that:

> *"The people or body (i.e., NCDMB) invested with implementation (of local content) are either ignorant of the goals or deliberately acting to frustrate it because of selfish interests or do not actually have the empowerment to drive it successfully. It would appear that there are several local investors who are more interested in becoming brief case local content champions rather than investing."* [IPL04]

Based on the allegation above the sustainability aims of the local content in Nigeria might have been compromised. Instead of the policy to produce strong entrepreneurs it may end up creating weak business people. As such, a local firm official put the first burden of accountability on the shoulders of the Board as he submitted that:

> *"A key aspect of the local content is the level of understanding of the process, the extent, milestones and the expected outcomes. Where there is understanding the will to be transparent is crucial to its success. The regulators must demonstrate a commitment to supporting the process rather than stifling it. The demonstrated commitment of support will bring out openness from the participants or stakeholders. The growth would then be rapid.... Where the regulator has no weight or intent to lend support, the other stakeholders would not be transparent in working towards realisation of the goals."* [IPL04]

Concurring on the above opinion another local operator pointed at the regulatory body as the first accountor in local content. He observed that:

> *"Well, so far I want to say that the pillars are that the govt is committed and also the oil industry is committed".* [IPL02]

A civil society advocate also viewed the government as the first point of reference when he viewed that:

> *"The highest level of accountability is expected from all relevant stakeholders, especially the government. It is expected that the government and agencies involved in the Local Content remain committed to this development policy...".* [IPC03]

Some stakeholders have taken interest in the Board's opportunity to engage all parties in meaningful implementation of the policy; one of them stated that:

> *"The expected mode of operation should be that of working with both IOCs and local investors in a way that will identify gaps and make efforts to fill them. This will ensure a steady (and) rapid transformation of the local content."* [IPL04]

Another respondent with similar opinion mentioned that:

> *"Going forward, it is expected that they (i.e., the Board) continuously and systematically increase encouragement to birth partnership (sic) with the private sector while still maintaining adequate relationship with the foreign companies since the aim is not to frustrate foreigners out of the industry".* [IPC03]

An industry participant made an elaboration on the nature of engagement with stakeholders expected and the roles of the Board in ensuring that:

> *"There should be an interrelationship between the government, the private sector, the organised sector comprised of entrepreneurs and the industry as a whole. You understand? So if you look from the other point of view the role of government in that interaction is basically to be able to create the enabling environment that would be able to drive and stimulate you know, growth. Definitely, if you look at it from*

that point of view I think that the government has very much to play". [IPL03]

One informant expressed an acknowledgement that the Board has so far been doing well in its efforts to engage other stakeholders:

> *"...so the NCDMB started from nothing. So far they have been trying, they have been engaging, they have been committed, they have been passionate about local content. So far, the engagement has been ok." [IPL02]*

8.3.3 Measurability and Predictability of Performance

Stakeholders expressed the needs to have local content targets and performance capable of being predicted and measured:

> *"Well, I mean... a high level of accountability is expected. Because as local content is; it is designed in such a way that it should be specifically measurable. As such, 'measurable' means to know exactly what progress has been made." [IPC02]*

Only when targets are measurable that predictions are possible as pointed out by one participant:

> *"It is expected that the government and agencies involved in the Local Content remain committed to this development policy, ensure that there is no disconnect between policy formulation (strategy) and policy implementation (action) while enshrining the core value of transparency and predictability in driving the policy to the attainment of desired outcomes." [IPC03]*

Whether or not any credible measurement mechanism existed remained unclear. An informant strongly alleged that:

> *"The local body (i.e., NCDMB) does not have any measurement process by which its success or lack of it can be evaluated". [IPL04]*

8.3.4 Transparency and Reporting

Objectives, targets, rules and regulations are meant to be communicated to all stakeholders. Without effective communication of targets, local content policy cannot be actualised. An informant commented that the government should:

> *"ensure that there is no disconnect between policy formulation (strategy) and policy implementation (action) while enshrining the core value of transparency and predictability in driving the policy to the attainment of desired outcomes".*
>
> *[IPC03]*

On the need for full transparency in local content, one advocate who has taken an extreme measure to enforce his civil rights to information on local content activities presented thus:

> *"......as such we need information, we need data. That is why we at (the) Borderless Local Content Advocacy we are in court seeking access to information on local content implementation in Nigeria. As with us, accountability and transparency are sine qua non to the success of local content policy".* *[IPC02]*

As a measure to avoid an occurrence similar to the one submitted above, another activist suggested that:

> *"Government and (other) relevant stakeholders are expected to involve the media in their processes particularly in issues regarding the upstream sector in a bid to foster transparency and contributing to public information which will equip citizens to engage in informed debates and keep the government and agencies progressively accountable".* *[IPC03]*

In a likely reaction to the above suggestion an IOC member reminded those concerned that local content reporting by the IOCs was not a new thing, but something that has been in place:

> *"Well it's a requirement basically and that's why different entities willingly subscribe to reporting it (i.e., local content). It's all about being good corporate citizen, it's all about oil companies' belief that the best way to do business is to adopt the sustainability approach. It's also to do with access to new opportunities. For instance now if you want to go into a new territory of course, they will look at your record on sustainability. What have you done in other places where you worked; how much in-country capacity have you created from the work you've done?".* *[IPI02]*

8.3.5 Enforcement

Regulators have to be capable of enforcing local content targets and performances. An observation of one advocate from the Natural Resources Governance Institute read:

> *"Yes, efforts have been (made) to put the right laws and policies in place, but it is difficult to completely say that they are currently working. Some of the programmes currently running, you find them on paper but it is difficult to actually say that they are translating policies into implementation. So to this* extent, at the level of paperwork we have done very well but at the level of implementation the pace has been very, very slow". *[IPC01]*

To sum up the discussion, an informant concluded that:

> *".... Presently, it is all about enforcement".* [IPL04]

8.3.6 Complaint and Response

A local operator made an important observation in favour of the Board by showing that the Board was responsible and listens to stakeholders. He mentioned that:

> *".....and you can also access them (i.e., NCDMB); they are very accessible if you have any complaint on any issue that you want (to be) addressed".* [IPL02]

8.3.7 Sincerity of Purpose

Another informant concluded by arguing that the success or failure of the policy is in the hands of the government:

> *"Well I want to say fundamentally (that it) is all about the sincerity of purpose; if the government is sincere in the implementation of local content then definitely the programme will succeed."* [IPL02]

8.3.8 Cost- profit Effects

Some industry participants, especially from the IOCs, have raised the alarm that local content rules impact on their cost structure. An IOC executive observed that:

> *".... It (local content) also touches the issue of cost and profitability. It depends on how it is looked at. In most cases it (local content) is initially costly because you will have to invest to build the capacity, but in the long-term it could lead to cost saving. Take for example the case of training the local labour. This needs initial investment but in the long run will save cost as local labour is significantly cheaper than the expatriate".* [IPI02]

Another local operator shared the same view as:

> *"It (local content) has significant impact on the operating costs of IOCs. When properly deployed it is supposed to bring down cost at the medium to long-term outlook. It initially escalates cost of operation as the local skill and infrastructure are not originally available locally. Huge investment is required for local infrastructure, skill, training and quality assurance. These costs are passed (on) to the IOCs. ....the initial cost of environmental management can also be high. But on (sic) the long run, the IOCs would have lower operating costs".* [IPL04]

This discussion was followed by a recommendation from one activist of balancing interests in local content relationships. After expressing opinion that local content policy is compatible with the capitalist system of economy, he concluded that:

> *".... local content can be classified as sustainable development policy within the capitalist system. Because the principle governing the capitalism is that investors are entitled to their profits and their host communities are also entitled to the value of those investments. This is development."* *[IPC02]*

8.3.9 Corruption

Corruption is often a political issue that characterised petroleum and natural resource contracts in developing countries. A unionist raised the issue of the politics of corruption which poses serious challenges to the implementation of local content in Nigeria. He pointed at the regulators as having the highest burden of accountability and said that:

> *"...whatever we get, good or bad will be a reflection of the government of the day.... The IOCs are very powerful; they can buy their way and breach this law as much as possible with connivance of people from government and even some regulatory authorities...."* *[IPT01]*

Another manager from an operating company viewed that doing the right thing in implementing a critical policy such as local content is a necessity and not an option for anybody. Therefore, the government and other stakeholders must only stick to the rules:

> *"I am not sure that question is very relevant to local content in Nigeria because local content is already a law. So you just have to comply with it.... transparent or not transparent you do according to what the law has said".* *[IPI01]*

Table 8.2 Summary of the Interviews on the Accountability Expectations of Local Content

Research Questions: What are the accountability expectations of local content in the petroleum sector?	
Participants	**Major themes**
IPL04, IPL02, IPC02, IPL01, IPC01, IPC03, IPL03, IPL02, IPL04, IPI02, IPL04, IPI01, IPI02	**Factor influencing local content accountability:** • Setting of realistic targets • Understanding, engagement and commitment to targets • Transparency and reporting • Enforcement • Predictability and measurability of performance • Complaint and response mechanisms • Sincerity of purpose • Cost-profit effects • Corruption

Source: Author from field study

8.4 Analysis of Stakeholders' Perceptions of the NCDMB's Financial Accountability to the Stakeholders in the Nigerian Petroleum Sector

The NCDMB maintains two types of funds – the fund to finance its routine administrative functions and the fund to finance the implementation of the local content policy that is, the NCDF (see chapter four). This section gathered responses on the level of accountability to which the Board manages and reports its financial performances as required by the law. A number of themes have arisen from the data, and the major ones are presented below.

8.4.1 Transparency and Accessibility of Financial Information

It has been ascertained from stakeholders' responses that transparency, disclosure and reporting of information are sine qua non to the financial accountability in respect of the NCDMB. That is why an activist who closely followed the trend of actions of the Board and whose major interest was on how local firms access the NCDF to execute contracts, stated that:

> *"The level of access to the funds remains unsatisfactory….. (but) As a way of improving the structure and transparency of their (i.e., NCDMB's) processes particularly regarding access to (the) funds (i.e., NCDF), the NCDMB in 2013 appointed a fund manager and set up an advisory committee...." [IPC03]*

In support of the above statement a top member of the Board contended that:

> *"It (the NCDF) is for use in the oil and gas business around the stakeholders, it is a stakeholders' fund. The Board could better be described as a custodian of that fund.... We are only allowed to use that fund to an extent granted to us by the Act. And even as that you need the express permission of the National Assembly, so the basic issue is with the administration of the fund. To the best of my knowledge the necessary procedures have been drawn up, agreements have been reached by various stakeholders. Stakeholders have engaged some fund administrators which you could go further to know.... I know at the level of the Board we have the power to key in to create some projects. Like we talk of pipe-mill project which a Chinese consortium is interested in coming down to Nigeria to do. To the extent of what the law allowed us to do we are getting to that level". [IPG03]*

From the stakeholders' observations above it can be shown that the Board was willing to be transparent in the custody and disbursement of the funds from the NCDF. In spite of this effort another informant from the IOC argued that:

"The level of disclosure is zero. ... what is going on there is not known to the operators. We don't know the balances, we don't know how much was disbursed, how much came in, we don't know". [IPI01]

The above situation has raised more stakeholders' concern as another IOC member stated that:

"Yeh, stakeholders have been asking how far has the fund been used to support (the) in-country capacity development and how far that has been reported. These monies are from invoices from work done by local oil companies and most of these companies are in need of funds to build capacity and buy equipment that will enable them (to) employ more people, compete for bigger jobs and actually increase our local content levels." [IPI02]

The perceived stringent measures taken by the Board in allowing access to the funds may not be unconnected with one manager's opinion that:

"May be they (the Board) don't want it to be a fund that you can just go and collect your share as a national cake. The rules have been stringent.... PETAN companies that tried to access the fund.... it's been difficult.. but they have been able to access it. So of course what they provide is 30% guarantee and you pass through the normal procedure which is also very stringent. But I believe with time some of the bottlenecks should be removed". [IPL02]

An industry insider and one of those controlling the funds made some clarifications on the modalities of reporting the Board's financial records including all receipts to, and disbursements from the fund. He stated thus:

"There are two methods now (for reporting). One is to report to our ministry. So every month we render accounts of our expenditures, the budget approval and also the NCDF. So we report these to the Federal Ministry of Petroleum Resources. The second one is we report to the National Assembly – that is on request. So National Assembly can write to us and ask us to supply them some information on our budget performance for the year. So we now tell them how much we have received from govt, how much we spent".

In contrast to stakeholders' understanding of some sections of the NOGICD Act (2010) that mandates the Board to prepare and maintain annual audited accounts, the informant claimed that the Board had only discretionary but not legal mandate to make such disclosure public:

"We don't have legal obligation to render financial performance to other stakeholders. However, we have constituted Nigerian Content Development Fund Advisory Committee. The committee advises us on how to go about expenditures on NCDF alone. You know it is a contribution from the industry of 1% of all upstream contracts. It is because it is an industry fund we have established this committee. So we meet every quarter to discuss the NCDF expenditure". [IPG01]

In support of the above submission, another official from the regulator supported the position of the Board:

> *"Any agency that is responsible for collecting any money meant to be for (the) government as revenue, that must be declared to the National Assembly and they must say this is what we generate, this is what we are going to spend, and this is what will go to the treasury of government. So the level of disclosure is in the public domain. That is why you can hardly see a report published by NCDMB on their income and expenditure as it is; because they do it annually through the budget office, through National Assembly, so the documents are there. That is how it is arranged. That's the law".*

On commenting on the issue of the preparation of annual financial reports by the Board, the respondent maintained his position as he insisted that:

> *"Am, the Act says that the Board needs to publish a financial report. There is no govt organization in Nigeria that do not submit its budget to the National Assembly, and budget to National Assembly is a public document when it is approved...... So you cannot charge them (the Board), because they submit their budget to public domain to assess their performance. So the level of disclosure is like any other govt organizations". [IPG02]*

Countering the above views that put a limit on the Board's financial disclosure responsibility, an activist made the following observation making a case for the roles of civil society in the accountability of government agencies:

> *"So, although the National Assembly has its own role to play, civil society also has its own role to play in accessing information. From our own part, we have requested for information on this (i.e., the NCDF) and the Board has not been forthcoming to provide information. So whether or not it is (the revenue) allocated by the govt or generated internally, they have a duty to stakeholders and the general public to make that information available based on the provisions of law". [IPC02]*

But another civil society member overseeing the functions of the legislators though showing some level of satisfaction with the insufficient verbal disclosure summaries of the Board, also expressed some reservations and insisted that:

> *"The NCDMB does disclose its financial performance to the public. As of 2013 at the Practical Nigerian Content Workshop, it was disclosed by the Executive Secretary of the Board that the funds were totaling $350million and were already being accessed by reputable indigenous service companies, providing access to single digit interest rate and aiding the attainment of local capacity. Aside this, the NCDMB has yet to make public relevant data of the local content development, its relationship with the IOCs nor its non-financial performance". [IPC03]*

Another local operator with somehow similar view asserted that:

> *"Well, the Board as much as possible has been transparent.... From what has been published they have been transparent... (but) it (implementation) has not been as smooth as expected."* *[IPL02]*

On the Board's reluctance to adequately disclose certain information one activist alleged that:

> *"In terms of financial transparency the NCDMB's contention is that disclosing information may harm the interest of leading International Oil Companies".* *[IPC02]*

8.4.2 Honesty and Professionalism

Within the empirical data some interesting themes – honesty and professionalism – that were not part of the conceptual framework have emerged. These concepts have shown relevance to the NCDMB's financial accountability as will be presented. A civil society member expressed high expectation of the Board as he stated that:

> *"...the NCDMB upholds the core values of transparency, professionalism, honesty and hard work from collecting the 1% from upstream contracts which constitutes the fund, to disbursing the funds."* *[IPC03]*

Hence, an IOC member urged the Board to live up to its expectation:

> *"We think that the fund should be more actively utilised for the purpose (which) it was meant for – development of local content. We need to see more activity in that area. Because it is not just accumulating fund without using them for what they are needed for (sic)".* *[IPI01]*

A member of the Board showed the need for caution and professionalism in managing the funds and mentioned that:

> *"You know issues of fund administration you don't rush it; you must be guided by the rules".* *[IPG03]*

8.4.3 Monitoring, Auditing and Verification of Financial and non-Financial Performance

Stakeholders have indicated the relevance of the application of monitoring, auditing and verification exercises in the Board's financial activities and processes. An insider commented on some of the Board's monitoring engagements:

> *"So the Board has access to 30% (of the NCDF) for specific type of intervention at the level of the Board; the remaining 70% involves the stakeholders. It is for loan guarantees. For example, you have a platform to build, you don't have the wherewithal, but you have the brain, you have the facility, you can access the fund, it is like a guarantee fund. You go to your bank to give you the loan for that purpose, and this fund is meant to guarantee you, and the Board will now monitor how you go about using that facility. What is very important is the level of relationship between the administrators of the fund that is the BGL and UBA with your bank. So management of the fund is a shared responsibility between NCDMB and the fund managers because you don't give somebody an assignment and you don't follow it up." [IPG03]*

Considering the monitoring arrangement and other efforts of the Board to safeguard the funds, a local content manager in one of the IOCs submitted that:

> *"So, our expectation is that at this point there need to be a very clear auditable process known to all through which we can determine the companies that will be supported with these funds, and when they are supported we (should) know, and we can also track the jobs they created and other things". [IPI02]*

Instead of living up to the above stakeholders' expectations an informant commented that:

> *"...the Board as said earlier simply declared that (it) is doing well, without any evidence or independent assessment or any form of verification". [IPC02]*

8.4.4 Stakeholder Engagement

The final theme under this part is engagement with industry stakeholders to achieve successful local content. As has been seen from the preceding discussion, all stakeholders' eyes were on the NCDF, which may not be enough to go round given the industry needs. An IOC official revealed an alternative arrangement for securing funds to supplement the NCDF:

> *"So in terms of financing, in combination with the fund (i.e., the NCDF), the IOCs themselves have collaborated with Nigerian banks to set up traditional funding from banks. They are (also) looking at venture capital, they are looking at trade credit from foreign partners, they are looking at offshore export financing scheme like the UKEF (UK Export Finance) from which some Nigerian companies are benefiting. So it's a combination including NCDF. The funds required to build capacity is huge, so every Naira, Kobo or Dollar helps". [IPI02]*

Table 8.3 Summary of Interviews on the NCDMB's Financial Accountability

Research Question: What is the extent of stakeholders' perceptions of the NCDMB's financial accountability in the Nigerian oil and gas industry?	
Participants	**Major themes**
IPC03, IPI01, IPI02, IPG03, IPG01, IPC02, IPG02, IPL02, IPC02, IPI01, IPC03, IPI02,	**Determinants of NCDMB's financial accountability:** • Transparency and accessibility of financial information • Honesty and professionalism • Monitoring, auditing and verification of financial and non-financial performance • Stakeholder engagement

Source: Author from field survey

8.5 Analysis of Stakeholders' Perceptions of Compliance with the Provision of the First Consideration for the Nigerian Oil and Gas Firms in the Award of Petroleum Contracts, Licenses, Procurement of Materials, Employment, and Technology Transfer

This section assessed the implementation of one of the basic foundations of the local content policy in Nigeria that is, giving first and preferential consideration for the local firms in the award of oil license and contracts. Some themes were generated from the data and discussed in the following sections.

8.5.1 Effective Enforcement and Compliance Mechanisms

Some stakeholders have expressed their contentment with the manner in which the Board discharges its monitoring and enforcement duties which in their opinion, has led to so many achievements in the implementation of local content. An IOC representative stated in favour of the policy:

> *"Yes, there is more patronage of local companies for their goods and services more than pre-Act. Obviously there has been significant uptake... all operators have been considerate in implementation, they give first consideration to local suppliers...". [IPI01]*

A CEO of a local oil firm although without any concrete evidence believed that the implementation was going in the proper direction when he mentioned that:

> *"Well, there is no empirical data to support this. I cannot say I have any data, but, what I can tell you, I see more local companies developing capacities and getting involved in areas that they used not to." [IPL01]*

A regulator, however, showed the Board's readiness to work by the rules and enforce the Nigerian content requirements in all contracts including the award of upstream licenses:

> *"......there is no license round to date ... What happened was that there was a move in 2013 although it wasn't concluded but we were asked to submit Nigerian content requirements. So every bidding round has a Nigerian content requirement where we say the prospective operator should prepare a Nigerian content plan at (the) exploration stage, at field development stage and at production stage. So we have that in place and the DPR and the Ministry of Petroleum are the ones to conclude the bid rounds. So they are now incorporating the Nigerian content requirements into the overall proposal for the bidders. Any time they want the bid round, when*

submission have been received they (will) call us to look at the Nigerian content section only and tell them the bidders that have met (sic) the Nigerian content requirements and they will now add it to the overall score for the bidder, and then they will know the bidder that is successful".

The official went on to elaborate on the Board's controversial claims of creating tens of thousands of new jobs as a result of proper management of local content policy. He submitted that:

".... you know this is a productive industry, so when we calculate employment we are talking about..., for every year that somebody survives in the industry it counts. Because, in terms of the accounting productivity, if there is no job the business owners have no business to pay you in the employment. So when we are calculating our own employment statistics, we are saying these are jobs retained, and jobs added. Because it is productive employment; it is not that sort of employment when you are coming today you say I have thirty-five years to spend. So the moment there is no work, it is unemployment. So we count these jobs every year to know whether we are creating employment or not. And that is how we come with our employment figures". [IPG01]

Some problems were also identified from the empirical data which are presented below.

8.5.2 Vested Interest, Corruption and non-Disclose of Beneficial Owners of Oil Companies

Apart from the purported achievements mentioned above, stakeholders have also identified several issues believed to have inhibited the effectiveness of local content policy in the Nigerian petroleum sector. An official from the regulators expressed a lack of confidence in the whole process and gave a dual opinion on the practical applications of the '*first and preferential consideration'* rule. He said:

"Well, it is yes and no. Yes, some companies do have preferential treatment, some don't have... So there is issue of vested interest, there is issue of politics- elements of nepotism, elements of corruption ...". [IPG02]

A number of stakeholders argued that in spite of the existence of the law some companies have been manipulating the policies for their selfish interest. One of them expressed as follows:

"Well, the law is there but a lot of companies both operators and service companies appear to be circumventing that law. For instance, there is a law that says a particular kind of service as long as it's being done on land or in the swamp must be

awarded to Nigerian companies; if it is offshore or deep offshore it is given to multinational companies. What happens is that these multinational companies they team up with Nigerian companies that do not have the capacity as such, and then they now win the work in the name of the Nigerian company and the Nigerian company on the back end allows them to do the work. So it's all circumvention". [IPL03]

Amidst this controversy an official supported a claim made by the Minister of Petroleum Resources in the national dailies that local firms have won most of the contracts in the industry:

"Ah, when the Minister talked about 80% of oil contracts awarded to Nigerian companies, that is a major achievement on the older position of less than 15%. That 80% is just saying that ok Abdul Malik & Co. won this contract, Usman & Co. won this contract, Joseph & Co. won this, and they are all Nigerian companies. That's the first level. The second level is that these contracts that are won by Nigerian companies are they really delivered in Nigeria? That's where you will begin to see the real value creation; and that's where our robust monitoring and evaluation system comes into play. So it's one thing to award contracts to Nigerian companies, it's another thing for the Nigerian company to deliver the contract using Nigerian resources. So we have put in place an M & E (Monitoring & Evaluation) system that ensures that contracts awarded to Nigerians with commitment to deliver in Nigeria are actually delivered in Nigeria". [IPG01]

Rejecting the above comment, and challenging the non-disclosure of the actual owners of some oil firms, a civil society advocate argued that:

"That report (i.e., the Minister's evidence) may not be the true reflection of what is on ground, it is misleading. ... who are the beneficial owners of the companies? That's the issue... If the beneficial owners are not Nigerians, I think it is a form of grand deception". [IPC02]

The beneficial ownership controversy has attracted a global attention with the issue being discussed at an international forum. A witness who attended the meeting reported thus:

"At the end of the EITI meeting in Australia, some radical decisions were taken and (it was) expected that countries incorporate them into their EITI reporting system. The first one is the issue of beneficial ownership (of oil companies). It is about disclosing the identity of those behind the reporting company under the EITI law. It will reveal the identities of those behind the oil companies that are currently operating including the indigenous ones. Even where ownership of some of these companies has changed hands for a period of time, how this change of ownership occurs, from whom to whom, will also be disclosed. So that will help the issue of indigenous participation". [IPC01]

8.5.3 Financial and Technological Constraints

Another inhibitor of local content success was claimed to be the lack of sufficient capital to finance projects by small and medium local oil firms. An activist argued that:

> *"(the) Major reason is (the) inability of our banks to lend the needed fund that is required for oil and gas projects. Everybody is aware that oil and gas projects require quite a lot. Despite all the merger(s) they have done between 2005 and 2006 up to the moment, our banks are still not capable to mobilize the capital that is required. So, local companies link up with some Western companies who will bring in money and get the jobs through the locals in the name of local participation". [IPC01]*

Another activist also supported the funding issue and added that:

> *"These issues (funding) contribute to a general lack of independence in (sic) regard to the local companies as they often have to rely on other foreign companies for equipment, technical support and partnership in executing their contracts. This, in turn, most a times leads to the entire projects being executed in foreign domain thereby limiting the objective of the local content, which is to engender indigenous capacity building, develop the local supply chain as well as the use of local resources and manpower." [IPC03]*

Table 8.4 Summary of Interview on First Consideration for the Nigerian Firms

Research Questions: What is the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provisions of the 'first consideration' to Nigerian oil and gas firms in the award of petroleum contracts, licenses, employment, procurement of materials, and technology transfer?	
Participants	**Major themes**
IPG02, IPL03, IPI01, IPL01, IPG01, IPC02, IPC01, IPG01, IPC01, IPC03, IPG01	**Factors affecting compliance with the 'first consideration' rules:** • Effective enforcement and compliance mechanisms • Vested interest, corruption and non-disclose of beneficial owners of oil companies • Financial and technological constraints

Source: Author from Field Study

8.6 Analysis of Stakeholders' Perceptions of the Awareness and Effectiveness of the NCDMB's Programmes

This section examines the perceptions of whether some programmes initiated by the Board are effective so far. These are the major programmes which are the Offshore Rig Acquisition Strategy (ORAS), Marine Vessel Ownership Strategy (MAVOS) and Equipment Component Manufacturing Initiative (ECMI). Important themes were found within the available data and presented below.

8.6.1 Cooperation and Support

As a result of the perceived enforcement capacity and support of the NCDMB as well as the cooperation experienced from stakeholders, it was identified by some commentators that the three NCDMB's programmes were recording success. One participant stated that:

> *"Ah, these three programmes are working well; if they have not achieved significant results it is just because of lack of willingness from NCDBM to implement these strategies or lack of co-operation from the vendors...Like marine vessel, many Nigerian companies now own marine vessels and are still acquiring vessels to be deployed to oil and gas business. And, equally equipment, you see a lot of companies establishing manufacturing facilities to meet increased demand. So they are working and working well."* [IPI01]

Another informant who supported the above assertion also emphasized support as a major factor for success:

> *"The Offshore Rig Acquisition Strategy of the NCDMB is progressively attaining its desired outcome which is to encourage the use of Nigerian contractors owning their own equipment and technology. Therefore, more and more indigenous offshore rig companies are obtaining and installing rigs and establishing relationships of support with relevant foreign companies who also are utilizing the potential present in the Offshore Rig Acquisition Strategy to help develop indigenous capacity. The Equipment Component Manufacturing Initiative is also progressively gaining momentum as a 2 pronged approach involving the Macro production involving products such as (line pipes, umbilical's, pumps etc) and Micro production involving products such as (flanges, chemicals, PPEs, bolts & nuts etc) has been adopted to encourage manufacturing culture and enhance the use of made in Nigeria goods in the oil and gas sector."* [IPC03]

Two unionists admitted that some of the programmes have yielded results while some have not. One of them attributed some of the success to the

IOCs’ divestment and relinquishment of some oilfields that supported the local firms:

> *“The last one (ECMI) is the one that seems to be making the impact... we have companies that have started making these local inputs that the oil companies use for pipeline and stuff like that. But as for rig acquisition, I’m not too sure, but I know that there has been a lot of buying-over from some of these territorial fields that were divested by some of these major oil companies to indigenous companies...” [IPT01]*

The other stated that:

> *“The rig ownership may not be as effective...(but) the marine ownership is effective; I give it pass mark...” [IPT02]*

8.6.2 Asset Ownership Strategies

NCDMB was said to be strategizing to boost asset ownership of oil firms in order to meet the mandatory asset requirements of the law. These assets involve the drilling rigs and the marine vessels. A stakeholder from the civil society group showed lack of full awareness of these programmes and complained that:

> *“In terms of Marine Vessels Ownership Strategy of the Nigerian Content Board I think that at the civil society level, at the level of Nigerian Indigenous Ship Owners Association, they know little or next to nothing about it because they are yet to be properly informed or aware of the strategy in that line. For the Offshore Rig Acquisition Strategy ... there is little information available, and I am not aware of any company that benefitted directly from that. In terms of Equipment Component Manufacturing I am aware that the Board is setting an industrial park to encourage alliance between OEM that is, Original Equipment Manufacturer and local companies ....” [IPC02]*

Another activist considered the asset ownership targets set by the Board as too ambitious, unrealistic and unattainable. He doubted that:

> *“...every company that operates in Nigeria is expected to have up to 50% local ownership (of assets) by 2015. Given the recent evaluation or appraisal actually conducted by the Board, up to March this year (2014) it is obvious that the indigenous ownership (of assets) only stand at the level of 10%, and yet you are saying you want to reach 50% by 2015. And, on the basis of this, the Board is actually threatening to apply sanctions. Put it together, the possibility of stopping these firms from taking up contracts if they don’t get this process straight now. So if between 2010 and now we can just move up to the level of 10%, there is no miracle we can do to take us to 50% by next year”. [IPC01]*

On making a clarification on the above matter, an official of the Board argued that all arrangements were made to make the ownership procedure easier and less challenging to local oil firms. He stated that:

> *"On the contrary, ours (policy) was even conceptualised in the full recognition of the fact that it is a very expensive venture. So we did not deceive ourselves to say Nigerians must own oil rigs, (rather), we said Nigerians should be co-owners of rigs. You are talking about a $700 million investment, and you are talking about a sophisticated knowledge requirement, you understand? So we said that Nigerians should co-own the rigs, but the Nigerian entity should be seen as the face of the transaction, aha. So, ORAS is saying let Nigerians start by owning 10%, 20%, etcetera, of rigs. So it's easier for Nigerians to pay $70 million to have 10% stake in a rig than expecting (them) to go and pay $700 million".*

This arrangement seems to be working well as the respondent continued to mention some progress:

> *"As at the last count, the rig count, we discovered that at least twenty percent of offshore rigs now have that co-ownership between Nigerians and offshore rig owners (foreigners). And for the land and swamp rigs we have over eighty percent wholly owned by Nigerians, wholly-owned (emphasis) and the remaining twenty percent are co-owned. So that's the extent we have gone in ORAS". [IPG01]*

Moving further, the same respondent progressed to the higher level, that is, the level of manufacturing of some of these assets in-country. He mentioned that:

> *"Having achieved that (i.e., vessel ownership) in 2015, we are moving to the next horizon. We are promoting construction of marine vessels because we have sufficient Nigerian-owned vessels now. We have started thinking of actually making sure that those new vessels that are going to be used are constructed in Nigerian yard. So very soon you will see an advert from us that we are only going to support vessels that are constructed in Nigeria". [IPG01]*

8.6.3 Cost Effectiveness of Local Production of Oil and Gas Assets

In relation to the manufacturing aspect of local content, it was opined that cost-effectiveness and comparative advantage should be considered. The information given by the NCDMB's official about the Board's intention to go into the manufacturing of marine vessels may not be feasible. A top IOC official logically concluded that thinking of producing everything locally may not always be in the best interest of the economy as he stated thus:

> *"When we talk of local content it does not mean you must manufacture or produce everything you need within that local environment. No, you can look for areas where you have comparative advantage, areas where you can do that in a way that is cost-effective and efficient. You also have to look at all opportunities you have, assess*

your gaps, and go for the ones that give you the most value and least cost."
[IPI02]

Although it may not be cost-effective or even possible to use local firms to locally produce everything as observed by the above respondent, it was also observed that through the ECMI programme of the NCDMB the economy would benefit from localisation of manufacturing activities by the Original Equipment Manufacturers (OEMs) themselves. This was seen to have crippling effects on the IOCs' transfer pricing manoeuvres. An African Coordinator of the Natural Resource Governance Institute (NRGI) contended that:

"... I strongly think at the moment we still don't have the technical knowledge required. So we always encourage these companies to come and set up here so as to be able to have close monitoring of the industry and deal with the issue of transfer pricing. What this really makes us to achieve is addressing transfer pricing issue where companies go out there and put a huge price on what is spent in buying this equipment. So if you have them here, and you are able to follow up with them, then we will be able to curtail some of the over-blown figures put on the cost of these equipment". [IPC01]

Even as presented by the above participant that foreign manufacturers could be invited to set up businesses, a local operator cited other fundamental bottleneck that must be taken into consideration before embarking on that mission:

"Like in manufacturing, we have local challenges; top challenges of power (i.e., electricity) and others. So when you talk of manufacturing.... if the cost of manufacturing is higher than the cost of importation, then the aim will be defeated...". [IPL02]

8.6.4 Fronting

Not only lack of technology or cost considerations may prevent the local manufacturing of the oil and gas assets, but fronting and corruption are other major inhibitors. An industry insider made a startling revelation when he said that:

".... all the vessels being assembled in Nigeria are not fabricated in Nigeria. You get the metals together, you make the cones somewhere, you bring them, you weld them together –it is actually not made in Nigeria, but assembled in Nigeria. Are we getting the value? The real value is (with) the person that actually produced the parts and exported them. Because (it is) in the production (activities) that you get more employment, more technology, more money, more, more, more. So it has to be two ways - as you are managing the assembly line the production line (also) needs to be looked into... ".

On the offshore rigs, the informant continued to demonstrate the devastating effects of fronting:

> *"It's good to have Nigerian companies owning oil rigs but the foreign companies that own these rigs..., when this policy is about to set they set up local companies. From behind they own them, you understand, and they brought Nigerians to manage them. (Again), if that rig owned by Nigerians gets spoilt, there is no industry that could come and comfortably get all the physical components and fix it. Everything is foreign, and you get it at high cost".*

The issue did not stop only to marine vessels and offshore drilling rigs. The participant talked about a general area of the oil and gas assets:

> *"... it happens with (the) engineering houses, design houses. When they (regulators) say oh, Nigerian companies should be designing, they (foreign companies) get Nigerians (and) trained them; but from the back door, they own the companies because your own is (just) to see everything Nigerian. But they own the companies; they provide all the money". [IPG02]*

8.6.5 Enforcement

Having observed the pros and cons of owning and local manufacturing of marine vessels, offshore rigs and similar assets, stakeholders also showed concern about the implementation of these requirements. For this purpose, the theme 'enforcement' emerged. A respondent from a local company complaint that:

> *"I think they are very good initiatives. I think the challenge is implementation. And I know a couple of people (firms) who have even acquired vessels but those vessels are not able to get job. I think the programme should be thought through; it is not just acquiring vessels or manufacturing...." [IPL02]*

On the above comment, the officer of the Board submitted that:

> *"... if you invest in acquiring a marine vessel the procedure allows you to get first consideration, which is category "A". So when there is a need for marine vessels those that are in category 'A' will be given first consideration. We have achieved significant progress in that space. From the last quarter three 2014 it was ...49% of were in category "A" which means they belong to Nigerians". [IPG01]*

Table 8. 5: Summary of Interview on Local Content Programmes

Research Question: What is the extent of stakeholders' awareness with and the effectiveness of NCDMB's local content programmes?	
Participants	**Major themes**
IPG02, IPI01, IPG01, IPC02, IPC01, IPC03, IPG01, IPI02, IPT01, IPT02, IPL02	**Determinants of the effectiveness of local content programmes:** • Cooperation and support • Asset ownership strategies • Cost effectiveness of local production of oil and gas assets • Fronting • Enforcement

Source: Author

8.7 Conclusion

The chapter presented and analysed the second data set in the study's mixed-methods design. Part of the qualitative analysis was conducted to answer some exploratory research questions while the other part was to support or oppose quantitative results obtained from the analysis in the previous chapter. The analysis in this chapter and its discussion in chapter ten were all guided by subjectivist ontology, interpretive epistemology within the interpretive and critical accounting paradigms. The analysis found divergent responses on several issues presented to stakeholders. Chapter ten was designed to discuss and make sense of these issues.

CHAPTER NINE
Presentation of Content Analysis Results of the Sustainability and Integrated Annual Financial Reports

9.1 Introduction

This chapter presents and analyses the results of the secondary data drawn from the sustainability and integrated annual financial reports of the selected IOCs using the mechanistic content analysis procedure based on the GRI and the IPIECA sustainability reporting guidelines. As stated in the earlier chapters, the study is investigating the hard and the soft accountability practices of the two major accountors (NCDMB and IOCs) in the implementation of local content policy in the Nigerian oil and gas sector. The study has reviewed the literature and the legal documents and extracted the sections guiding the mandatory local content accountability of both the NCDMB (accountability for enforcement) and the IOCs (accountability for compliance). The present chapter aimed to present the soft and voluntary accountability of the IOCs in reporting local content sustainability in their integrated annual financial or stand-alone sustainability reports. Since there is no specific benchmark to measure whether the IOCs react to the Nigerian local content law in their global reporting, the study chooses to compare the pre- and post- local content reporting levels of these corporations. Hence, the need for the application of a disclosure index as well as the paired-samples t-test.

9.2 Analysis of Sustainability Reports of the Five Major IOCs Operating in Nigeria

This section takes a firm-level approach and analyses the sustainability reports of the five major IOCs operating in Nigeria using the mechanistic content analysis methodology. The local content information contained in the sustainability reports was prepared by the selected IOCs with a reflection on the IFRS 8 and the IAS 21 (see Section 3.8). The rationale for this analysis is to ascertain the level of voluntary accountability of the selected firms by tracing the evidence of their extent and trends of local content sustainability disclosure practices. A total of fifty (50) sustainability/integrated annual financial reports of the selected IOCs were analysed to answer and test one research question and one hypothesis. Firstly, a disclosure index for the periods 2005-2009 and 2010-2014 is calculated using the unweighted[52] disclosure item approach to answering the following research question:

> ***To what extent do the IOCs voluntarily disclose and report local content sustainability indicators in their global sustainability reports before and after the creation of the Nigerian local content law?***

To answer this research question, Table 9.1 below presented the local content sustainability disclosure indices for the two periods (2005-2009 and 2010-2014).

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[52] Disclosure index is unweighted if it only considers the presence and not the value or importance of an item of information. It treats each item with the same degree of importance. See for instance, Tai et al., (1990) and Chen and Jaggi (2000).

Table 9.1: Computation of Unweighted Local Content Sustainability Disclosure Index of the Five Major IOCs in Nigeria (2005-2014)

Local Content Sust. Indicators	2005-2009						2010-2014					
	Chevron	Shell	ExMobil	Eni	Total	G. Total	Chevron	Shell	ExMobil	Eni	Total	G.Total
SE5	0	0	0	0	1	**1**	0	0	0	0	1	**1**
EC5	0	0	0	0	0	**0**	0	0	0	0	1	**1**
EC9	0	0	0	0	0	**0**	0	1	0	0	0	**1**
EC6/SE6	1	1	0	0	1	**3**	0	1	1	1	1	**4**
DMA/SE7	0	1	0	0	0	**1**	0	1	1	1	1	**4**
SE5	1	0	1	0	0	**2**	0	0	1	0	0	**1**
EC5	0	0	0	0	0	**0**	0	0	0	0	0	**0**
EC9	0	0	1	0	0	**1**	1	1	1	1	1	**5**
EC6/SE6	1	1	1	1	1	**5**	1	1	1	0	0	**3**
DMA/SE7	1	1	1	1	0	**4**	1	1	1	0	1	**4**
SE5	0	0	1	1	1	**3**	0	1	1	0	0	**2**
EC5	0	0	1	0	0	**1**	0	0	0	0	0	**0**
EC9	0	1	1	0	0	**2**	0	1	0	1	0	**2**
EC6/SE6	1	1	1	1	1	**5**	1	1	1	0	1	**4**
DMA/SE7	0	0	1	0	0	**1**	0	1	1	1	0	**3**
SE5	1	0	0	0	1	**2**	0	0	0	0	1	**1**
EC5	0	0	0	0	0	**0**	0	0	0	0	0	**0**
EC9	0	1	0	0	1	**2**	0	1	0	1	0	**2**
EC6/SE6	0	0	1	1	1	**3**	1	1	1	0	0	**3**
DMA/SE7	1	1	0	1	1	**4**	1	0	0	1	1	**3**
SE5	1	0	0	1	1	**3**	0	1	1	1	1	**4**
EC5	0	0	0	0	0	**0**	0	0	0	0	0	**0**
EC9	0	1	1	1	1	**4**	0	1	0	0	0	**1**
EC6/SE6	1	1	1	1	1	**5**	0	1	1	0	1	**3**
DMA/SE7	1	1	1	1	1	**5**	1	1	1	0	1	**4**
Total Disclosures						**57**						**56**

Source: Sustainability/integrated annual financial report

To compute the disclosure index, the following formula is adopted (Chavent et al. 2006):

Disclosure Index (di) = actual disclosure/total possible disclosure,

Thus:

$[\sum_{i=1}^{m} \mathbf{di} \,/\, \sum_{=1}^{n} \mathbf{di}]$

d = 1 where item *i* is disclosed otherwise, 0;

m = no. of items disclosed;

n = maximum no. of possible item disclosures

Therefore,

-For the period 2005-2009 *di = 57/125 = 0.456 or 0.46 approx.*

-For the period 2010-2014 *di = 56/125 = 0.448 or 0.45 approx.*

It is clear from Table 9.1 above that there is little difference between the two periods. That is, the disclosure index for 2005-2009 is *0.46* (slightly higher) than *0.45* index for 2010-2014 accounting periods. A point that should be emphasised is that the disclosure index only shows whether an item is disclosed or not, and not the volume of its disclosure. Having calculated the unweighted disclosure index for the two periods, the next task is to use the volumetric disclosure (volume of disclosure represented by the word-count) to determine which between the periods before and after the local content law has higher disclosure volume in word count. It will also show which among the five GRI/IPIECA items has the highest volume of disclosure. To do this, we summed up the disclosure volumes of the items involved (SE5, EC5, EC9, EC6/SE6 and DMA/SE7) to get the total disclosure for each item before and after the NOGICD Act. The results are presented in Table 9.2 and the two pie-charts in Figures 28 and 29 below.

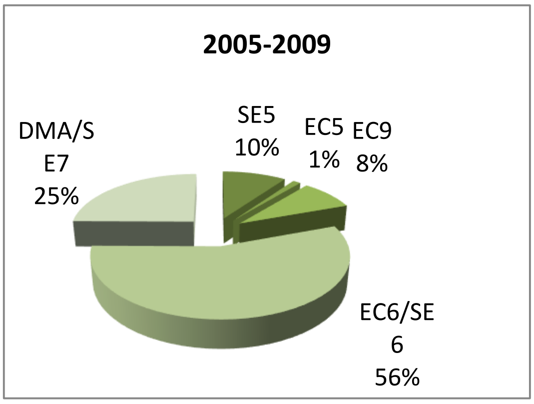
Table 9.2: Item-level Disclosure 2005-2009 and 2010-2014

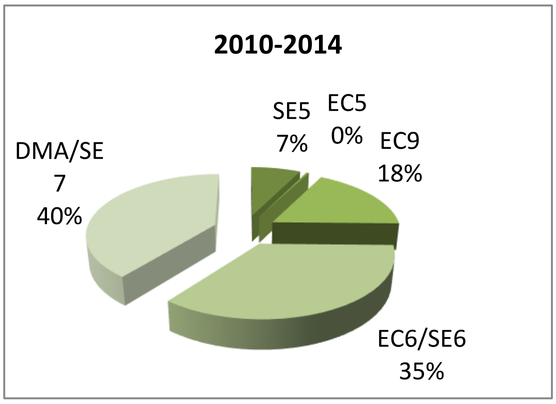
Disclosure Items	2005-2009 (word count)	2010-2014 (word count)
SE5	319	259
EC5	39	13
EC9	275	623
EC6/SE6	1811	1247
DMA/SE7	808	1395
Total (words)	**3252**	**3537**

Source: Content Analysis Results from Sustainability/Integrated Annual Reports
SE5=Local content policies; EC5=Local wages; EC6/SE6=Local hiring/hiring practices; EC9=Local procurement (monetary and non-monetary); DMA/SE7=Local procurement practices/supplier development activities, programmes

The following pie-charts exhibit the above computation.

Figure 28 and 29: Local Content Sustainability Reporting Levels





Source: Content Analysis Results from Sustainability/Integrated Annual Reports

SE5=Local content policies; EC5=Local wages; EC6/SE6=Local hiring/hiring practices; EC9=Local procurement (monetary and non-monetary); DMA/SE7=Local procurement practices/supplier development activities and programmes

The results from Figures 28 and 29 above are the reflection of our discussion in Section 2.9 where the study presented and content analysed the local content requirements contained in the Model Petroleum Contracts of several oil-producing countries. Moreover, an analysis was also made using the volumetric content analysis (volume of disclosure using the word-count) to further determine the changes in local content sustainability reporting by the selected IOCs in Nigeria. This result will test the following research hypothesis:

H_0 There is no significant difference in the volumetric local content sustainability disclosure of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.

H_1 There is significant difference in the volumes of local content sustainability disclosure of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.

To conduct this assessment, a t-test based on the volumetric data obtained from the content analysis of the sustainability reports of the IOCs was applied. The analysis started with the descriptive before the inferential statistics as presented below.

9.3 Descriptive Statistics of Volumetric Local Content Sustainability Disclosure

The first stage of this section is to present the descriptive statistics of the two sets of data (local content sustainability before and after the NOGICD Act) as in Table 9.3 below.

Table 9.3: Descriptive Statistics of Local Content Sustainability Data

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistics	Statistic	Statistics	Statistic	Std. Error	Statistic	Std. Error
locsus_before	125	0	349	27.88	58.365	3.711	.217	15.702	.430
locsus_after	125	0	346	31.93	57.887	2.859	.217	9.741	.430

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

locsusbefore=local content sustainability before NOGICD Act; locsusafter=local content sustainability after NOGICD Act

From the above table, the values of skewness of 3.711 and 2.859 (both positive) for the *before* and the *after* periods respectively indicated that the data was not normally distributed in both cases. The skewness values were also more than twice their respective standard error values and cannot, therefore, be tolerated as they are (Pallant, 2007). The preliminary normality test conducted on the data revealed the results in Table 9.4 below.

Table 9.4: Normality Tests of Local Content Sustainability Data

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistics	Df	Sig.	Statistics	df	Sig.
locsus_before	.316	125	.000	.519	125	.000
locsus_after	.291	125	.000	.611	125	.000

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

locsusbefore=local content sustainability before NOGICD Act; locsusafter=local content sustainability after NOGICD Act

The results of the above normality tests showed that both Kolmogorov-Smirnov and Shapiro-Wilk were significant (*p<.05),* indicating a total departure from normality. These results were supported by the values of skewness and the standard error of skewness in Table 9.3 above. In order to satisfy the normality assumption, the data was checked again and some outliers[53] were detected and treated accordingly (Cousineau and Chartier, 2010). A further logarithmic transformation was conducted on the data. Since our data contains zero values the procedure involved an addition of '1' to the values during the transformation of the data, thus: $\log_{10}$ (locsus_before+1) and $\log_{10}$ (locsus_after+1) = loglocsus_before and loglocsus_after. Table 9.5 below presented the new descriptive statistics of the transformed data.

Table 9.5: Descriptive Statistics of the Log-Transformed Local Content Sustainability Data

	N	Minimum	Maximum	Mean	Std. Dev.	Skewness		Kurtosis	
	Statistic	Statistic	Statistics	Statistic	Statistics	Statistic	Std. Error	Statistic	Std. Error
loglocsus_before	125	.70	2.54	1.5874	.42230	.104	.316	.024	.623
loglocsus_after	125	.23	.55	.4070	.07259	-.369	.316	.075	.623

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

locsusbefore=local content sustainability before NOGICD Act; locsusafter=local content sustainability after NOGICD Act

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[53] Outliers are the extreme values (either high or low) that may distort an analysis of data and may increase the chances of committing type I or type II errors. Their presence may not allow the application of parametric tests. See generally, Zimmerman (1998) and Cousineau and Chartier (2010).

The second normality test is performed in the following table.

Table 9.6: Normality Tests of the Log-Transformed Local Content Sustainability Data

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistics	df	Sig.	Statistics	df	Sig.
loglocsus_before	.062	57	.0200	.981	57	.516
loglocsus_after	.072	57	.0200	.975	57	.280

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

loglocsus_before=logarithm of the local content sustainability data before the NOGICD Act; loglocsus_after=logarithm of the local content sustainability data after the NOGICD Act

The results above showed that the distribution of the data became approximately normal after the transformation. The Kolmogorov-Smirnov test showed non-significant values of .200 for each of the 'before' and the 'after' data indicating normality (i.e., p>.05), and the Shapiro-Wilk test also showed non-significant values of .516 for the 'before' and .280 for the 'after' data suggesting that the data was normal in both cases (i.e., p>.05). Appendix 11a and 11b showed the histogram with the normal distribution curve, the Q-Q plot, and the Box-plot for the normality tests of the two data sets. The next task is to present the paired-samples t-test results using the log-transformed data. Two tables were the most important among the tables produced by the SPSS program for this test. These are presented below.

9.4 Pooled Paired-Samples t-test

The following tables presented the results of the pooled paired-sampled t-test conducted by the study to test variations in local content disclosure before and after the NOGICT Act 2010.

Table 9.7: Paired Samples Statistics of the Log-Transformed Local Content Sustainability Data

		Mean	Std. Deviation	Std. Error Mean
Pair 1	loglocsus_before	1.5874	.42230	.05594
	loglocsus_after	.4070	.07259	.00962

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

locsusbefore=local content sustainability before the NOGICD Act; locsusafter=local content sustainability after the NOGICD Act

Table 9.8 below showed the actual values and significance of the result.

Table 9.8: Paired Samples Test of the Log-Transformed Local Content Sustainability Data

	Paired Differences					t	Df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
loglocsus_before - loglocsus_after	1.18041	.35026	.04639	1.08747	1.27334	25.444	56	.000

Source: Content Analysis Results from Sustainability/Integrated Annual Reports

locsusbefore=local content sustainability before NOGICD Act; locsusafter=local content sustainability after NOGICD Act

The t value obtained showed a significance level of .000 ($p<0.05$). After a statistical computation of this nature, it was recommended that the 'effect size' of the differences should also be reported (Vacha-Haase and Thompson, 2004). Effect size is a method of quantifying the extent to which sample results deviate from the expectations as to differences or relationships (Cohen, 1994; Thompson, 2003). The analysis below shows a large effect size as the variation between the two periods was also large. That is 3252 words for the 2005-2009 period and 3537 words for the 2010-2014 period.

The effect size was calculated using the following formula (Pallant, 2007):

$$Eta^2 = \frac{t^2}{t^2 + (N - 1)}$$

Therefore the effect size = $Eta^2 = \frac{(25.444)^2}{25.444^2 + (57-1)} = 0.92$

9.5 Conclusion

This chapter presented the content analysis results of the 10-years sustainability/integrated annual financial reports of the five major IOCs that are operating in Nigeria. The aim of the analysis is to facilitate the answering of two of the study's research questions on the voluntary local content accountability of the participating IOCs in addition to their mandatory accountability of complying with legal provisions of the local content law. The analysis started by computing the local content sustainability disclosure indices using data covering 2005-2009 and 2010-2014. The analysis also used the paired-samples t-test on the volumetric data of local content sustainability to determine disclosure volumes before and after the creation of the local content law to observe any changes or impact of the law on voluntary reporting. Interpretations of these results are conducted in the following chapter.

CHAPTER TEN
Discussion of Results

10.1 Introduction

This chapter discusses the results of the qualitative and quantitative data analysed and presented in chapters 7-9. The intention is to evaluate in a less technical way the underlying information contained in the empirical results against what is available in the literature. Chapter seven presented the results of the structured questionnaires; chapter eight presented the interviews conducted with the managers and executives of the oil industry, and chapter nine presented the results from the mechanistic content analysis conducted on the fifty (50) sustainability reports of the five major IOCs operating in Nigeria. This chapter utilizes the convergent mixed-method design (see chapter six), the stakeholder-accountability framework (see chapter five) and the three paradigms of accounting research (chapter six) to discuss the information obtained from the three sources of data in order to draw valid conclusions. The discussion in this chapter followed the order in which the study's research questions appeared. For the research questions that both quantitative and qualitative analyses were conducted, discussion of the quantitative results will be presented first and then followed by the qualitative one.

10.2 Local Content as a Sustainability Policy

This section adopts the interpretive and critical accounting paradigms to discuss the social and environmental consequences of oil and gas operations and the relevance of local content sustainability in addressing them. The idea of the mainstream paradigm will partially be adopted to look into the business-case of local content. From the literature reviewed and the theory built in chapter two, there was a cogent theoretical evidence that local content and sustainability are connected terms (see Figure 1). According to the empirical data which was deductively guided by the sustainability theory (chapter two) and presented in Section 8.2, almost all the interview participants were in agreement that local content was a policy that relates to sustainability as far as the Nigerian oil and gas industry was concerned. This fact is in agreement with the several arguments presented in Sections 2.6-2.8. The emergent themes under this section were categorised according to the three tenets of sustainability – economic, social and environmental.

Basically, in the ideal situation, in any discussion of sustainability and the petroleum activities the bottom-line is that exploration and production should bring not only financial benefits to the investors but also a positive balance of payment, clean technology, equity, life improvement, as well as alleviation of the sufferings of the populace (Olawuyi, 2012). Hence, for local content policy to be regarded as a sustainability policy, it has to fulfil these conditions. Also, the Guidelines for Multinational Enterprises (OECD, 2011: 19) had required the multinational firms to "contribute to economic, environmental and social progress with a view to achieving sustainable development" of the host countries. These propositions would serve as the litmus test for our empirical evidence to draw conclusions on whether or not the Nigerian oil industry stakeholders perceive local content as a sustainability policy.

Consistent with the argument that sustainability involves the concurrent pursuit of social equity, economic prosperity and environmental quality (Elkington, 2002), the themes identified from the data were: (1) Economic growth and the business-case (2) Social stability, and (3) Environmental and intergenerational survival. The following sections discuss these themes.

10.2.1 Economic Growth and the Business-case

Analysis has shown that local content is a win-win policy that ensures economic prosperity at the national, sub-national (Esteves, 2013; Ovadia, 2014; Nwapi, 2015), and firm levels. The economic aspect of local content is mainly represented by the ownership, taxation and employment variables of the second local content model (EY, 2013). The policy strikes a balance between the maximization of return to investors and the well-being of the local economy (Ovadia, 2014). All the stakeholders are viewed as instrumental to the successful implementation of the policy (Jensen, 2001). In this case, local content can be situated within the context of the study's conceptual framework built from the shareholder and the stakeholder theories of accountability (Jensen, 2002; Sundaram and Inkpen, 2004; Donaldson and Preston, 1995; Freeman et al., 2004; Jorg et al., 2004; Kaler, 2006). This is why the study had used the middle-of-the-range approach that also involves the managerial approach to sustainability (Brown and Fraser, 2006).

Empirical data has pinpointed the anecdotal evidence of the economic value of local content. Consistent with many views (Nwosu et al., 2006; Ogbodo, 2008; Heum et al., 2011; Gbegi and Adebisi, 2013; Abdulwahed, 2014; Okafor and Aniche, 2014) the policy derives in-country value-addition, job creation, wealth generation, foreign exchange improvement, domiciliation of technology, and mitigation of the capital and jobs flight which threaten Nigeria's sustainable development efforts. Evidence has further reaffirmed the ability of local content to reduce imports and enhance favourable balance of payment by localising the major oil and gas activities (WTO and UNCTAD, 2002, 2003, 2007, 2014; WTI Advisors, 2013). To show this effect, literature had suggested that oil companies should classify their local and foreign purchases in their annual financial reports (International Accounting and Reporting Issues, 2007, 2008). Evidence of the nature of petroleum operations and the associated economic impacts leading to resource curse is well documented (Auty, 1990, 1994, 2001, 2008; Karl, 1997; Ross, 1999; Frynas and Paolo, 2007; Spence, 2011; Pitkin, 2013). Thus, consistent with Monday (2015), the stakeholders' argument that local content could lead to wealth creation and economic prosperity may effectively help reverse the resource curse symptoms. Another important revelation from the empirical data is the belief that local content promotes technology transfer and empowers local contractors and suppliers (Alba, 2009; Tordo, 2010; Olawuyi, 2012; EY, 2014). Moreover, local content was indicated to have a positive influence on the expected economic loss which might have been occurred as a result of the sabotage and vandalism of oil pipelines, platforms and other facilities due to agitations over perceived exclusion from jobs as well as the absence of proper compensation for that (Warner, 2011).

At the firm level, engagement of oil companies in local content assures great economic benefits. For example, as one of the elements of the second local content model (EY, 2014; see also Section 3.5), empirical evidence has indicated that local supplier development could foster reliability, efficiency and delivery and reduce the total operating expenditure (OPEX) of the oil firms (Fossgard-Moser, 2003; Ovadia, 2014). This notwithstanding, local content was also viewed as likely to increase costs in the short run which would make IOCs oppose it (Bowie, 2013). In a nutshell, local content is viewed by the stakeholders in the Nigerian oil and gas industry as an economic policy that has multiplier effects on the lives of the people (Scot et al., 2013).

The preceding discussion showed that local content has a business-case in the same way as the sustainability or corporate social responsibility (Dyllick and Hockerts, 2002; Perceva, 2003) because the oil firms have the advantage of increasing their profits in the long run by reducing their labour costs. Some Nigerian Content Managers have opined that local content not only reduces the contracting cycle, lead-time and transportation costs but also "increases our relevance and our relationships with the country, giving us a social license to operate" (Ovadia, 2014: 8). Research has also shown that in most of the oil-producing countries the costs of hiring local labour were cheaper than those of the imported labour. For example, the Oil & Gas Global Salary Guide estimated the average salary for the local and foreign labour to be $68,900 and $100,600 respectively (Hays, 2013).

10.2.2 Social Stability

The social dimension of local content is the equivalent of the corporate social responsibility (Ado, 2013) and the social programme aspect of the second local content model (EY, 2013). However, it was viewed by the

Nigerian stakeholders from the angle of social crisis and instability which ravaged several communities around the oilfields. Indeed, and as a matter of fact, the politics of the Nigeria's oil and gas industry is one that facilitates the connivance of the IOCs and the ruling elite to deprive the local people from meaningful benefits that could offset the social and environmental damages, the situation that "brought a legacy of death" (Chitando, 2013: 34). To serve their selfish interests, the IOCs and the elites cause and explore the divisions among the oil communities (Tangonyire and Achal, 2012). One of the perceived remedies for the resultant social instability is the effective utilization of the local content policy. Substantial evidence has shown that the first champions of local content implementation - the government and the IOCs (Easo and Wallace, 2014) - have significant roles to play to sustain the peaceful co-existence of the society. Stakeholders have severally linked local content sustainability issues to the terms 'people' or more specifically, 'communities', and their engagement and welfare as suggested by AA1000APS (2008). This reflects the fact that the resources belong to the people – present and future (Wiig and Ramalho, 2005). It was empirically indicated that the sustainable development benefits of local content policy can only be achieved through proper engagement with all stakeholders (Vaaland et al., 2012). It was shown from the analysis that local content instils the sense of belonging, survival, equity, engagement, inclusiveness and the feelings of 'our government is accountable' among the citizens. These feelings would be further enhanced by corporate social responsibility or other community content activities by oil companies (Oguine, 2011). CSR as a relevant tool of local content was put at the lower bottom of the local content accountability shown in Figure 8 and supported by Ado (2014). This stakeholder concern of local content would bring back our discussion on the interest, right and duty-based accountability (Werhane and Freeman, 1997) where it was argued that oil communities have rights to benefit from their resources and government and IOCs have a duty to be accountable for that (see Section 5.8). Through local content programmes, many of the social vices that instigate conflict and violence within the Nigeria's oil communities as a result of a redundant manpower would be eliminated, or at least, mitigated (Janus, 2011, Warner, 2011; Gunasekaran and Spalanzani, 2012). This, according to the empirical evidence would enhance the security of the oil facilities which has several economic and environmental repercussions (NEITI, 2013).

10.2.3 Environmental and Intergenerational Survival

On the environmental aspects, stakeholders seemed to have believed that local content was a platform for sustainability as consistent with the literature in the second chapter of this work. As such, the policy lends considerable weight to human and resource conservation for the well-being of the present and the future generations (Toulekima, 2015). Stakeholders have gone to the extent of linking the local content to the survival of the people, sustenance of the environment, and the oil industry. This supports a recent claim that local content is directly related to the national security of Nigeria (Okpe, 2015; SweetCrude, 2015) as it addresses the problem of "environmental terrorism" (Gunasekaran and Spalanzani, 2012; Erhun, 2015: 111). It also supports Cairns (2011) argument that sustainability is founded on the idea of intergenerational equity which implies depleting the natural resources (e.g., oil) and investment in assets (e.g., human) to maintain social well-being. On this argument, Keutiben (2014: 542) asserted that:

> *"a special feature of non-renewable resources is that they are in fixed supply and any unit consumed today will not be available in the future. So, suppliers will be willing to sell the resource only at a price that includes the opportunity cost associated with having less of the resource available for later sale".*

The appropriate price to include the opportunity cost in the above statement is making sure that the oil firms have invested in the sustainable development of the host countries. For this reason, the stakeholders have maintained that the human and environmental survival depends on such investment. Diesendorf (2000) identified some overlaps among the three tenets of sustainability. Hence, many of the economic and social implications of local content reflect directly on the environment because of their interdependence (Barbier, 1987). For example, job creation (economic sustainability) reduces community crises (social sustainability), secures oil facilities from destruction and damage to the environment (environmental sustainability) and saves asset replacement and clean-up costs (economic sustainability). Our theoretical proposition that mitigating certain social conditions of oil communities conserves the environment holds true (see Section 3.8.4). Furthermore, the local supplier development (economic sustainability) discussed above has coincided with the literature which indicated that the long transportation of labour, materials and equipment to serve the oil industry has severe environmental consequences (Endresen et al., 2003, 2007; Corbett and Kohler, 2003; Eyring et al., 2005; Holt and Watson, 2008; Moldanova et al., 2009). As such, closeness to suppliers reduces environmental emissions (Holt and Watson, 2008) and ensures long-term sustainability. Stakeholders have also raised the issue of environmental ethics which signals the corporate citizenship of oil companies as crucial to sustainability. It was evident that local content enhances technology transfer which promotes the local expertise and know-how and leads to the development of the renewable energy market and the reduction of the climate change risks (Karakosta et al., 2010; Johnson, 2015). The environmental dimension of local content is very vital because the entire sustainability and sustainable development agenda had initially emerged to address the environmental and ecological challenges (Pisani, 2006). As such, many authors have used the environmental reporting as a proxy of sustainability accounting (Schaltegger and Burritt, 2010; Ngwakwe, 2012; Accounting, Organizations and Society Editorial, 2014).

The preceding discussion confirms that there is a strong accountability relationship between the Nigerian citizens (particularly the oil communities) on the one hand and the government and oil companies on the other. The discussion also confirms our local content arguments and the proposed local content-sustainability theory in Figure 2.1. Recognizing the fact that sustainability can only be achieved with strong accountability arrangements, the next section discusses the results of the relevance of accountability to local content.

10.3 Accountability Expectations of Local Content

Accountability has played a leading role throughout this study. Stakeholder-accountability as the pragmatic approach to sustainability (Brown and Fraser, 2006; Ngwakwe, 2012) was selected to conceptualize the accountability relationships between the first accountors (NCDMB and IOCs) and their various stakeholders in the Nigerian oil industry. This section discusses the accountability requisites of local content sustainability in line with the available data. As a bedrock of sustainability (Schaltegger and Buritt, 2010), accountability in local content had generated interesting insights from the stakeholders and had given rise to some interesting themes. Importantly, some accountability dimensions were discovered; some have already been reviewed in the literature (see Tables 4.5, 5.1 and 5.3) while the others have emerged from the empirical data. Many of the findings were consistent with the sixteen accountability indicators used to construct the study's survey instruments (see Table 5.3). The themes include (1) setting of realistic targets (2) understanding, engagement and commitment (3) transparency and reporting (4) enforcement (5) measurability and predictability (6) complaint and response (7) cost-profit effects (8) corruption, and (9) sincerity of purpose. These points are discussed one after the other.

10.3.1 Setting of Realistic Targets

Consistent with many scholars (Davies, 2001; Fowler and Kuyama, 2007; OECD, 2008; Darby, 2010; Weber, 2011), the study has found that setting of achievable and attainable local content targets was one of the accountability elements emphasized by the stakeholders. Setting unachievable targets may only compromise the oil industry governance[54] and promote illegal practices in Nigeria (Esteves, 2013), because every operator or service provider may act desperately to achieve targets and avoid sanctions. For example, some of the NCDMB's objectives were found

[54] The governance of the Nigerian petroleum sector is very weak, as such; any stringent local content targets may exacerbate the situation (see Sayne et al., 2015).

to be vague and unattainable (such as asset ownership requirements) which are capable of instigating corruption (Ovadia, 2014; Martini, 2014). Consistent with the IPIECA (2011), stakeholders were more concerned with targets that are within their competence. Some stakeholders have made a complaint about the strictness of some targets. In Section 10.5.1.2 stakeholders would further be asked to express their opinion on the clarity or otherwise of the NCDMB's local content objectives and the performance metrics.

10.3.2 Understanding, Engagement and Commitment to Targets

Although engagement has been an established dimension of accountability (Table 5.3), the concepts of understanding and commitment have appeared for the first time as indicators of accountability in this research. Interview results have shown that stakeholders have to have a full understanding of the targets and the commitment to pursue them. This finding was consistent with the IPIECA's (2011: 4) opinion that "successful local content programmes are shaped by a clear understanding of the business benefits and a well-defined strategic plan"; hence, a "detailed understanding of the local context is imperative". Ironically, a section of the stakeholders has strongly alleged that even the authority in charge of implementation (i.e., the NCDMB) was either lacking the proper understanding of the local content rules, the capacity to implement it, or deliberately sabotaging the process. Although this was a minority opinion, it was supported by Ovadia (2015: 40) who argued that under the NCDMB, "progress is hard to demonstrate because there is still some difficulty in understanding how to measure local content". If this position were to hold true, then the whole implementation processes of the policy would have been eroded. The rest of the recommendations from the stakeholders have hinged around the commitment and collaboration among the participants in the Nigerian petroleum sector, the exercise that was faulted by Vaaland et al (2012).

10.3.3 Measurability and Predictability of Performance

These emergent accountability indicators have emanated from stakeholder's responses. Stakeholders have expressed their opinion that only targets that can be measured and predicted were achievable. This follows our earlier arguments that targets must be clear and unambiguous. Before setting targets, policy-makers must be aware of the industry requirements (e.g., materials, labour, equipment, and component) and what is obtainable from the local suppliers. This implies the reconciliation between the demand-side and the supply-side for optimal decisions (IPIECA, 2011). It is only when measurable targets are set that progress could be determined. Measurability as accountability element was supported by Paul (1991) who argued that accountability is concerned with holding organizations or individuals accountable for their objectively 'measured' performance. Stakeholders were concerned with knowing the actual results from implementation. Some informants have emphasised the ability to predict possible outcomes as an important accountability variable. Viewed as complementary to transparency (Ramdoo, 2015), predictability has been connected to the principles of governance and is also one of the factors to consider in setting public policy (Argűden, 2011). A compelling allegation that the Board (NCDMB) did not have any of such measures on the ground was made. If this allegation were real, then the Board has a long way to go in its accountability practices. This result should not be confused with the results in Section 10.5.1.2 where questionnaire respondents expressed positive view that the Board had clear performance metrics. Having performance metrics in volume and value such as the percentage of the local workforce or suppliers in headcount or expenditure on wages and salaries, tonnes or total spend on materials, etc (Munson and Rosenblatt, 1997; NOGICD Act, 2010) may not be enough to ascertain progress. But, there has to be available and verifiable data to rely on.

10.3.4 Transparency and Reporting

Credible and verifiable data was required by the stakeholders in order to measure performance against target. Transparency and reporting as leading accountability indicators are the basic mechanisms through which stakeholders can obtain relevant and reliable information on local content (Table 5.3). Although quantitative findings in Section 10.5.5.2 have shown the stakeholders' satisfaction that they get relevant and timely information from the Board on new opportunities in the industry, interview results showed that not all information was available to stakeholders, especially financial information. A section of the stakeholders has to rely on the freedom of information law and instituted a court action against the Board who failed to make certain information available. It was therefore advised by one participant that there was a need for the government and all stakeholders to involve the media in all activities concerning local content.

10.3.5 Enforcement

This is an established accountability indicator reviewed in the study (Table 5.3) and became one of the themes that arose from the data to which some informants have subscribed. The expectation is simply that the Board could only be able to enforce compliance after it sets realistic, attainable, accessible, predictable and measurable targets. As pointed out earlier, results have indicated that the largest burden of accountability started from the government (NCDMB and related agencies) who was expected to create a conducive environment to effectively drive the policy to ensure compliance of other stakeholders (e.g., *IPL04*). Evidence from the literature has confirmed the importance of enforcement ability of any public oversight agency to ensure accountability (Newell and Bellour, 2002; Goetz and Jenkins, 2005). The stakeholders have acknowledged the existence of well-designed policies and programmes but were sceptical about the ability of the rules to be enforced. This was in spite of their previous agreement that the Board was able to enforce compliance (Section 10.5.3.1). This may not be unconnected with the political-economic nature of the Nigerian oil industry with its free-for-all violation of rules. More empirical evidence on the needs for strong enforcement ability would be presented in the coming sections.

10.3.6 Complaint and Response

As the last resort to enforce rights (Blagescu and Lloyds, 2006), complaint and response are important elements of accountability (Blagescu et al., 2005) through which stakeholders express their concern about matters affecting them. A stakeholder has shown confidence that the Board (NCDMB) was accessible and entertained complaints. It was reviewed that the Board has a comprehensive arrangement for complaint and whistle-blowing through which anomalies are addressed (see chapter four). This finding has coincided with the results in Section 10.5.13.1 where it was believed that the Board listens to and takes actions on complaints.

10.3.7 Sincerity of Purpose

Another accountability dimension new to this study is sincerity. An informant has used this term to charge the government (NCDMB) to live up to its expectations. As reviewed earlier (Sections 5.8 and 8.3.2) the government is the first accountor who is expected to show commitment and support, and provide an enabling environment for the policy to achieve its aims. Viewed as the opposite of hypocrisy, sincerity means the "congruence between avowal and actual feeling" (Trilling, 1972: 2). Simply, it means how true organizations are to their mission statements and value declarations (Fassin and Buelens, 2011). For the NCDMB, its three mission statements were clear, thus: *(1) opening the Nigerian oil and gas industry for Nigerian people (2) cementing access to the oilfield for higher productivity, and (3) building capabilities in Nigeria to support increased investment.* The most important thing is how sincere are these mission statements. This forms part of the accountability of the Board as Hortsch (2010) argues that loyalty to the mission statement is one of the elements of accountability.

10.3.8 Cost-profit Effects

A large part of the accountability of the private sector concerns costs and the ability to generate revenue and maximize the wealth of the shareholders, rather than job creation (Bacon and Kojima, 2011). This is purely guided by the shareholder theory and the business-case approach to sustainability. Since the pragmatic stakeholder-accountability approach adopted in this study also incorporates the business-case, then local content accountability should also incorporate the return to investors issues. This is because without the investors oil companies would not operate and local content could not exist. Stakeholders have claimed that instead of reducing costs as claimed (Fossgard-Moser, 2003; Petrofac, 2013), local content may end up increasing their costs of production (NRGI, 2015) as a result of input price increase (Grossman, 1981; Lewis and Wiser, 2005; Veloso, 2006). Again, similar to the Indonesian case (IMF, 2005) the Nigerian government has created an additional levy of 1% of contract values payable by oil companies who have successfully won contracts. Many scholars have considered this as another form of taxation capable of further increasing contract costs (PwC, 2012; Hufbauer et al., 2013; Michael, 2014; Deloitte, 2014).

Moreover, the initial investment in local employment and training, technology transfer, supplier development, and all activities to buy the social license to operate is very high and may create tensions between the economic sustainability of firms on the one hand and the social and environmental on the other (see Section 2.8.4). It was however shown that balancing the social and environmental requirements and the local content rules often poses difficulty to oil and gas companies (Barbier, 1987; Cotula, 2013). It has also been reported that besides affecting the operating costs, local content may also impact on the NPV, IRR and the payback periods of the operating firms (Warner, 2010; Esteves and Barclay, 2011; Nishikimi and Kuroiwa, Hansen et al, 2015). For instance, as an additional cost of investment, it may increase the length of the period a firm recoups its investment, or may affect the time-value of money and increase the cost of capital when a firm has to make an initial investment in training and technology transfer. The cost-profit impact of local content is, therefore, a very important determinant of accountability because there is the tendency that oil companies could indulge in illegitimate practices for the purpose of saving cost and increasing revenue. This may include deliberate concealment of facts and fraudulent exaggeration of achievements in their attempt to report lower corporate tax as in the transfer pricing issues (Belderbos et al., 2000), avoid sanctions, or present more favourable balance sheets to their shareholders. This was why a stakeholder from the government organization (*IPG02*) expressed doubts about the authenticity of local content information the IOCs reports to the authorities. Oil companies, therefore, find themselves between the devil and the deep blue sea.

For the smooth implementation of local content, governments may decide to make compromises and trade-offs including giving tax incentives for compliance as evident in several countries including Nigeria (Barbier, 1987; Swamidass, 1994; Munson and Rosenblatt, 1997; NOGICD Act, 2010; Cotula, 2013). This practice also has its own limitations as it reduces the public funds (Kolstad and Kinyondo, 2015). Some of the governance responsibilities of the oil industry authorities are the utilization of local content for early returns to the state and the long-term benefits to government and the investors (Chatham House, 2013). The dilemma is that even the expected long-run benefit may be overridden by corruption, price hikes, and project delays resulting from the tensions between the national and the international oil companies with each trying to have an edge (Grossman, 1981; WTO/UNCTAD, 2002; Aneke, 2002; Heum, et al., 2003; INTSOK, 2003; Neff, 2005; Lahn, 2007; Hao et al., 2010; Lec, 2011). It is however viewed that local content has to strike a balance between investors' profits and community development (*IPC02*).

10.3.9 Corruption

Several findings from the literature have attested to the fact that local content, if not well-managed, could instigate the culture of corruption (Lindner, 1998; Lec, 2011; Heller, 2011; Esteves, 2013; Martini, 2014). Consistent with Martini (2014), the empirical data has indicated the stakeholders' fear for the undue influence of the IOCs that gave them the advantage to manipulate and connive with the regulators at the expense of the local firms. This may re-affirm Okafor and Aniche (2014) arguments that the Board lacks the capacity to regulate, monitor and enforce compliance on the IOCs. The World Trade Institute (2013) for example has faulted the excessive power given to the Minister of Petroleum Resources in Nigeria to single-handedly decide and waive local content obligations for any company. Irrational waivers would undoubtedly encourage importing goods and services that are available in the local market which will consequently affect the balance of payment arguments of local content and sustainability (WTO and UNCTAD, 2002, 2003, 2007, 2014; Olawuyi, 2012; WTI Advisors, 2013: 8). It was also found by Mwakali and Byaruhanga, (2011) that in Nigeria, the costs of oil contracts were deliberately inflated and the periods of the projects were unnecessarily prolonged. Interview findings have revealed that in a typical oil contract in Nigeria, about 50% of the total value is shared between the contractor and the client's representative while only the remaining half is actually for the contract (Vaaland, 2012). This violates the World Bank's (2012) requirement for strict monitoring, and reporting and disclosure of local content information because of the size of the investment involved.

10.4 Assessment of the NCDMB's General Accountability Performance

In this section, the data presented on the general performance accountability of the NCDMB (chapter seven) in managing the sustainable development policy of local content is assessed using an original accountability scale developed from literature. The accountability scale is based on the stakeholder theory of accountability presented in Figure 15 and further elaborated in Section 5.4. The scale involves 16 indicators which were used to construct the first part of the questionnaire. The scale consisted of 26 statements to test the Board's overall accountability for managing the local content policy. The section is entirely guided by the positivist epistemology using descriptive and inferential statistics. Where appropriate, however, empirical evidence collected through interviews will be used to support or oppose some issues revealed by the quantitative analysis. Table 10.1 below shows the accountability indicators used and the number of the statement(s) representing each.

Table 10.1: The Accountability Indicators used to Construct the Questionnaire

No.	Accountability indicators measured	No. of statements representing each indicator
1	Objective/target	2
2	Balancing objectives with capacity	2
3	Enforceability	1
4	Roles & responsibility of stakeholders	1
5	Transparency	3
6	Stakeholder engagement	2
7	Auditing	3
8	Disclosure & Reporting	2
9	Performance monitoring & evaluation	1
10	Responsiveness	2
11	Answerability	1
12	Responsibility	1
13	Complaint & response	2
14	Materiality	1
15	Sanctions	1
16	Governance	1
Total no. of statements		**26**

Source: Author

The above accountability indicators were obtained by the author through a wide review of the literature. Some of these indicators appeared in the accounting literature (Crofts and Bisman, 2010), and most of them were explicitly stated in the NOGICD Act constituting the hard accountability of the NCDMB and the IOCs. Stakeholders' responses were collected for each of the statements based on the Likert-Scale as explained in chapter six. The Accountability Scale was firstly tested for reliability and consistency using the split-half reliability test (see Table 7.3). The result showed high reliability with *Spearman-Brown Coefficient (equal length) of 0.900, and Guttman Split-half Coefficient of 0.899*. For all the statements, null hypotheses that there are no significant differences among stakeholders' responses were assumed. This section aimed to answer the following research question:

> ***What is the extent of stakeholders' perceptions of the NCDMB's general accountability performance in the implementation of local content sustainability in the Nigerian oil and gas industry?***

The following sections interpreted the results from the first part of the questionnaire to answer the above research question. Each accountability indicator was firstly presented and briefly reviewed before the representative statement(s).

10.5 Assessment of the NCDMB's General Accountability Performance

10.5.1 Objective/Target

In any accountability relationship, objectives have to be clearly stated and communicated to all parties (Adeh, 2004). Local content is an accountability-based policy and needs clear and realistic objectives or targets to achieve its potential benefits through the petroleum sector (Levett, et al., 2012; OECD, 2012). Too ambitious targets deter the FDI inflows (UNCTAD, 2007). These objectives or targets hold the regulatory agencies accountable (Weber, 2011) and induce oil firms to report their performances (IPIECA, 2011; Esteves et al., 2013; Chatham, 2013). Two statements (Table 7.5) were used to represent this accountability indicator as shown below.

10.5.1.1 Perceptions of whether the NCDMB clearly communicates the objectives/targets it wants to achieve for the Nigerian oil and gas industry through the implementation of the Nigerian Content Development Act

In Section 10.3.1 above, stakeholders have shown concern about the nature of local content objectives and targets set by the Board. To complement the results of the qualitative analysis, this section would add to our understanding of this issue. Results from the quantitative data showed that the respondents have overwhelmingly agreed with this statement with 34.9% and 38.1% strongly agree and agree positions respectively (median = 2.00) (Table 7.5). This shows the stakeholders' satisfaction with the clarity in which the NCDMB's objectives were communicated. From the Board's website, three basic objectives of the Nigerian content were found to include (1) opening the Nigerian oil and gas industry for Nigerian people (2) cementing access to the oilfield for higher productivity, and (3) building capabilities in Nigeria to support increased investment[55]. These objectives were broken down into the various programs and functions of the Board. These results, however, were contrary to Ovadia (2014) and Martini (2014) who considered the stated objectives as unclear, unattainable, and potential to promote corruption. For instance, an interview respondent from a Civil Society group (*IPC01*) has questioned the possibility of the indigenous oil and gas firms to attain the required 50% assets ownership by 2015 when the actual achievement at the end of 2014 was only 10%. Nwaokoro (2011) has also accused local content targets in insurance due to Nigeria's weak local capacity in the area. It was conclusively argued that unattainable local content targets pose "governance risk", and promote "perversive behaviour" and fronting (Esteves, 2013: 7). This view was supported by some interview participants.

Significant differences were detected among the stakeholders' responses based on the Bonferroni adjusted alpha of .005 (Table 1a Appendix 7). Cross-tabulation results (Table 1b Appendix 7) showed that CS had the lowest agreement level at 8.5% compared to other groups possibly because

[55] NCDMB website: http://www.ncdmb.gov.ng/

of the group's impartiality when it comes to the assessment of public organizations, as the government is often regarded as a "potential culprit" (Abraham and Santos, 2010: 7). Objectives and targets must not just be set; they must be realistic, measurable and achievable as shown in the next section.

10.5.1.2 Perceptions of whether the NCDMB has clearly defined the criteria/metrics by which local content can be measured

In a local content situation, metrics are crucial in driving the behaviours of the regulators and the oil firms (Tordo, 2013). It is the objectives, targets and standards identified in 10.5.1.1 above that are translated into the performance metrics. Metrics is one of the five fundamental principles of the first local content model (Klueh et al., 2009). This statement like the previous one has attracted positive responses from the stakeholders with 21.6 %, and 48.2% strongly agree and agree levels (median = 2.00) (Table 7.5). This position was expected considering the stakeholders' approval that the objectives were clearly spelt out. This agreement was supported by the provisions of the NOGICD Act which categorically stated the percentages, volumes and values of capital expenditure (CAPEX), operating expenditure (OPEX), number of jobs, tonnes of fabricated equipment, labour-hours, subcontracting, etc., to be achieved in oil and gas contracts (see also, Hilary-Nwokonko, 2004; Bordmann, 2010). Local content in most of the engineering work in Nigeria is calculated based on man-hours; fabrication and construction are based on the volumes and tonnage of materials; petroleum technology, well drilling, rig, supply vessels, etc., are based on expenditure and man-hours. These metrics equip the oil firms with the basis for reporting performance mandatorily to the authorities or voluntarily to the public. Outside of the NOGICD Act, these metrics were incorporated in the GRI and the IPIECA sustainability guidelines (see Tables 3.1 and 3.2). These guidelines were applied by the study to investigate the IOCs' voluntary local content accountability (see chapter nine). Be that as it may, interview informants have expressed reservation on whether the NCDMB has a system that could track and measure progress and deviations for the purpose of improvement.

Statistically significant differences were found in respect of this statement (Table 2a Appendix 7). Based on the Bonferroni corrected alpha (.005) only one difference appeared to be a genuine difference. Cross-tabulation results (Table 2b Appendix 7) showed that the CS (8.2%) was different from the TU (27.6%). This may be either due to the fact that the TU as consisting of employees across all oil companies was in a better position to have full knowledge of the situation of local content in the industry, or because of the ensuing debate and disagreement among the oil operators as to the appropriate metric to measure local content – whether to use the quantum of the trained workers or the quantum of the entrepreneurs created (Alike, 2014). Objectives and targets must always be matched with capability. This is the next accountability indicator.

10.5.2 Balancing objectives with capacity

Targets have to be matched with capacity and capability for them to be realistic and achievable in any meaningful accountability relationship (Salawu and Agbeja, 2007; Bolton, 2003). It has been strongly emphasised that the host governments are always at a risk of failure when they resort to setting unrealistic local content targets out of their eagerness to get instant results (IPIECA, 2011; Heller, 2011). Balancing local content objectives with the targets is like trying to reconcile the demand-side requirements and the supply-side capability (IPIECA, 2011). Two statements were used to investigate whether or not the NCDMB had what it takes to implement the local content objectives identified above. The statements were on the issues of staffing and funding.

10.5.2.1 Perceptions of whether the NCDMB has sufficient capacity (in terms of qualified staff) to fully implement the provisions of the Nigerian Content Development Act

The majority of the respondents have either strongly agreed (11.9%) or simply agreed (39.2%) (median = 2.00) (Table 7.5). This position was against the neutral, disagree and strongly disagree positions of 25.9%, 19.8% and 3.2% respectively, which were also significant. Part of the local content best practice is having an enforcement agency with qualified staff that is knowledgeable about the industry and the accounting practice (Klueh et al., 2009; Cotula, 2010). It was for a similar reason that most of the NCDMB's personnel were experienced workers drawn from the NNPC. This result is inconsistent with Okafor and Aniche (2014) who claimed that the Board lacked both administrative and institutional capacity to monitor and enforce compliance with local content provisions. This success may not be absolute, because, even though the Board had tried to show professionalism in its control of the Nigerian Content Development Fund (NCDF) many stakeholders have expressed dissatisfaction with the management of the Fund (Section 10.6 below).

10.5.2.2 Perceptions of whether the NCDMB has sufficient funding to fully implement the provisions of the Nigerian Content Development Act

Public agencies such as the NCDMB have to be independent and fully funded by the government. It would have negative consequences for agencies operating in highly sensitive sectors that are vulnerable to corruption such as the Nigerian oil and gas industry, to be under-funded (Lindner, 2014; Nwapi, 2015). Response to this statement (Table 7.5) showed agreement and strong agreement at 45.4% (31.7%+13.7%) (median = 2.00) against the 21.8% neutral and the 23.4% and 2.5% disagreement, indicating a weak acknowledgement that the Board was fully funded to carry out its functions. This result, however, does not form the ground to underestimate the negative influence of the controversial section of the NOGICD Act (i.e., S. 92) which allows the NCDMB to accept gifts of money, land or other properties from the stakeholders. This, in fact, will affect the Board's independence to fight corruption or impose local content rules indiscriminately (Hufbauer, 2013; Nwapi, 2015). In this regard, Nwapi (2015: 93) asserted that:

> *"Allowing the Nigerian Content Board charged with overseeing the implementation of the local content policy and supervising companies' compliance with the requirements of the policy to accept gifts from the very companies it is charged to supervise creates a potential conflict of interest within the Board".*

Due to impaired independence, it was found that many local content agencies around the world have suffered political interference (World Trade Institute, 2013). If this were the case, then the scholars' argument about local content's ability to promote corruption might hold true (Mauro, 1998; Lec, 2011; Heller, 2011; Lindner, 2014). The fact that the 1% NCDF remittance was not enough to finance the implementation of the policy because of the need for enormous investment in infrastructure, facilities and assets, might have forced the Board to succumb to gift-taking from private parties. It was therefore observed that there was a need for subventions directly from the government to supplement the 1% collection (Abdulwahed, 2014). Supporting this view, an informant from one of the major IOCs *(IPI02)* suggested other funding schemes including venture capital, trade credit and export finance to supplement the NCDF. The next important accountability requirement of the Board is its powers to enforce local content rules on oil operators. This is the function of the following section.

10.5.3 Enforceability

Enforceability is another dimension of accountability which suggests the ability or power to enforce compliance and the assurance that accounts are rendered, and corrective actions are taken as appropriate (Newell and Bellour, 2002; Goetz and Jenkins, 2005). Without the power to enforce compliance, accountability is considered meaningless (Fang-Jing, 2000; Boni et al., 2011). The totality of this research is about enforcement and compliance accountability. In examining whether the NCDMB has the required power to practically enforce compliance one statement was used as below.

10.5.3.1 Perceptions of whether the NCDMB has sufficient power in 'practice' to enforce compliance with all the provisions of the Nigerian Content Act on all oil and gas companies

The majority of the responses to the above statement were within the ranges of agree (38.5%) and strongly agree (27.3%) (median = 2.00) (Table 7.5). In this case, stakeholders have believed that the NCDMB has sufficient power to enforce the policy. These include, for example, the Board's legal powers to mandate oil operators to engage in community content activities and maintain offices in communities of their significant operations (S. 27), or its power to get performance reports from operators including all plans and expenditure on local purchases, local wages and salaries, etc., (S. 59). Although a positive position was recorded for the quantitative analysis, qualitative evidence has shown some areas of concern about the Board's ability to put some policies into implementation. Overall, the qualitative results showed that enforcement was the most important accountability indicator at present. It was further pointed out that before any enforcement power is contemplated there has to be realistic, measurable and predictable targets (Section 10.3.4) above.

A post hoc test has revealed statistically significant differences among stakeholders' responses (Table 3a Appendix 7). The only genuine difference after applying the Bonferroni corrected alpha was between the CS and the LOC. Cross-tabulation results indicated that the CS has 5.6% whilst the LOC has 33.6% agreement (Table 3b Appendix 7). The low agreement of the CS could be explained partially by their neutral stance in assessing the government, and the higher agreement of the LOC's might be to protect its culture of fronting for the IOCs. The next accountability indicator is concerned with the nature of the roles and duties of various stakeholders in the local content relationships.

10.5.4 Roles and Responsibilities of Stakeholders

In the 2003 report that formed the basis for the Nigerian content, the Norwegian Oil and Gas Partners (the INTSOK) had clearly stated the need to define stakeholders' roles and responsibilities by regulating agencies (Nwaokoro, 2011). Defining the roles and responsibilities of local content actors is one of the Chatham House's (2013) governance framework discussed in chapter three. This was supported by S. 54(c) of the NOGICD Act. Salawu and Agbeja (2007) believe that parties in accountability relationships have to agree and be clear about their different responsibilities which would serve as the basis for their performance. In this section, the NCDMB's ability to ensure that these responsibilities are unequivocally defined and complied with by stakeholders was examined. One statement was generated from this accountability indicator and presented as follows.

10.5.4.1 Perceptions of whether the NCDMB ensures that each stakeholder group in the oil and gas industry (regulators, companies, etc) effectively discharges its roles and responsibilities in the implementation of local content

On presenting this statement the majority of the respondents showed a neutral position at 47.1% (median = 3.00) against the agreement at 31.3% (6.5%+24.8%) and disagreement at 21.6% (20.9%+0.7%) (Table 7.5). It could be interpreted that stakeholders were not certain whether these roles were clearly defined and discharged. Role conflicts might have existed among stakeholder groups. For example, the NNPC who was the former custodian of the local content policy has dual roles as a regulator as well as a player. This has made the conflict of interest inevitable (Alba, 2009). Even with the coming of the NOGICD Act and the transfer of the local content oversight functions to the NCDMB, NNPC still believes that it has some control over the local content implementation. This is because other national oil companies such as Petrobras, Petronas, Statoil, etc., are instrumental in the implementation of local content as the primary reason for their creation (Hilary-Nwokonko, 2004; Nwokeji, 2007; Klueh et al., 2009; Awe, 2014).

Controlling the NNPC by the NCDMB may pose difficulty. As already stated, most of the NCDMB's personnel were previously NNPC's staff, so they may tend to maintain loyalty to their former bosses. Another conflict between the NCDMB and the NNPC is the control of the Nigerian Petroleum Exchange (NIPEX)[56] which had previously been in the custody of the NAPIMS before it was transferred to the NCDMB. Up to the present, this transfer is yet to be concluded. Conflict of interest/roles have been prevalent in local content in Nigeria and elsewhere, especially pertaining to undue loyalty which also leads to corruption (Martini, 2014). Although each stakeholder group has its own roles and mandates, the need to collaborate and work together was emphasized by stakeholders interviewed. It was pointed out by the participants (e.g., *IPL04* and *IPC03*) that the authorities (i.e., NCDMB) must encourage collaboration between government, local and foreign oil firms, entrepreneurs and all other industry participants to achieve a successful local content (Section 8.3.2). This collaboration was found to be flawed by corruption and secrecy in the Nigerian petroleum industry (Vaaland et al., 2012).

A significant difference was discovered between the responses of the TU and the IOCs with the IOCs having a lower neutral response (Tables 4a, 4b Appendix 7). The higher neutral response of the TU might have been informed by the fact that members of the group have cut across all oil and gas activities and are engaged with both foreign and local firms. Hence, they have more experience with role conflict than the IOCs. The effectiveness of all the accountability indicators so far discussed depends on information efficiency and effective communication among stakeholders. That is why the next section addresses the issue of transparency.

[56] Nigerian Petroleum Exchange is a virtual platform that connects suppliers/contractors with oil firms.

10.5.5 Transparency

Transparency is the root of accountability (Adeh, 2004; Koppell, 2005; Blagescu and Lloyd, 2006; Gray, 2006; Bovens, 2007; OECD, 2008; Kolstad and Wiig, 2009; Greiling and Spraul, 2010; Zahran, 2011). Concerned with the provision of visible information (Power, 1991) transparency becomes, undoubtedly, the most critical and vital tool among all other accountability dimensions (Koppel, 2005). Accounting theorists like Gray (1992) and Shearer (2002) have argued that accountability is only achieved through enhanced rights to information. This section aimed to assess the extent to which the NCDMB is transparent to its various stakeholders. Three statements were used to undertake this assessment.

10.5.5.1 Perceptions of whether the NCDMB provides timely information about new local content policies and regulations to the key stakeholders involved in the industry

From Table 7.5 results have shown that the majority of the respondents have agreed or strongly agreed (34.2% and 16.9%) (median = 2.00) that they received timely information from the Board about new policies and regulations concerning the local content policy. Information on clear local content rules was considered a determinant of the success of the policy (Vaaland et al., 2012; Martini, 2015). Unlike the quantitative results, the qualitative findings on the Board’s transparency have shown mixed reactions (Section 8.4).

10.5.5.2 Perceptions on whether the NCDMB provides relevant information about new areas and opportunities for indigenous participation in oil and gas activities

Similar to the response patterns obtained in 10.5.5.1 above, the majority of stakeholders were in agreement that they received information that was relevant to their activities and decisions in the industry with 43.2% and 11.5% of the respondents either strongly agreed or simply agreed with the statement (median = 2.00) (Table 7.5). Industry stakeholders need information from the regulators on new opportunities, new tenders and new rules and regulations to further their local content performance. That is why it was strongly recommended that authorities must be aware of the industry needs regarding the workforce, equipment, materials and components (demand-side requirements), and what is available in the local market (supply-side capabilities) (IPIECA, 2011).

10.5.5.3 Perceptions of whether the NCDMB provides reasons for non-disclosure of important information to stakeholders

Contrary to the results obtained from the two statements on transparency presented in 10.5.5.1 and 10.5.5.2 above, the majority of the stakeholders have a neutral opinion that the Board gave reasons for none disclosure of some information (median = 3.00) (Table 7.5). This result was against the 37.1% (7.2%+29.9%) that agreed and the 20.2% (4%+16.2%) that did not agree. Although it may be understood that the oil and gas contracts may contain commercially sensitive information, information on core aspects of local content should be released to the stakeholders (NGRI, Publish What You Pay, Global Witness, & others, 2012). Where such information is confidential, there should be an explanation of that fact (Lahn, 2007). For example, there are no full and detailed information or facts and figures on the level of local value-added achieved. Stakeholders were only presented with summaries that the Board has achieved certain percentages[57]. Secondly, neither the actual accounting records of the NCDF nor the audited annual reports of the Board were available to stakeholders. That is why some interviewees (e.g., *IPI01, IPI02 in* Section 8.5) were bothered by the obscurity of several important pieces of financial information. Also, the evidence of an expectation gap between the NCDMB and stakeholders on whether the Board owed a duty to release financial performance to the public was found (e.g. respondents *IPG01* and *IPC02*). Statistically significant differences existed between CS on the one hand, and GV and TU on the other (Table 5a Appendix 7). Cross-tabulation (Table 5b

[57] See interview results in chapter eight.

Appendix 7) indicated that the CS had the lowest neutral level because the group may likely be contemplating the reasons purportedly preventing the Board from being fully transparent. One such reason was given by participant *IPC02* that the Board might have been avoiding to hurt the interests of the IOCs. Another critically important accountability aspect close to transparency is engagement which is discussed below.

10.5.6 Stakeholder Engagement

Stakeholder participation or engagement with organizations is essential in any accountability relations (Rixon, 2010) as it involves eliciting the support of, and consultation with stakeholders on issues relating to their relationships with the entity (Cornwall et al., 2000; Fang- Jing, 2000; Adams and Evans, 2004; Friedman and Miles, 2006). This is the rationale for modifying the stakeholder-accountability model (Figures 17 and 18) to incorporate the 'network of roles' element. Empirical evidence has shown the importance of engagement, support and commitment to the execution of the NCDMB's accountability. Although some stakeholders have shown contrary views, the majority opinion was that the level of engagement of the Board was satisfactory (Section 8.3.2). Two statements were generated to assess the adequacy of stakeholder engagement practices of the NCDMB.

10.5.6.1 Perceptions of whether the NCDMB engages all the key stakeholders in major decisions concerning the implementation of the provisions of the Nigerian Content Development Act

The majority of the respondents have either agreed (43.5%) or strongly agreed (22.3%) with the statement (median = 2.00) (Table 7.5). This agreement might be justified by the Board's creation of the Nigerian Content Consultative Forum (NCCF) which comprises of the representatives of all relevant sectors – oil, manufacturing, fabrication, finance, shipping and logistics, insurance, legal and banking. This forum was recognised by the NOGICD Act as providing an avenue for information-sharing and collaboration about new projects, local capabilities as well as other relevant policies (see S. 57 & 99). Participation of these stakeholders in decision-making would not only clarify the procurement patterns but would also provide the basis for an effective reporting system (AccountAbility, 2011; Levett et al., 2012).

10.5.6.2 Perceptions of whether the NCDMB accepts advice from the key industry stakeholders if considered appropriate for the achievement of the Nigerian content objectives

Similar to the above results stakeholders have responded in the agreement that apart from being engaged in the Board's affairs, their advice and input were also accepted if considered appropriate. This was evident from the statistical findings of 40.6% and 11.2% agree or strongly agree levels (median = 2.00) (Table 7.5). This was in spite of the overwhelming neutral result of 30.6% and 17.6% (14.7%+2.9%) disagreement. Through consultation, stakeholders' interests would be protected to achieve local economic growth, capacity building and enhanced return on investment (Atsegbua, 2012). In spite of this result, a section of the stakeholders has alleged non-involvement in some of the Board's programmes. As such, this work conducted a binary logistic regression on some critical local content programmes to verify these claims (see Section 7.10). The following section presents statements on auditing.

10.5.7 Auditing

One of the key and necessary elements of accountability is auditing (Gray et al., 1987; Tower, 1993; OECD, 2008). It is about checking and cross-checking to ascertain how resources and financial dealings as contained in accounting records are being utilised by an organization. It serves as a measure of probity, regularity and legality (Stewart, 1984; OECD, 2008). S. 70(k) of the NOGICD Act empowers the Board to "make auditing procedures and conduct regular audits for the purposes of monitoring and implementing compliances with the provisions of this Act". Additionally, S. 91 requires the Board to prepare and submit its own accounts for statutory auditing. Under this dimension of accountability, three financially- and non-financially-related statements were generated as below.

10.5.7.1 Perceptions of whether the NCDMB maintains an effective system of internal auditing which ensures stewardship of financial and non-financial resources

Based on the fact that the stakeholders are engaged in the financial and non-financial transactions with the NCDMB, they are in the right position to assess the strength and weaknesses of its internal operations. Oil firms engage in bidding for and awarding of contracts and licenses and submitting contract documents to the Board for review and approval at the prequalification [58] , technical and commercial stages; remitting the mandatory 1% NCDF levies and applying for loan guarantees from the fund. Oil companies also engage in various disclosures and reporting with the Board including disclosure of local content plans, estimated expenditure on accounting, legal and insurance services, registering with the JQS and Petroleum e-Marketplace [59], and so on (NOGICD Act 2010). These are enough to allow the respondents to have some knowledge of the internal audit functions of the Board. Results showed 49.3% (38.1%+11.2%) agreement, 36.3% neutral, and 14.04% (14%+0.4%) disagreement positions (Table 7.5). This suggested that although the overall stakeholders' position was in agreement, there was still a large portion that was in doubt or in disapproval. The effectiveness of the Board's internal audit system does not, however, substitute for its failure to have its own accounts externally audited as required by the law (Hufbauer, 2014). The Board's failure to have audited accounts will be discussed in the later sections.

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[58] This stage is often skipped due to the introduction of the Joint Qualification System (JQS) which is the database for qualified contractors. The effectiveness of the Nigerian JQS was examined by this work.

[59] Petroleum e-Marketplace is a virtual platform for the petroleum trade. It is the environment where suppliers and customers meet and serves as the conduit that facilitates petroleum transactions. Registering with the platform has been very expensive and, therefore, presents challenges to local firms. This issue was addressed by the study.

10.5.7.2 Perceptions of whether the NCDMB regularly conducts facility audit to assess the capacity of companies to execute oil and gas contracts in the industry

As part of its monitoring and evaluation (M & E) functions, the NCDMB claims to be conducting an audit of oil companies' facilities to ascertain their technical capabilities to carry out contracts. Stakeholders' majority opinions on this issue were 43.2% neutral (median = 3.00) a position that was slightly above the 40% (13.7%+26.3%) agreement, and far above the 16.9% (15.8%+1.1%) disagreement (Table 7.5). This may confirm the allegations that some companies with no tangible assets on the ground were executing contracts in violation of the 50% assets ownership requirement (The Will, 2013). This function may further be negatively affected by the provision of S. 92 of the NOGICD Act, which allows the Board to take gifts from companies.

10.5.7.3 Perceptions of whether the NCDMB conducts social audit to assess the impacts of its policies on the lives of the general public (in terms of job creation, etc)

Stakeholders have expressed a slightly positive opinion by agreeing or strongly agreeing at 29.1% and 13.7% respectively as against the 37.4% neutral position (Table 7.5). This position countered some newspaper reports that many of the oil communities in Nigeria were not aware of the existence of the local content policy. The result supported an interview respondent's stance that oil companies' were doing enough to enhance community content *(IPL01)*. This fact upholds the social sustainability effects of local content which involves the engagement of community members in oil and gas activities as compensation for their economic, social and environmental sufferings as a result of oil operations (Ogri, 2001; Warner, 2011; Tordo, et al., 2013). Following the auditing is the issue of disclosure which is also critical to accountability.

10.5.8 Disclosure and Reporting

Chisholm (1995: 411) argues that "fuller disclosure of information to the public" is the most effective avenue for improving accountability. For this reason, some authors (Edward and Hulme, 1996) viewed accountability as the avenue through which organizations and individuals report to a legitimate authority and are held accountable for their actions. Most research on corporate social responsibility and sustainability accounting use disclosure and reporting to represent whether or not organizations are accountable. Reporting can be financial or performance. In this regard, this study developed two statements to assess the NCDMB's disclosure and reporting practices to the stakeholders.

10.5.8.1 Perceptions of whether the NCDMB reports its financial performance to all the key stakeholders in the oil and gas industry

Although the sustainability accounting practices focus more on the disclosure of non-financial performance, yet financial matters have a great deal of relevance for the management and execution of local content sustainability initiatives because of the tremendous amount of funds invested (World Bank, 2012). For example, it was reported that in 2014 alone Chevron Plc had spent $3.9 billion on Nigerian content (Chevron, 2009). To demonstrate full accountability, the NCDMB has to report all financial in- and outflows to the stakeholders and the higher authorities as required by the law. Despite this, the majority of the stakeholders have maintained a neutral position on this statement at 40.3% (median = 3.00) far above the agreement at 28.3% (23.3%+5%). The disagreement position was also significant at 28.4% (3.2%+25.2%) which made this aspect a source of concern (Table 7.5). The respondents' lack of agreement may confirm the allegations that the Board was not fully transparent in its financial dealings especially the administration of the NCDF (Nigerian Tribune, 2015; Sahara Reporters, 2015). The Board's financial accountability was further examined through interviews with some industry stakeholders, and the results were also not in favour of the Board (see respondents: *IPI02, IPC02, IPI01, IPL03)*.

10.5.8.2 Perceptions of whether the NCDMB reports its non-financial performance (process, achievements, etc) to all the key stakeholders in the oil and gas industry

The majority of the stakeholders showed agreement and strong agreement at 45.6% and 7.2% (median = 2.00) (Table 7.5). This position, however, was a weak agreement because of the 22.3% neutral and 24.8% (21.2%+3.6%) disagreement positions. This may be supported by the publicly acknowledged fact that the Board publicises and showcases its performances especially through its website, publications and conferences. This, notwithstanding, some activists had, during the interview, expressed dissatisfaction with the information on the Board's non-financial matters including some claimed achievements *(IPC03, IPC01)* which were said to be mere press releases (Ovadia, 2013; Hufbauer, 2014).

10.5.9 Performance Monitoring & Evaluation

Performance monitoring and evaluation is a follow-up exercise vested in oversight agencies (Salawu and Agbeja, 2007). Any interpretation of performance has to be referenced to accountability (Harrison et al., 2012). This is possibly why Paul (1991) defines accountability as holding organizations or individuals responsible for their objectively measured performance. For the NCDMB, a dedicated department or unit was created to be responsible for the conduct of this function (see chapter four). The following statement was developed to represent this dimension of accountability.

10.5.9.1 Perceptions of whether the NCDMB periodically (monthly, quarterly, yearly) conducts performance monitoring and evaluation exercises to assess the extent of compliance with local content requirements by oil and gas companies

The majority of the responses to this statement were 45.6% neutral (median = 3.00) against the 37.6% (8.9%+27.8%) agreement and 17.6% (15.8%+1.8%) disagreement (Table 7.5). This result was not surprising as the activities involved in the performance monitoring and evaluation were similar to that of the auditing upon which deficit existed (see 10.5.7 above). This result may have serious repercussions to the Board because of the literature suggestions that the monitoring and evaluation of local content performances of oil and gas firms were the major and most important task of local content agencies around the world (Appendix 2). Next to the performance evaluation is the responsiveness element.

10.5.10 Responsiveness

Government agencies such as the NCDMB are faced with the duty to concurrently satisfy their two principals – higher authorities that directly assigned responsibilities to them, and the general public who have legitimate claims on their activities (Mulgan, 2000). Responsiveness is simply concerned with the agencies' ability to satisfy the interests and wishes of the various stakeholders generally (Koppell, 2005; de Haan and Bardoel, 2012). Under this accountability dimension, two statements were prepared to examine the NCDMB as seen below.

10.5.10.1 Perceptions of whether the NCDMB operates in the best interest of the government to achieve the required level of local participation in the Nigerian oil and gas industry

This statement has yielded an average stance of neutrality at 45.5% against 34.5% (9.1%+25.4%) agreement and 20.5% (16.5%+4%) disagreement (median = 3.00) (Table 7.5). This position may be supported by the opinions of some interview informants (e.g., *IPL04, IPG02, IPC01,* *IPL03, IPT01*) who have alleged corruption, nepotism and connivance in the implementation processes, and the likely absence of understanding of the oversight process by the Board. This result is consistent with the Oxford Policy Management (2012) findings that resource rent may be directed to a specific group based on ethnic or political affiliation. Another reason is that the Board might be intentionally allowing the fronting problem to persist (World Trade Institute, 2013) or abusing the expatriate quota policy or mismanaging its powers and negotiates a fiscal regime that is unfavourable to the government (Esteves, 2013).

10.5.10.2 Perceptions of whether the NCDMB considers the best interests of the Nigerian oil and gas companies in the process of implementing the provisions of the Nigerian Content Development Act

Surprisingly, this statement was responded to in agreement at 59% (40.3%+18.7%) (median = 2.00) (Table 7.5). This showed that the majority of the stakeholders had believed that the Board was serving the interest of the local oil firms. To reconcile the results with that of the statement in Section 10.5.10.1 above, we may conclude that it may likely be that some of the stakeholders were legitimising the fronting issues which may in many cases favour some local companies who acquire benefits from those practices. The next indicator tests whether the NCDMB responds to the calls to render account as a fulfilment of accountability.

10.5.11 Answerability

Answerability is the ability of the accountor to render accounts to the accountee (Newell and Bellour, 2002; and Goetz and Jenkins, 2005; Wood and Winston, 2005) including giving details of actions or inactions and reasons for that (Morley, 1989; Siegel-Jacobs and Yates, 1996; Manwaring, 1997; Lerner and Tetlock, 1999; Giorgiov, 2002). A single statement was used for this accountability dimension to ascertain whether the NCDMB responds to stakeholders' demands for explanations about actions undertaken.

10.5.11.1 Perceptions of whether the NCDMB always responds to stakeholders' demands to give account on actions undertaken to ensure effective implementation of the provisions of the Nigerian Content Development Act

Interestingly, positive responses were recorded for this statement with 39.2% and 13.3% agree and strongly agree (median = 2.00), indicating stakeholders' acknowledgement that the Board rendered accounts of its performance and achievements when demanded to do so (Table 7.5). This result was not surprising considering the manner in which the Board engages stakeholders as found in Sections 10.5.6.1 and 10.5.6.2 above. Differences were however identified between the CS and the TU and between the TU and the LOC (Table 6a Appendix 7). Table 6b Appendix 7 showed the CS (9.2%) had a lower agreement than the TU (25.7%) possibly because of its experience with the Board where it had to institute a legal action in order to obtain certain financial information (see respondent *IPC02* in Section 8.4).

10.5.12 Responsibility

Responsibility is often used interchangeably with accountability (Mulgan, 2000; Lindkvist and Llewellyn, 2003) because accountability is considered the acceptance or feeling of responsibility and sticking to the rules by the accountors (Bavly, 1999; Erdogan et al., 2004). It, therefore, implies that the NCDMB as the accountor has to adhere to the laws, norms and rules in accountability relationships rather than to the aspirations of its accountees (stakeholders and higher authorities). It follows that an agent is not accountable to their principal in circumstances where the law is violated (Koppell, 2005). Under this aspect of accountability, one statement was developed and presented to stakeholders as below.

10.5.12.1 Perceptions of whether the NCDMB complies with all existing laws and due process in discharging its responsibilities with regards to the implementation of the provisions of the Nigerian Content Development Act

This statement attracted overwhelming positive responses with 42.8% and 20.5% of the respondents either agreed or strongly agreed (median = 2.00) (Table 7.5). This is in spite of the Board's inability to prepare and submit annual financial statements for external auditing and releasing the same to the public, the failure which may be attributable to the expectation gap discovered in Section 10.6.5.1 regarding the auditing and reporting of the Board's accounting books. In its attempt to follow the rules of law, however, the Board claims to have effective complaint procedures. The next section looked at this important accountability element.

10.13 Complaint and Response

This accountability dimension allows stakeholders to express their opinion or complaint about matters that affect their interest in organizations (Blagescu et al., 2005). It is considered by Blagescu and Lloyds (2006) as the last option available to stakeholders to enforce accountability on private or public agencies. Complaint and response procedures are some of the major functions of the Monitoring and Evaluation (M & E) division of the NCDMB. Under this programme, two types of mechanism for complaint and redress were identified to include (i) formal complaint from the industry, and (ii) whistle-blower alert for non-compliance from an industry insider (NCDCMB, 2010: 17). This dimension of accountability produced two statements in line with the two procedures mentioned. These were considered below.

10.5.13.1 Perceptions of whether the NCDMB maintains effective complaint and response mechanisms to address matters raised by the key stakeholders with respect to local content implementation issues

This statement generated positive responses with agree and strongly agree levels of 36.3% and 17.3% respectively (median = 2.00) (Table 7.5). This result was in spite of the 30.9% neutral and 15.4% (14%+1.4%) disagreement which were also large. This showed satisfaction of the majority of the stakeholders with the manner in which their complaints were attended to by the Board. This fact can be supported by an interview informant from a local firm *(IPL03)* whose company was satisfied with the manner its complaints were attended to (see Section 8.3.6).

10.5.13.2 Perceptions of whether the NCDMB maintains an effective 'whistle-blowing' system to consider complaints from the general public

The average response to this statement indicated an agreement and strong agreement at 36.7% and 12.6% against the 29.9% neutral and 20.9% (18.7%+2.2%) disagreement (Table 7.5). This result, which could be complemented by the results in Section 10.5.13.1 above, has pointed out the existence of strong informal complaint and response procedures. It also showed that the Board has recognised that neglecting the whistle-blowing mechanisms which are some of the basic measures to deal with corruption (Martini, 2015), might be detrimental to the realisation of the sustainability benefits of the local content policy. Hence, complaints that are genuine and material have to be dealt with. For this reason, an important accountability indicator of materiality is presented below.

This positive result was not as strong as the one in Section 10.5.13.1 above as the statement also generated strong neutral and disagreement positions of 29.9% and 20.9% (18.7%+2.2%) respectively.

10.5.14 Materiality

Materiality as an element of accountability is critical in the accounting literature (FASB, 1975; Messier et al, 2005). It is concerned with the determination of the significance and relevance of an issue to organizations and their stakeholders (AA1000, 2008). Any issue may be considered material if it can change or influence organizations' decisions or actions. One statement was presented to stakeholders to assess the NCDMB's ability to prioritize and justify material matters over less important ones as shown below.

10.5.14.1 Perceptions of whether the NCDMB provides justification for all material (major) decisions it embarks on in relation to the implementation of the Nigerian Content Development Act

The majority of the responses to this statement were in agreement with 42.8% and 20.5% of the stakeholders either agreeing or strongly agreeing (median = 2.00) (Table 7.5). This can be interpreted as representing the stakeholders' acknowledgement that the Board justifies its actions and decisions on matters of great importance. For example, the Board has justified the conception of its ORAS, MAVOS, and ECMI programmes which were initiated to change the trend of heavy reliance of the local industry on the foreign suppliers of offshore rigs, marine vessels, and other oil and gas equipment. In the absence of compliance with the local content rules, the Board has been conferred the power to sanction any defaulting company by applying fines or cancellation of contracts. Therefore, the next indicator is the accountability dimension of sanctions.

10.5.15 Sanctions

Gray and Jenkins (1993) referred to sanction as the hallmark of accountability. In this regard, accountability was defined as the "perceived need to justify or defend a decision or action to some audience which has potential reward and sanction power, and where such rewards and sanctions are perceived as contingent on accountability conditions" (Frink and Klimoski, 1998: 9).

For the NCDMB to fulfil its accountability duties and efficiently discharge its legal responsibilities, it has to have adequate power to impose sanctions on non-compliant companies. This accountability element is the extension of the enforceability aspect of accountability discussed in Section 10.5.3. In addition, it involves taking measures in the form of punishment for the defaulters. The NOGICD Act has equipped the Board with the power to cancel contracts or charge a fine of 5% of the contract value when local content rules are violated by oil companies. The following statement was developed to test this aspect.

10.5.15.1 Perceptions of whether the NCDMB can effectively impose sanctions on any company that violates the provisions of the Act

This statement attracted a neutral position of 45.3% against the agreement (6.6%+25.1%) and disagreement (13.3%+9.7%) positions (median = 3.00) suggesting stakeholders' doubts about the matter (Table 7.5). Although the Act has given enough powers to the Board to impose sanctions, yet the stakeholders have decided to take this position. This might not be surprising considering the fact that despite several allegations of violations, up to the present there has been no incidence of sanction. Supporting an argument that the Board has not lived up to expectation, the Nigeria Union of Petroleum and Natural Gas Workers (NUPENG) had insisted that the Board has failed in its mandate to enforce the provisions of the first consideration for Nigerians for employment and training, and the employment of a maximum of five percent (5%) of the expatriates and a minimum of sixty percent (60%) of Nigerians in the management positions in the oil and gas companies. Also, the Board's ability to examine and scrutinize the Nigerian Content Performance Reports issued by companies was queried (Ahiuma-Young, 2014). There is, therefore, the tendency that the oil firms could submit counterfeit local content reports (Informant IPG03).

During an interview, a respondent who was knowledgeable about the Board's activities admitted that the lack of the application of sanctions should not be misconstrued as a weakness on the part of the Board rather; the Board has chosen to use amicable procedures to resolve issues. This has also coincided with the latest report that it was at present that the Board "will start" to chase companies for non-remittance of the 1% NCDF levies (Nigerian News Direct, 2015). Further, to respond to the Board's lackadaisical attitude, a National Assembly Report has indicated a legislative decision to intervene and punish defaulters (The Federal Republic of Nigeria, 2013). This further showed the Board's inherent weaknesses.

Significant differences were revealed (Table 7a Appendix 7). A cross-tabulation result (Table 7b Appendix 7) disclosed that GV (32.3%) was different from TU (8.1%) and CS (9.1%) regarding the neutrality about the statement. The highest doubt showed by the GV may not be unrelated to either the groups' resolution that all necessary cordial measures have to be taken before any sanction is contemplated or the groups recourse to the National Assembly for help (The Federal Republic of Nigeria, 2013).

10.5.16 Governance

The concept of governance has been playing a major role in this research. As the research is basically on the accountability of local content actors, it is inevitable that we discuss the aspect of governance because accountability was viewed as the bedrock of modern governance (Dubnick, 2002). In chapter three the study comprehensively reviewed an oil and gas good governance framework which provided the foundation for the conceptual framework of the study. In this part of the work, a statement was made to examine stakeholders' overall assessment of the governance effectiveness of the NCDMB in managing local content. The statement was as below.

10.5.16.1 Perceptions of the effectiveness of the overall governance of local content

Governance was identified as one of the four pillars of achieving sustainability through local content (Schlumberger, 2014). This statement, unlike the others already considered, was designed on a 7-point scale. The measurement ranges from 1 = Extremely effective to 7 = Extremely ineffective. The aim was to gather stakeholders' final assessment on the overall accountability of the Board. This statement attracted varied responses with 61.5% (7.6%+23%+30.9%) satisfied that the Board's overall governance was effective (median = 3.00). This stance should not over-shadow the 35.6% neutral and the 16.9% (9.7%+6.8%+0.4%) ineffective positions. Overall, we can conclude that the Board has effective governance provisions.

After getting the information on the general performance of the NCDMB, the next section aims at investigating the Board's financial accountability in isolation.

10.6 NCDMB's Financial Accountability to the Stakeholders in the Nigerian Petroleum Sector

In Section 4.8.3 we reviewed the NCDMB's fiscal responsibilities located in the third and the fourth stages of the petroleum value chain (Alba, 2009). In these stages, we have seen how the Board receives and disburses monies from the NCDF in line with the provisions of S. 104 for its commercial and developmental interventions (Sections 4.8.4.1 and 4.8.4.2). This section tests whether or not the Board manages and reports its financial activities with respect to the NCDF. Four statements were prepared to serve this purpose. The results were then combined with other qualitative evidence to answer the following research question:

What is the extent of stakeholders' perceptions of the NCDMB's financial accountability in the Nigerian oil and gas industry?

The following sections discuss the results of the four statements first before considering the interview data.

10.6.1 Perceptions of whether the NCDMB ensures that all oil and gas operators/contractors remit the mandatory 1% of the contract sum to the Nigerian Content Development Fund (NCDF)

Stakeholders have expressed their approval with 41.7% and 28.1% either agreed or strongly agreed that oil companies remit these monies to the NCDF (median = 2.00) (Table 7.7). This agreement indicated oil companies' compliance with the legal provisions of S. 104(2) and (3) which provided that all contractors, subcontractors or alliance partners who are awarded contracts in the industry have to remit the mandatory levy of 1% of the total contract value to the NCDF. This has usually been the norm in many countries that implement local content (IMF, 2005). This position notwithstanding contradicted a very recent newspaper report about the government's resolve to launch a forensic audit to trace defaulting firms (Nigerian News Direct, 2015; see also Section 10.5.15.1). This action has clearly confirmed that not all oil operators abide by these provisions, and these sanctions might already have been belated. A post hoc test revealed statistically significant differences between GV (26.7%) and CS (7.8%) (Tables 8a & 8b Appendix 8). Whilst the GV group believes highly that these monies were constantly remitted, the CS has a reservation. Considering the newspaper report above, it appeared that the CS had a good reason for its low agreement.

10.6.2 Perceptions of whether the NCDMB reports the financial positions (income and expenditure) of the Nigerian Content Development Fund (NCDF) to all the key stakeholders in the oil and gas industry

Stakeholders have registered an overwhelming 49.6% neutral stance on this statement (median of 3.00) (Table 7.7). Interestingly, this result has coincided with the results in Section 10.5.8.1 on the Board's failure to disclose and report its financial transactions to its various stakeholders. By implication, this revealed the Board's fiscal deficiency. This result was also in agreement with interview responses on similar issues as none of the interviewees were certain about the actual situation of the NCDF (e.g., *IPC02, IPC01 and IPI01*). This showed that inquiring into whether or not stakeholders were involved in decisions concerning the fund is important.

10.6.3 Perceptions of whether the NCDMB consults with key stakeholders before spending money from the Nigerian Content Development Fund (NCDF)

In support of the results in 10.6.2 above, this statement has also generated an overwhelming 47.5% neutral response against the 25.2% (7.2%+18%) agreement and the 27.4% (24.5%+2.9%) disagreement, from the stakeholders (median = 3.00) (Table 7.7). This result may be thought of as contradicting the positive results in Sections 10.5.6.1 and 10.5.6.2 on stakeholders' engagement and consultation. This might not be the case as this statement is concerned with financial matters while the others were not. This indicated that the Board was more willing to engage, involve and consult stakeholders on issues other than financial. The result was not consistent with an interviewee's *(IPG01)* argument that the Board had constituted a stakeholder committee as a consultation forum to consider matters relating to the Fund (see Section 8.4). It was also in conflict with what was exhibited in the NCDF's structure (Figure 14) which involved an advisory committee in the administration of the fund. The next section concluded this issue by assessing whether, in the overall, the Fund was achieving the purpose for which it was created.

10.6.4 Perceptions of whether the Nigerian Content Development Fund (NCDF) is achieving its purpose of providing easy access to finance for indigenous oil companies to execute oil and gas projects

A slightly neutral opinion of 40.4% was obtained for this statement (median = 3.00) (Table 7.7). Also, an agreement level of 33% (11.2% and 21.8%), and a disagreement level of 26.6% (21.2%+5.4%) were also achieved. This result confirmed the varied opinions of the interview participants about this issue. Besides the above quantitative analysis, corroborating qualitative evidence was also collected to provide more insight into the financial accountability of the Board. This will be discussed below.

10.6.5 Qualitative Results of the NCDMB's Financial Accountability

Section 8.4 has presented the interview data of the financial accountability of the NCDMB in order to supplement the quantitative data. The initial coding of the data has revealed several sub-themes from which four major themes have emerged. These themes are: (1) transparency and accessibility to financial information (2) honesty and professionalism (3) monitoring, auditing and verification of financial and non-financial performance, and (4) stakeholder engagement. These points are discussed below.

10.6.5.1 Transparency and Accessibility of Financial Information

Results have shown stakeholders' mixed reactions on the NCDMB's transparency of financial information. Contrary to the quantitative findings, many issues have been raised concerning how the Board manages the two funds in its custody. In spite of all the efforts made by the Board to be transparent by engaging funds managers to oversee the NCDF (BGL Plc and UBA Capital, 2014), the stakeholders have indicated dissatisfaction with the disclosure and access to the funds (e.g., *IPC03* and *IPI01*). This result has partially supported the quantitative results in Section 10.6.4 above. The stakeholders have projected the expected financial accountability duties of the NCDMB to include professionalism, transparency, hard work and honesty. Consistent with Nwosu, (2006) it was evident that there was neither any credible data on the financial positions of the fund nor any track record of its capacity development functions. This has made stakeholders sceptical about the possibilities of the NCDF to achieve its targets of executing projects, programmes and other related activities that promote Nigerian content as provided in S. 104(3) of the Act (NCDMB, 2013).

Although Hufbauer et al. (2013) had claimed that the modalities of the Fund were vague, the stakeholders have surprisingly shown a good understanding of the divisions of the Fund into 30% developmental interventions and 70% commercial interventions (S. 70(h) NOGICD; UBA PLC and BGL Capital, 2014; see also, chapter four). The stakeholders' calls for reporting of the NCDF as evident from the empirical data were in line with the several calls from the civil society groups about the Board's transparency and the accessibility of the Fund (Nigerian Tribune, 2015). It was reported that the stakeholders "want a clearer and less cumbersome process of accessing the Nigerian Content Fund", according to a civil society group. It was pointed out that the difficulty in accessing the fund came at the time when companies were in a pressing need to develop capacity and finance projects. Since the Fund is meant to encourage local employment, training, local sourcing, etc., the stakeholders have shown interest in traceable records to that effect, or else, the value addition expectations of the Fund would be vitiated.

From the perceptions gathered, it seemed that not a single informant was aware of the actual financial position of the Fund as none had responded to such question. This reaffirmed the possibility that the stakeholders were mainly engaged or consulted by the Board on non-financial matters as obtained in Sections 10.5.6.1 and 10.5.6.2. Although local content implementation in Nigeria has a history of opacity (Nwosu, 2006), the Fund's transparency was said to be what the Board has been trying to ensure (Ovadia, 2013). According to the Board's claims, the Fund has hit \$500m. Abdelwahed (2014) viewed that the Fund alone was inadequate to satisfy the industry needs, and recommended that there should be a special subvention from the government. This has made some of the stakeholders to suggest the utilization of the venture capital and trade credits. Another area of the Board's financial accountability is the management of its internal finances including budgetary allocations meant to finance salaries and other statutory affairs. Although the law has made an explicit requirement in S. 90 of the NOGICD Act, the Board has persistently failed in preparing annual reports of its financial transactions (Hufbauer et al., 2013). This implied that the stakeholders' concern over the need for external auditing of the Boards' finances was genuine.

A very important discovery from the available evidence was the existence of an expectation gap between the Board and the stakeholders with respect to financial accountability. Whilst the stakeholders were expecting information about the Board's financial dealings, the Board was claiming to have no duty to supply such information to any stakeholder group other than the Ministry of Petroleum Resources and the National Assembly. This controversy seemed to be as a result of different interpretations of the law. While the stakeholders were relying on the literal meaning of accountability in line with its stakeholder features, the Board was relying on the customs and practices of public agencies in Nigeria where budgets and financial reports were allegedly said to be only disclosed to the House of Assembly. Although a stakeholder has suggested that the Board's financial records were publicly accessible through the National Assembly, access to such information remains a challenge. A court action has to be instituted by a civil society group to enforce a public right to information on the Board. It was surprisingly alleged that the Board might not want to disclose certain information in order to please or protect the interests of some IOCs. This fact may confirm the allegations that the IOCs' strength and political influence have been beyond the control of the NCDMB (Okafor and Aniche, 2014). Conclusively, it can be confidently argued that the Board has relatively moderate financial accountability.

10.6.5.2 Honesty and Professionalism

Some of the expectations of the stakeholders were honesty and hard work on the part of the Board to collect, manage and disburse funds. The stakeholders showed their eagerness to see more efforts by the Board within a short period. The Board has pointed out that the procedural delay in managing the fund was a strategy to professionally act within the laid down policies and best practice. This supported the results in Section 10.5.12.1 that the Board follows the rules and due process in its activities.

10.6.5.3 Monitoring, Auditing and Verification of Financial and non-Financial Performance

Some important aspects concerning the Board's financial accountability were stakeholders' persistent need for a clear, auditable and verifiable process to measure the Board's performance instead of just press releases showcasing purported achievements (Hufbauer et al., 2013; Ovadia, 2014). Evidence has also shown that some stakeholders might have misunderstood the strategies deployed by the Board about the NCDF and its activities. As the Fund is just a loan guarantee, the Board claimed that it was the individual banks that would issue funds to the oil firms against which the NCDF would stand as a guarantor. Part of the functions of the Board is to monitor the companies that benefit to ensure effective utilization of the money.

10.6.5.4 Stakeholder Engagement

Consistent with the OPEC (2011) and as part of the accountability of the Board, engagement and collaboration among the industry stakeholders were viewed as necessary for the smooth implementation of the policy. The concept of engagement was found to be a sensitive accountability mechanism (AccountAbility1000, 2008; also Table 5.3). Some results from the analysis have confirmed the effectiveness of the Board's engagement (Section 10.5.6) despite the lapses noted by Vaaland (2012). The next section examines the compliance with the provision that required special consideration for local oil firms in carrying out contracts.

10.7 First consideration for the Nigerian oil and gas operating and servicing firms in the award of petroleum contracts, procurement of materials, employment and technology transfer

This section considers assessing the NCDMB's and the IOCs' mandatory accountability to respectively enforce and comply with the legal requirements that local oil and gas companies are given exclusive consideration when issuing petroleum licenses, contracts, procurements and employment and training as provided by S. 3(1) and (2). The section aimed to answer the following research question:

> ***What is the extent of stakeholders' perceptions of the NCDMB's ability to enforce the provision of the 'first consideration' to Nigerian oil and gas firms in the award of petroleum contracts, licenses, employment, procurement of materials, and technology transfer?***

To answer the above research question, both quantitative and qualitative information were gathered. For the quantitative information, fourteen (14) statements were presented to stakeholders for consideration (Table 7.8). These statements were guided by the accountability element of "enforceability" since they were testing the Board's ability to enforce certain local content requirements. These are presented below.

10.7.1 Perceptions of whether the NCDMB ensures that the Nigerian indigenous oil and gas companies are always given priority in the awarding of contracts that are within their capacity

As a sustainable development policy, local content is achieved through local participation in petroleum contracts. This statement has tested whether the provision of the first consideration for the local operators in awarding contacts was enforced by the NCDMB. This, however, depends on the local capacity, personnel and assets to execute contracts (Monday, 2015). Responses to this statement showed that 38.1% and 25.9% of the respondents have either agreed or strongly agreed (median = 2.00) (Table 7.8). This position may support the Petroleum Minister's controversial claim that because of the Act, the local companies have won about 87% of the total contracts (NOGIntelligence, 2012). This claim has however been faulted by some of the interview informants on the basis of their experiences that the majority of the said contracts were won by foreign firms who disguised as local. Differences were recorded for this statement although not genuine according to the threshold produced by the Bonferroni Corrected Alpha. Hence, no further analysis was required.

10.7.2 Perceptions of whether the NCDMB ensures that the Nigerian indigenous oil and gas companies are not excluded from the award of oil and gas contracts on the 'lowest bidder' basis as stated by the law

Contracts are usually won by the lowest bidders given the quality and delivery (Caplice and Sheffi, 2003). But, a departure from this normality was found to be a good practice and in the interest of sustainable development in Nigeria and in many other countries that implement local content. A margin of preference was applied to help local firms obtain more contracts (Naegelen & Mougeot, 1998; Cimino et al., 2014). In Nigeria for instance, a 10% margin of preference in favour of the local firms was provided by S. 16 of the NOGICD Act. Positive responses although not very strong, have shown that 37.1% and 14% of the respondents have agreed and strongly agreed with this statement (median = 2.00) against the equally significant 31% neutral and 17.6% (16.9%+0.7%) disagreement (Table 7.8). Significant differences were also calculated (Table 9a), and the cross-tabulation (Table 9b Appendix 9) showed that GV (29.1%) has a higher agreement than the LOC (22.3%) and TU (16.5%) possibly because, as the authority was trying to follow the due process in the award of contracts, some stakeholders might interpret it as an attempt to manipulate the process. This could, however, be possible because of the public authorities' perceived bad records (Abraham and Santos, 2010). This result was also supported by the NUPENG's allegation that most of the contracts in the drilling sub-sector were either awarded to non-local companies or to local companies that did not have the required drilling rigs (Ahiuma-Young, 2014).

10.7.3 Perceptions of whether the NCDMB ensures that the minimum Nigerian content set by the law is always achieved before oil and gas contracts are awarded to any company

Oil-producing countries that implement local content policy often provide in their petroleum contracts, the minimum requirements for local employment and training, contracts and procurement, and technology transfer (see Table 2.2). These requirements are represented either by volume (number of labour hours, labour headcounts, and tonnes of materials) or value (wages and salaries and total expenditure on procurement). Consistent with Munson and Rosenblatt (1997) the Nigerian local content rules have provided for the specific proportions of local content volumes and values in various petroleum activities in the industry (NOGICD Act, 2010). These provisions apply uniformly to the foreign and local firms for the onshore, offshore and deep-offshore operations (Ayonmike and Okeke, 2015). The values are recorded on a specially-designed project template and form the basis for reporting by oil firms (Hilary-Nwokonko, 2004; Bordmann, 2010; Warner, 2011). Because of their double reporting responsibilities, the IOCs, apart from reporting these indices to the host authorities as a mandatory duty, also voluntarily disclose them using the GRI and the IPIECA sustainability reporting guidelines. This was considered in chapter nine.

The above statement has generated positive responses (Table 7.8) with 30.9% and 22.7% of the respondents agreed and strongly agreed (median = 2.00). This is especially possible as the Board had taken the strictest stance that no contract would be awarded to any company if the minimum requirements were not achieved (Kazzazi and Nouri, 2012; Okafor and Aniche, 2014).

10.7.4 Perceptions of whether the NCDMB ensures that the indigenous oil and gas companies win more contracts after the enactment of the Nigerian Content legislation

It was argued that it is only after implementation that the success of a policy can be assessed (Odumosu-Ayanu, 2012). Whether local oil firms obtain more contracts above the little 5% they used to get before the local content law (see Table 4.2) remains an issue that only the industry participants could assess as there is no verifiable evidence. Some interviewees were of the opinion that most of the contracts supposedly won by the local firms were executed by the foreign companies. Local companies were only fronting for their international counterparts (Esteves, 2013). Nonetheless, this statement has also attracted overwhelming 35.6% and 16.9% agreement and strong agreement (median = 2.00).

This showed that the majority of the participants were satisfied with the level of improvement achieved in the industry as far as the award of contracts was concerned.

10.7.5 Perceptions of whether the NCDMB ensures that all materials used in the oil and gas operations which are available in Nigeria are sourced locally and not imported

The philosophy behind the local content policy is not only to encourage local participation in oil and gas activities but also to use policies such as joint ventures to develop local manufacturing sector (Hallwood, 1993). Unfortunately, some of the impediments to the local content policy in Nigeria are weak industrial base, undeveloped capital markets and "structural bottlenecks" (Balouga, 2012; Oxford Business Group, 2013: 127).

It was argued in the literature that most of the developed countries (including Britain and the US) have achieved industrialization through local content (Shafaeddin, 2000; Jie-A-Joen, et al., 2002; Enderwick, 2011). One of the green environmental arguments of local content proposed by this study (see Sections 2.8.1 and 2.8.2) has been manifested through the industrial policies (Johnson, 2015). Several pieces of evidence of the rise of local manufacturing of oil and gas assets in Nigeria were also witnessed.

This statement was responded to in agreement with a bloc of 41.4% and 25.9% of the respondents agreeing and strongly agreeing (median = 2.00) (Table 7.8). This position did not come as a surprise because of the efforts of the NCDMB to directly invest and encourage investment in manufacturing through its programme, the *Nigerian Oil and Gas Industrial Park Strategy (NOGIPS).* Some of the objectives of this programme include the attraction of domestic investment and FDI in the oil-related manufacturing sectors, encouragement of collaboration between the SMEs and the Original Equipment Manufacturers (OEMs), and making locally produced goods competitive internationally (NCDMB, 2013). The analysis revealed statistically significant differences among the responses (Table 10a Appendix 9). Cross-tabulation (Table 10b Appendix 9) revealed that CS (5.2%) had the lowest agreement compared to GV (29.6%), LOC (30.4%), and TU (22.6%). The CS may have lower agreement due to the claims by some activists that the so-called contract awards to local firms were either executed outside Nigeria or in Nigeria but by foreign firms as reported by Balouga (2012).

10.7.6 Perceptions of whether the NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian banks for services that are within their capacity

Local content policy means the involvement of all sectors of the economy through the spirit of linkage (Adewuyi and Oyejide, 2012). The financial sector is very instrumental in the implementation of local content as it is a major provider of capital. Local content benefits are not fully actualised in environments with an inefficient financial sector. In Nigeria, the local banks were unable to positively impact on local content policy as they lack a strong financial base to finance energy businesses couple with the fact that most local contractors do not even have a proper structure (Balouga, 2012). A study by Ihua (2010) has revealed that many of the local banks did not even understand the actual nature of the oil and gas business, and so, they do not have any dedicated sections that deal with the oil and gas matters.

This, notwithstanding, stakeholders have responded in agreement that the IOCs give preference to Nigerian banks with 46% and 19.8% agreement and strong agreement levels (median = 2.00) (Table 7.8). This result has refuted a stakeholder's opinion (*IPC01*) that in spite of all the mergers conducted in the Nigerian banking sector, the banks were still not able to adequately finance oil and gas business. This result may, however, suggest possible improvements over what used to be the case. The result may also be supported by the current legal requirement that every operator, contractor or sub-contractor must retain at least 10% of its total accrued revenue in Nigerian banks (S. 52(3)f NOGICD Act, 2010). Complying with this directive would enhance the local bank's financial positions.

10.7.7 Perceptions of whether the NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian insurance companies for services that are within their capacity

The insurance business is one of the sectors with a critical importance to the economy. Together with the banking and the legal sector they provide the basis for local content implementation. Stakeholders are in agreement that the Nigerian insurance companies are patronised by the IOCs as evidenced by the 38.5% and 20.1% agreement and strong agreement (median = 2.00) (Table 7.8). This agreement may be supported by the fact that the NOGICD Act required that all oil and gas operators and contractors, foreign or local

> *shall insure all insurable risks related to its oil and gas business, operations or contracts with an insurance company, through an insurance broker registered in Nigeria under the provisions of Insurance Act as amended.*

10.7.8 Perceptions of whether the NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian legal firms for services that are within their capacity

NCDMB is required to mandate oil companies to use the local law firms for their operations in the industry. S. 51(1) of the NOGICD Act requires all operators and contractors to "retain only the services of a Nigerian legal practitioner or a firm of Nigerian legal practitioners whose office is located in any part of Nigeria". This may be the reason why the agreement of 60.1% (41%+19.1%) was recorded for this statement (median = 2.00) (Table 7.8).

10.7.9 Perceptions of whether the NCDMB ensures that International Oil and Gas Companies give employment priority to Nigerian labour for services that are within their expertise

The requirement to give priority to local personnel is one of the most common provisions in petroleum contracts worldwide (see Section 2.9). It is one of the five tools or strategies of local content suggested by Ernst & Young (EY, 2014).

This statement has attracted positive responses with 38.1% and 19.8% either agreeing or strongly agreeing (median = 2.00) (Table 7.8). This position could support the Nigeria's Petroleum Minister's claim that over 30,000 jobs were created in eight areas of specialization (see Table 4.4) as a result of the enactment of the NOGICD Act (NCDMB, 2013).

10.7.10 Perceptions of whether the NCDMB is making all necessary efforts to ensure that International Oil and Gas companies set up offices and facilities in the communities they operate as required by the law

Community content is a micro perspective of local content in which local communities participate in contracts and employment (Warner, 2007; Oguine, 2011). Community content was treated as a micro-mandatory activity in Van Alstine's (2014) modified resource governance typologies (Figure 8). Localisation by the IOCs may be seen in two different stages: localisation in the country and localisation in the community of operations. The G4-SO1 indicator of the Global Reporting Initiative (GRI) is quite elaborative in explaining how companies affect local communities and how that should be reported. The NOGICD Act requires oil firms to establish offices in the localities they operate (S. 27). The rationale for this is to foster sustainable development and intergenerational equity in those communities (Cairn, 2006). Some of the informants have provided further support for this position (e.g., *IPL01*).

The majority of the stakeholders responded to this statement in agreement with 49.3% and 12.6% either agreeing or strongly agreeing (median = 2.00) (Table 7.8).

10.7.11 Perceptions of whether the NCDMB ensures that all information on employment and training programmes are made public

It is the responsibility of the Board to announce all opportunities and challenges to the industry stakeholders. This is part of the accountability dimensions of transparency and engagement. The majority of the stakeholders have shown positive response to the statement with 38.5% and 12.9% agree and strongly agree levels (median = 2.00) (Table 7.8). This position was consistent with the results of Sections 10.5.5 and 10.5.6. As a result of its transparency and engagement with the stakeholders, the Board had claimed to have achieved significant success in employment and training in various areas (see Table 4.4).

10.7.12 Perceptions of whether the NCDMB ensures that only Nigerians are employed by the International Oil Companies in junior and intermediate cadre as required by the law

Nigeria has copied from the international best practice in local content and specified positions to be occupied by nationals in the IOCs (Cotula, 2010). The law has required the IOCs to give up certain positions to the nationals (S. 34 NOGICD Act, 2010). This has the potential to reduce unemployment, economic hardship and grievances that often suppress sustainable development. The GRI and the IPIECA have provided in their sustainability reporting guidelines the descriptions of how categories and proportion of local personnel should be reported by companies (IPIECA, 2011; GRI, 2013).

The majority of stakeholders have agreed or strongly agreed with this statement at 41% and 12.9% respectively (median = 2.00) (Table 7.8). This view may be supported by the fact that besides being a legal requirements oil companies find it cost effective to hire the local labour rather than the imported (Hays, 2013). The result was also consistent with Fossgard-Moser's (2003) cost perspective (Section 3.3.4).

10.7.13 Perceptions of whether the NCDMB effectively involves the oil industry Trade Unions (NUPENG and PENGASSEN) in important training and employment decisions

Trade unions are very important stakeholders in any accountability regime as they symbolise the basic constitutional rights to assembly, expression of opinion and speech. In the Nigerian oil and gas sector, there are two main trade unions – the PENGASSAN and the NUPENG, representing the senior and the junior oil workers respectively. Any issue of employment or training directly involves these unions. There were strong allegations that these unions were not adequately involved in many aspects of local content despite their importance (Ahiuma-Young, 2014). But, contrary to this allegation, the stakeholders have agreed (37.8%) and strongly agreed (14%) that these unions were engaged by the Board (median = 2.00) (Table 7.8). This agreement was however weak because the neutral level of 31.7% and the disagreement level of 16.5% (10.4%+6.1%) were also reasonable. The allegation was further challenged by our analysis in Section 10.8 where the study used the logistic regression tests to examine whether stakeholders were discriminated from local content programmes on the basis of their organizations. In spite of this, an activist (*IPC02*) maintained that civil society groups were not carried along in some of the NCDMB's matters.

10.7.14 Perceptions of whether the NCDMB effectively collaborates with International Oil and Gas Companies to facilitate technology transfer programmes to Nigerian workforce

Technology transfer, though the least applied by countries (Section 2.9), is the backbone of every local content policy. Collaborations between the IOCs and the local firms through partnerships, joint ventures and alliances help significantly in transferring technology (Ihua, 2010). Stakeholders have agreed and strongly agreed with this statement with 46.8% and 14.7% (median = 2.00) (Table 7.8). This indicated the Board's success in enforcing the provisions of technology transfer (S. 43-46). This result has contradicted the findings of Vaaland et al. (2012) of weak collaboration among the local content actors, with the powerful IOCs as well as the institutional actors taking the blame.

The above quantitative analysis was supported by qualitative information gathered through interviews with key stakeholders. The results are presented below.

10.7.15 Qualitative Results of the 'first consideration' to Nigerian Oil Companies

In addition to the quantitative data, evidence was also obtained through interviews (chapter eight). Two major categories of themes discovered were the factors that facilitate compliance with the provision of the first consideration, and those that inhibit its progress. The major themes that appeared were: (1) effective enforcement and compliance mechanisms (2) vested interest, corruption and non-disclosure of beneficial owners of oil companies, and (3) financial and technological constraints. These points are discussed below.

10.7.15.1 Effective Enforcement and Compliance Mechanisms

It was shown that only effective enforcement and compliance mechanisms could induce the IOCs to award contracts to the indigenous firms. The concept of enforcement is very important in accountability (see Table 5.3). Throughout this study, stakeholders have been repeating the concept as the sole element that will ensure compliance with local content rules. This is in spite of the claims that provision of training facilities and incentives were enough to boost local skills rather than enforcing mandatory rules (Abdulkabir, et al., 2015).

Evidence has shown that as a result of the enforcement powers of the Board, more local companies were patronized, and more local workforce was engaged. An elaboration was also made concerning the Board's claims of creating over thirty thousand jobs in various oil and gas fields (see Table

4.4). It was revealed that for every year new jobs created are added to the retained jobs to give the total jobs for that period. Therefore, it may not be that all the jobs in Table 4.4 were new jobs. The Board was, however, viewed as prioritising the enforcement of 'local content' rather than 'local content development' (Abdulkabir et al., 2015) that is, the percentage of expenditure and wages and salaries, rather than the long-term training and development of the locals (see Tordo et al., 2013 for this differences). The analysis also found an allegation that the 'first consideration' rules were discriminatory among local firms. That is simply to say that some local firms enjoy the first consideration for contracts over others on no just grounds besides the political patronage and the failure of the Board's enforcement and control mechanisms.

10.7.15.2 Vested Interest, Corruption and non-Disclosure of Beneficial Ownership of Oil Companies

In a sharp contrast to the positive responses to the fourteen questionnaire statements presented in Section 10.7 above, the interview respondents have severally expressed their reservations on many of the purported achievements of the first consideration rules. This gave rise to the factors that inhibit the growth of local content. These factors included vested interest, corruption, and concealment of the identities of the actual beneficial owners of some oil companies that win and execute contracts (Martini, 2014; NRGI Reader, 2015). Upstream licensing and contract award were viewed as the "loci of corruption" in Nigeria (Gillies, 2009: 2). These practices have allowed some firms that have no tangible assets in the country to execute contracts worth billions of dollars (The Will, 2013; Akpata, 2014). Other discovered impediments of local content besides corruption were nepotism, favouritism and rent-seeking through political interference (Abdulkabir et al., 2015). The IOCs have resorted to giving various forms of gratifications to secure contracts (Martini, 2014; Nwapi, 2015). Vaaland, et al. (2012) and Nwapi (2015) have found serious manipulations and corruption in oil bidding and licensing process from the advertisement to the execution of the contracts in Nigeria. For instance, back in 1994, the giant Halliburton was involved in a bribery scandal worth

$180 million to secure an LNG contract (George and Lacey, 2006) in the country. In chapter three, the study has elaborately discussed the issues of corruption in local content as one of the major governance failures. Also, lack of verifiable data has made some stakeholders to doubt the Petroleum Ministers' claims that 87% of the contracts were won by the local firms and viewed it as a "grand deception" (e.g., respondent *IPC02*). A section of the stakeholders has held the opinion that the local firms only acted as fronts to their foreign counterparts. This has coincided with the Balouga (2012) and Esteves (2011) arguments that the imposition of too stringent or unrealistic local content targets could lead to pervasive behaviours by contractors.

The analysis has shown an overall agreement that the IOCs have found several ways to bend the rules to fit their interests with the connivance of the locals, sometimes even with the authorities. It was also opined that if the authorities were not diligent in ascertaining the beneficial ownership of firms, the fronting problems would persist (NRGI, 2015). Scholars have suggested that any comprehensive local content report must involve the percentage of local ownership of firms especially in Angola, Nigeria, Ghana and Uganda (Kalyuzhnova, 2012; Ramdoo, 2015).[60] Ownership was one of the five basic ingredients of the second local content model (EY, 2014), and one of the two criteria[61] used to determine the size of value-addition to the national economy (see Section 3.5; see also, Koopman et al., 2012). In the Nigerian situation, oil and gas contract procedures were said to have been marred by secrecy, corruption and manipulation of the bidding process (Vaaland, et al., 2012) resulting into awarding of contracts to "shell companies" with unascertained beneficial ownership (Martini, 2015: 5).

[60] Some countries place emphasis on company ownership in determining the level of local content. For example, Nigerian local content regulators categorised oil and gas companies into six classes (see Hilary-Nwokonko, 2004) according to local percentage of share ownership, number of nationals in executive, management and supervisory positions, assets ownerships, etc. Based on this categorization, governments determine value additions made specifically to the local economy. Some governments only consider the location of the company and not share ownership that is, the local address of companies. That is to say, a company does not necessarily have local ownership for it to add value to the local economy.

[61] The two most essential criteria to derive value-addition through local content are ownership and location of firms. See section 3.5.1.

10.7.15.3 Financial and Technological Constraints

Consistent with Balouga (2012) and Vaaland (2012), other inhibitors of local content discovered from the empirical evidence were the technological and financial challenges faced by the local firms. These factors, coupled with the discovery that the NCDF was not enough to fund the oil and gas operations (Abdulwahed, 2014), has left the local companies at the mercy of their foreign counterparts (see for example, *IPC03*).

The following section discusses the determinants of the awareness with some critical local content initiatives in order to address the allegations that some sections of the stakeholders were not fully aware of, and engaged with some of these initiatives.

10.8 Awareness and Effectiveness of the NCDMB's Local Content Programmes

This section is interested in testing the extent of the awareness and the effectiveness of a selection of critical local content programmes developed by the NCDMB. The section used a mixture of quantitative and qualitative evidence to conduct this task. Firstly, logistic regression was applied to test the determinants of the awareness of these programmes before proceeding to determine their effectiveness. The aim is to answer the following research question:

> ***What is the extent of stakeholders' awareness and the effectiveness of the NCDMB's local content programmes?***

Part of the quantitative analysis used the binary logistic regression to examine whether place of work (i.e., organization) and work experience (i.e., years of service) determined stakeholders' awareness of the three major local content programmes, namely: (1) Offshore Rig Acquisition

Strategy (ORAS), (2) Marine Vessels Ownership Strategy (MAVOS), and (3) Equipment Component Manufacturing Initiative (ECMI)[62].

After conducting the logistic regression, results from the Omnibus test of model coefficients and the Hosmer and Lemeshow tests showed a good model fit for the MAVOS and the ECMI and a poor fit for the ORAS (Table 7.10 and 7.11). Subsequently, the model summary showed the individual contributions of each of the independent variables (organization and years of service) to the explanation of the dependent variables (the ORAS, MAVOS and ECMI) (Table 7.12). The MAVOS model explained between 7.9% (Cox and Snell R Square) and 10.8% (Nagelkerke R Square) of the variance of the awareness with the MAVOS programme. The ORAS model explained between 6.5% (Cox and Snell R Square) and 8.8% (Nagelkerke R Square) of the variance of the awareness with the ORAS programme. Finally, the ECMI model explained between 5% (Cox and Snell R Square) and 6.8% (Nagelkerke R Square). In all the three cases, the predictive values of the independent variables on the dependent variables were very small and insignificant signifying that the stakeholders' awareness of the three programmes did not depend on the organizations they worked or the number of years they served (see Table 7.13). These results have disputed the allegations that certain groups of stakeholders such as the civil society and the trade unions were excluded from some of the NCDMB's programmes (e.g., *IPC02*; Ovadia, 2013).

On measuring the effectiveness of each of the three programmes, Table 7.14 showed the stakeholders' neutral positions, albeit weak, as the results were very close to an agreement. Hence, stakeholders seemed almost convinced by the Board's achievements in these areas. For example, the Board has claimed that indigenous ownership and manning of marine vessels and offshore rigs have significantly increased as a result of the local content policy. Strong commitments worth billions of dollars were also

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[62] A comprehensive document for the ECMI programme can be found at: http://www.ncdmb.gov.ng/images/GUIDELINES/NCEC.pdf

received from Original Component Manufacturers to domicile activities in the country (NCDMB, 2012, 2013).

To support the above quantitative results, an interview was conducted with local content managers and industry experts to explore the effectiveness of the three programmes. The results are discussed below.

10.8.1 Qualitative Discussion of the Effectiveness of the NCDMB's Programmes

These results were not better than the ones obtained above. However, there were mixed comments on the feasibility of the three local content programmes. The responses were divided into three categories: those that have commended the programmes in their totality, those that have partially agreed, and those that have totally disagreed with their effectiveness. Visible differences between the responses of the Board itself and that of the other stakeholders were noticed. While the Board emphasised the effectiveness of the programmes as was logically expected, some of the stakeholders showed a lack of confidence. The obvious themes that have emerged from the empirical data were: *(1) cooperation and support (2) asset ownership strategies (3) enforcement (4) cost effectiveness of local manufacturing of oil and gas assets, and (5) fronting.* These themes are elaborated below.

10.8.1.1 Cooperation and Support

Stakeholders have given various comments about the three programmes, but the most important were cooperation, support and encouragement from the government and the foreign manufacturers of the oil and gas assets. After acknowledging that the industry was enormously relying on foreign oil marine tankers and offshore rigs, stakeholders have also raised many problems and challenges associated with these programmes including the lack of cooperation of the original manufacturers and the likely unwillingness of the NCDMB to pursue them in earnest. Even as such, the programmes were largely commended by some stakeholders.

10.8.1.2 Asset Ownership Strategies

It was understood from the empirical data that the NCDMB was deploying some strategies to encourage ownership of oil and gas assets in order to achieve the legal requirements of the 50% asset ownership by the oil companies. The good news was the revelation that at present about 20% of the total offshore and land and swamp rigs operating in the Nigerian oil and gas industry was jointly owned by the local and the foreign firms. Similarly, the overwhelming 80% of the total land and swamp rigs were completely owned by the local firms. Also, the industry was said to be ready to commence local manufacturing of marine vessels. This is a welcome development because it was consistent with the balance of payment and the technology transfer arguments of the local content (Johnson, 2015) which have a direct impact on the GDP (Toulekima, 2015). Simply put, the economy would not only benefit from the domiciliation of activities by the Original Equipment Manufacturers (OEMs) themselves, but also in curtailing transfer pricing manoeuvres of the IOCs. Literature has examined the instances where increased local content rules reduce transfer pricing leverage of the multinational corporations and increase tax revenues to the state (Belderbos et al., 2000; PwC, 2012; Sigam and Gacia, 2012; African Transformation Report, 2014).

While there was a widespread awareness of these programmes, a stakeholder showed no such awareness except for the ECMI programme[63]. Also, a section of the stakeholders has described the assets ownership targets as too ambitious, unrealistic and did not warrant the intended sanctions the Board wanted to impose on defaulters. Putting realistic,

[63] One of the aims of this study was to use a logistic regression analysis to verify the claims that some stakeholders have not been involved in some of these programmes. The results were not able to substantial this claim but rather, revealed that organizational membership and years of experience did not impact on stakeholders' awareness of the ORAS, MAVOS and ECMI programmes.

predictable and measurable local content targets was found to be part of the accountability indicators; but unrealistic targets only induce firms to adopt illegitimate schemes (Esteves, 2011). Other issues raised were the financing and skills requirements to own, manage and repair rigs. While research has shown the inability of the Nigerian banks to finance such ventures (Balouga, 2012), it was equally acknowledged that the Nigerian firms were lacking the required technical know-how to manage them (e.g., respondents *IPC01, IPG02*). A dilemma, however, existed as to the cost and benefit of local production of the oil and gas assets. This is considered in the next section.

10.8.1.3 Cost-effectiveness of Local Production of Oil and Gas Assets

An important discovery from the empirical evidence was the stakeholders' observation that it might not always be in the best interest of the economy to produce everything locally. This argument was made on the basis of the principles of comparative advantage. It, therefore, follows that a cost-benefit analysis was required before engaging in such a venture in line with Tordo, et al. (2013). Another view was that besides the cost implications of local manufacturing, the local technology was also weak. So, the viable option might be to invite the original manufacturers to set up business in Nigeria, the initiative the NCDMB calls the Equipment Component Manufacturing Initiative (ECMI). Even as such, it was argued by the stakeholders that due to other local economic and political challenges such as the instability of power supply, the locally manufactured components might be more expensive than the imported ones.

10.8.1.4 Fronting

The fronting issue has been consistently repeated throughout the discussion because of its momentous impacts on the Nigeria's oil sector. In this situation, stakeholders have indicated that the so-called local manufacturing of some machines claimed by the Board, was a mere exaggeration as it was not actually manufacturing but assembling. Also, the companies that embark on the manufacturing were not local as widely assumed, but rather, foreign firms in disguise. This is another problem with the identity or the beneficial ownership of oil firms discussed earlier. The issue of fronting in local content implementation in the industry has a long history. Back in 2004, Ofurhie (2004) cited in Ovadia (2013: 68), had made the prediction that: "...we have also been warned on (sic) the possible danger of manipulating the new policy to promote local fronts instead of local content...". With the local firms fronting for their foreign counterparts to secure contracts, local content cannot be a panacea for any of the accountability and governance challenges of the Nigerian oil and gas industry (Mwakali and Byaruhanga, 2011; Martini, 2014; Ovadia, 2014; UNCTAD, 2014; NRGI Reader, 2015).

10.8.1.5 Enforcement

Another line of argument was that while it was clear from the empirical data that fully locally-owned marine vessels (i.e., category 'A'[64]) were to be considered first when awarding contracts, evidence has shown that some fully-owned Nigerian vessels were not able to secure jobs. This may take us back to our finding that the first and preferential consideration rules of the NOGICD Act were discriminatory (Section 10.7.15). These issues might be related to corruption and absence of transparency. The NRGI (2015) has suggested that to tackle the problems of corruption and fronting in the oil industry, the contracting processes have to be transparent, and the civil society must be involved. This claim was refuted by an NCDMB official and argued that the Board sticks to prioritizing marine vessels for contracts based on the existing categorization of local ownership or manufacturing (see Appendix 12 for the revised categorization).

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[64] The NCDMB has devised a categorization scheme based on which contracts are awarded to marine vessel vendors. For example, a wholly-owned or locally-built Nigerian vessel (i.e., category A) will be given the first consideration. Vessels that are 50% and above constructed locally will be considered next, etc. A notice of the revised categorization is attached as appendix 12.

The next section presents the discussion on the degree to which the IOCs in Nigeria comply with their mandatory local content reporting required by the law. This is to reconcile between their mandatory and voluntary accountability.

10.9 The Extent to which the IOCs Operating in Nigeria Comply with the Mandatory Reporting of Local Content Performance

This section interprets the empirical data obtained on the compliance with the mandatory reporting of designated contract documents by the IOCs. It relies solely on the quantitative procedure although some qualitative evidence was also found to be relevant. The results will be used to answer the following research question:

> ***To what extent do the IOCs operating in Nigeria comply with the mandatory reporting of local content performance?***

Empirical results from the questionnaire (Table 7.9) showed stakeholders' agreement with a range of 10.4% and 31.4% strongly agree and agree (media = 2.00) that the IOCs were complying with the mandatory reporting requirements and were engaged in the compilation and submission of specific contract documents listed by the Act (NOGICD Act, 2010). These documents include the:

(a) quarterly contracting plan which exceeds $1,000,000
(b) invitation to tenders for all contracts exceeding $1,000,000
(c) quarterly procurement report
(d) employment and training plan
(e) technology transfer plan
(f) annual Nigerian content performance report
(g) half-yearly financial services plan
(h) half-yearly legal services plan, and
(i) insurance plans

This legal requirement was used to regulate the local content accounting and disclosure practices in order to mitigate the information asymmetry between the Nigerian government and the IOCs (Gaffikin, 2005; Chatham House, 2013). This is part of the hard or mandatory local content accountability of the oil firms in Nigeria (see Figure 8). Fulfilling such mandatory reporting rules confirms companies' compliance with the host government's policies (Cowan and Gadenne, 2005). Several countries were said to have used their respective agencies to achieve similar reporting and monitoring aims (see Appendix 2).

This examination was important particularly; with a stakeholder (*IPT01*) as well as the literature argument (Egbon, 2014) emphasising the strength and influence of the IOCs and their potential to connive with the political elites to bypass the law. The convergence between this result and that of Section 10.10 below would help the study to ascertain whether or not the IOCs in Nigeria concurrently discharge their hard and soft local content accountability in the Nigeria's petroleum value chain.

10.10 The Extent of the IOCs' Voluntary Local Content Reporting in the Global Sustainability Reports

In this section, the study focuses particular attention on the extent of the soft or voluntary accountability engaged by the IOCs usually to achieve legitimacy and social license to operate (Patten, 1992; Brown and Deegan, 1999). This is in the form of local content reporting practices of the IOCs in their global sustainability reports (Higgins, 2014). In this part of the study, the work adopted the sustainability accounting methodology and computed the disclosure index on a set of fifty sustainability reports of the sampled IOCs for the periods 2005-2009 and 2010-2014 based on the five categories of the local content indicators derived from the GRI and the IPIECA sustainability reporting guidelines (see Tables 3.1, 3.2 and 6.3). The result is to be used to answer the following research question:

> ***To what extent do the IOCs operating in Nigeria voluntarily disclose and report local content in their global sustainability reports before and after the creation of the Nigerian local content law?***

It was quite interesting to find out that all the five IOCs involved have subscribed to both the GRI and the IPIECA sustainability reporting guidelines for all the relevant years. They have also adopted the EITI recommendations for general transparency. It should be recalled that the EITI has made comprehensive recommendations on local content disclosure as part of corporate accountability (Section 3.13) and in this direction, it was observed that some oil companies engage the professionals and the Civil Society groups to audit their local content performance reports (Ngoasong, 2014). Four of the five sampled IOCs (Shell, Chevron, ExxonMobil and Total) have maintained reports separate from the main annual financial reports which they variously named Sustainability Reports, Corporate Citizenship Report, Environment and Society, and Corporate Responsibility Reports. Only Eni-Agip was operating an integrated annual report where the sustainability information is incorporated into the financial reports. Whatever the case, these reports serve the same purpose of reporting the triple-bottom-line (social, economic and environmental) sustainability (Milne and Patten, 2002; Higgins et al, 2014).

The remaining sections of this work largely adopted the business-case face of the stakeholder-accountability and the mainstream accounting paradigm to determine how and why the IOCs voluntarily account for, and report their local content performances. Consistent with literature findings, business entities tend to report sustainability issues in areas they have high performance rather than those with low performance (Mitnick, 2000). Hence, the study assumed that the indicators disclosed by the IOCs were those on which they have the highest performance. Also, as the local content policy is a social and regulatory issue used to simultaneously comply with the law and obtain the social license to operate, the study also assumed that the contents of the sampled IOCs' sustainability reports analysed represented the extent of their local content disclosure.

The results of the disclosure analysis presented in chapter nine have shown an almost consistent disclosure index (i.e., whether or not an item was disclosed) of the two reporting periods with indices ranging from *0.46* to *0.45* 'before' and 'after' the local content law respectively. These indices are within the range of a moderate disclosure. This came as a surprise as the study had expected to find higher disclosure levels following the creation of the Nigerian local content law and the establishment of the dedicated enforcement agency (the NCDMB), to monitor the implementation of the policy. These results showed no impact of the local content law. Also, in spite of the claims made by the five IOCs of adopting the GRI and the IPIECA sustainability guidelines, most of the items disclosed were not in strict compliance with the prescriptions of the guidelines (Tables 3.1 and 3.2).

A closer look at the disclosure volumes of each of the five items (Table 9.1) led to the results in Figures 27 and 28. From the two pie-charts it was shown that between 2005 and 2009 local content disclosures for the respective indicators were recorded as: SE5 = 10%; EC5 = 1%; EC9 = 8%; EC6/SE6 = 56% and DMA/SE7 = 25%. Also, the results between 2010 and 2014 showed: SE5 = 7%; EC5 = 0%; EC9 = 18%; EC6/SE6 = 35% and DMA/SE7 = 40%. This indicated that the indicators with the highest volume of disclosure in 2005-2009 were indicators for local hiring and hiring practices (EC6/SE6) and the local supplier development practices and programs (DMA/SE7). This result was similar in 2010-2014 where these same indicators have attracted the highest disclosure. These two indicators were among the five strategic tools of the second local content model discussed extensively throughout this work (Section 3.5). These results were consistent with the ones obtained from the analysis of the model petroleum contracts of 23 countries (see Table 2.2 and Figure 2) where contracts and procurement and employment and training had the highest application indicating more emphasis on the economic and social sustainability of local content. The results were further supported by Frynas and Paulo (2007) and EY (2014) who argued that almost all IOCs were engaged in local employment and training activities to boost local capacity.

The lower disclosed indicators were those relating to local content objectives, approaches, policies and strategies (SE5) as well as the proportion of spending on local purchases (EC9). This showed failure by the IOCs to properly articulate and disclose their local content objectives and strategies which are fundamental to the local content and accountability principles (OECD, 2008; Cotula, 2010; Tordo, 2011; Levett, et al., 2012; Esteves et al., 2013). For the local purchases, this may not be unconnected to the oil companies' scepticism about publishing and publicising information relating to their suppliers and contracts since they are competing with many rivals for the same thing (World Bank, 2012). The results have partly coincided with the survey results which found that most of the sampled Chinese firms have largely reported the local supplier development rather than the local purchases among other local content sustainability indicators (International Accounting and Reporting Issues, 2007).

The least disclosed item was the local wages (EC5) which were disclosed in relation to the minimum wages by category of personnel. The next section extended the above analysis and went beyond the mere determination of whether or not an item was disclosed. In the coming section the volumes of disclosures were determined and, as there was no benchmark for local content disclosure performance, a comparison was conducted between the two periods – before and after the local content law – to observe if there were significant changes in the volumes (in word count) of disclosure.

10.11 Testing the differences in volumetric local content sustainability disclosures before and after the creation of the Nigerian local content law

This section aims at testing the following research hypothesis:

> **H_0** There is no significant difference in the volumes of local content sustainability disclosure of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.
>
> **H_1** There is a significant difference in the volumes of local content sustainability disclosure of the IOCs operating in Nigeria before and after the creation of the Nigerian local content law.

To test the above hypothesis, the content-analysed volumetric data on local content sustainability was used to conduct a pooled paired-samples t-test. The data has undergone the rigorous normality tests after which it was log-transformed (refer to Tables 9.4-9.6 and Appendix 11a and11b). Table 9.8 presented the results of the paired-samples t-test. The test was conducted to evaluate the impact of the Nigerian local content sustainability law on the voluntary local content disclosure practices of the IOCs operating in Nigeria. The result obtained showed statistically significant difference in the volume (word count) of disclosures with a *mean = 1.18041, SD = .35026, and t = 25.444.* In this case, the null hypothesis that there was no significant difference in the volumes (word count) of disclosure between the two periods will be rejected. The effect size of *0.92* was also large enough to corroborate the significance of the difference.

This result was quite interesting and likely to be perceived as contradictory to the results in Section 10.10 above where it was found that the disclosure index of 'before' was higher than that of 'after'. This was not the case as it was already explained that the disclosure index was only concerned with whether or not an item was disclosed while the volumetric disclosure was concerned with the amount of words or sentences used to disclose an item. So, an item can be disclosed a single time but in many words. It was therefore not surprising to find that the index of disclosure was higher during the 'before' period but the number of words or sentences used in the 'after' period were larger. These results, coupled with those in Section 10.9 where stakeholders showed their satisfaction with the manner the IOCs reported some designated contract documents, indicated that the IOCs in Nigeria are complying with their hard (mandatory) and soft (voluntary) local content accountability to a large extent.

For this reason, as far as the IOCs' hard and soft accountability were concerned, their performance was commendable. The results also showed a likely impact (in terms of volume of reporting and not the index) of the Nigeria's local content law on the voluntary reporting of the IOCs. It was further revealed that some of the major reasons the IOCs report their local content sustainability performances to stakeholders include compliance with the law, marketing and publicity, showcase of governance and accountability, impressing the stakeholders, and social license to operate. These reasons were in line with Schaltegger and Burritt's (2010) greenwashing, legislative and industry pressure, business-case, among others, which motivate firms to report social performance. They were also consistent with the mainstream accounting which views that conflicts are confronted with technical accounting knowledge (Hines, 1992; Modell, 2010). As such, these results may inform the aggrieved oil communities that the IOCs operating in their midst have concerns for their social, environmental and economic lives. This is an aspect of a social license to operate (IPIECA, 2011). The results also supported an IOC interviewee (*IPI01*) who contended that local content reporting has been in place, recognised and implemented by the IOCs even before the creation of the Nigerian local content law (Section 8.3.5).

10.12 Conclusion

This chapter discussed the analysis of the quantitative and qualitative results presented in chapters 7-9. The discussion started with the qualitative arguments that local content was a sustainability policy which has accountability implications. These views were largely supported by the stakeholders pointing to the social, economic and environmental relevance of the policy. New dimensions of accountability were also found to include understanding, measurability and predictability.

Quantitative and qualitative results of the NCDMB's financial and non-financial accountability were also presented, where it was found that although the Board's performance on many fronts was positive, certain areas of challenges were revealed. These areas include auditing and disclosure of financial records, management of the NCDF and the failure of the Board to eliminate corruption, fronting and discriminatory treatment of local firms. Although the quantitative results of the Board's power to enforce the 'first consideration' provision were all in favour of the Board, the qualitative evidence had reservations in some areas. Overall, the Board has performed relatively well. The last part of the chapter discussed the voluntary reporting practices of the five major IOCs operating in Nigeria based on the GRI and the IPIECA sustainability reporting guidelines. It was found that the disclosure indices of the sampled firms were within the moderate level with the 'before' period slightly higher than the 'after' period. Results also showed that the Nigeria's local content law had some impact on the IOCs' volume (word count) and not the index (frequency) of local content disclosure.

CHAPTER ELEVEN
Summary of Findings, Contributions and Policy Implications

11.1 Introduction

This research was conducted to evaluate the mandatory and the voluntary accountability of the Nigerian Content Development and Monitoring Board (NCDMB) and the International Oil Companies (IOCs) towards the effective implementation of local content sustainability in the Nigerian oil and gas sector. The nature in which the IOCs engage in the accounting for, and reporting of, local content performances in their sustainability and integrated annual financial reports were also examined. Accountability was studied within the context of the resource governance practices. As such, the Chatham House (2013) good governance in the oil and gas sector framework was used. This framework has technically led to the Klueh et al.'s (2009) and the Ernst and Young's (EY) (2014) local content models that were used to provide the solid foundation for the study.

The research was basically mixed-method guided by the pragmatist philosophy and the combined mainstream, interpretive and critical accounting paradigms. To achieve its aim, the study addressed eight research questions and one hypothesis as outlined in chapter one. The research questions included perceptions of whether or not local content was a sustainability policy and its accountability implications, and the two accountors' (NCDMB and IOCs) mandatory and voluntary accountability. The hypothesis was designed to test the IOCs' levels of local content disclosure before and after the enactment of the Nigerian local content law. This chapter aims at reviewing in a summary form, the major findings from the research, the contributions, policy implications, limitations and recommendations for further study.

11.2 Major Findings

Based on the literature reviewed and the various empirical evidence collected through the questionnaires, interviews and the sustainability/integrated annual reports of the five oil majors operating in Nigeria, this study uses this final chapter to highlight the major issues that have arisen in the course of the research. The systematic procedure to do this is by presenting and addressing the research objectives individually in the order in which they appeared in chapter one. The next sections present each of the research objectives (although not in their exact construction) and the summarised findings.

11.2.1 Local Content as a Sustainability Policy

It was found in this study that local content and sustainability were closely related concepts. Although the study was unable to claim absolutely that the policy creates sustainability, it was found that as far as the Nigerian oil and gas sector is concerned, local content was perceived by the stakeholders to be a sustainability driver, at the least. To justify this argument, three major themes related to the three pillars of sustainability were identified from the stakeholders' responses: *economic growth and the business-case, social stability, and environmental and intergenerational survival*.

It was overwhelmingly acknowledged that the economic relevance of local content included revenue and job retention, development of local supply chain, reduction in operating costs and project delays, decrease in imports and foreign currency pressures, and mitigation of transfer pricing manipulations by the IOCs, among others. On the social aspects of local content, it was found that the policy generally promotes welfare, local community engagement and the feeling of belonging and involvement within the oil communities. These factors were found to have significant social impacts that reduce many social vices such as insurgency and vandalism of oil facilities caused by local grievances. On the environmental dimension of local content, empirical evidence had suggested that the reduction in the long transportation of materials, equipment and components, and its replacement by local sourcing could significantly reduce carbon emissions and promote a greener environment. Also, by engaging the local people who communicated their grievances by disrupting oil operations and vandalising pipelines to cause massive oil spills, companies were viewed as capable of saving the replacement, maintenance and clean-up costs. Moreover, through the technology transfer aspect, local firms could gain improved production efficiency that minimizes waste. In addition, overwhelming evidence has linked local content to the overall human, environmental, and the oil sector survival. Apart from these positive impacts of local content, it was also found that the policy may turn to be a win-loss to the IOCs because of its potential to reduce profit by increasing the corporate tax and the overall operating costs. This may possibly be through the allocation of resources for local training and development, local content levies[65], as well as in some cases, expensive local input.

11.2.2 Accountability Expectations of Local Content

From the review of the recommendations of different accountability and governance bodies such as the EITI, TI, and NRGI as well as the empirical evidence gathered, it was concluded that local content rules require strong accountability commitments from all stakeholders involved. Consistent with many of the 16 accountability dimensions identified in the study (see Table 5.3), the stakeholders have identified some of the local content accountability requirements within the context of the Nigerian petroleum sector: *setting of realistic targets; understanding, engagement and commitment; transparency and reporting; enforcement; measurability and predictability; complaint and response; cost-profit effect; corruption, and sincerity of purpose.*

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[65]This is in line with the arguments that the additional toll brought about by the Nigeria's local content policy in the form of 1% of contract values, was another form of taxation. See section 4.8.3.

The analysis discovered that the NCDMB was the first party to bear the burden of accountability and was expected to confront the implementation with strong commitment, engagement, and sincerity. The need for setting achievable, measurable, predictable and enforceable local content targets was discovered. Although the complaint and response measures were found to be effective, concerns were also found about the lapses in the Board's understanding of local content rules, transparency, financial disclosure, independence, enforcement power, and performance assessment techniques. Some mitigating challenges facing the local content sustainability were also discovered to include the negative impacts on companies' operating costs, and corruption. Within the context of the Nigerian oil and gas sector, however, it was found that as part of the accountability arrangements, compliance with local content rules accords oil companies with more security and more opportunities to win contracts.

11.2.3 NCDMB's General Accountability Performance

After testing the 16 dimensions of accountability on the general performance of the NCDMB, important discoveries were made. It was quite interesting to state that most of the quantitative findings were in favour of the Board; albeit, in some instances, not very strong. For example, quantitative evidence found that the Board's objectives and performance metrics were clearly defined and communicated to the stakeholders. This, however, contradicted some of the qualitative results which accused some of the targets as being unrealistic. It was also found that the Board had the capacity and powers to influence compliance but with less ability to ensure all stakeholders have discharged their local content roles. Both the qualitative and quantitative analyses have found that the Board has engaged in non-financial transparency to some extent; but failed in most of its financial disclosure, auditing, and verification responsibilities. Complaint and response systems of the Board were found to be effective as proved by both the qualitative and the quantitative evidence. Many of the positive results produced by the quantitative analysis were however refuted during the executive interviews with some local content managers and experts.

The most visible evidence was that the Board had financial accountability deficit and that the enforcement powers and the political will to curb corruption have remained the major challenges. An overall governance assessment of the Board was also conducted on a 7-point scale and quantitative results indicated average positive responses showing stakeholders' appreciation with the Board's governance provisions. The neutral responses found among the results were pointers to stakeholders' doubts about some of the issues raised. The overall results showed the need to tighten up the regulatory functions of the Board.

11.2.4 NCDMB's Financial Accountability

In furtherance of acquiring a deeper understanding of the Board's performance in specific areas with a particular interest in financial management, quantitative analysis was made on four financially-related statements. Results showed that the Board was not reporting or consulting with stakeholders on the NCDF despite it being a stakeholders' fund as claimed by the Board. Notwithstanding the finding that all the oil firms remit the mandatory 1% levy, evidence has also established that the NCDF might not be achieving its purposes as expected. Besides its accountability deficits in managing the NCDF and its persistent failure to report its income and expenditure to the public, NCDMB was also found wanting for its failure to engage in external auditing as required by the law. Qualitative results have also found vital themes that would enhance our understanding of the Board's financial performance. These were: *transparency and accessibility of financial information; honesty and professionalism; monitoring, auditing and verification of performance, and stakeholder engagement.*

It was found that the Board was expected to exercise professionalism and honesty in its dealings. The Board's cautious management of the NCDF was however interpreted by some stakeholders as a tactical denial of access to the funds. Although results have shown that the Board has effectively engaged the stakeholders, the Board's financial transparency and monitoring and verification functions were found to be unsatisfactory. Conclusively, an expectation gap was found to have occurred between the NCDMB and its stakeholders as to whether or not the Board was accountable to publicly report its audited accounts.

11.2.5 First Consideration for the Nigerian Oil Firms for the Award of Contracts and Licenses

Analysis of the quantitative and qualitative evidence about whether local firms were enjoying the first and preferential considerations in the award of contracts and licenses has produced mixed results. On the one hand, the quantitative results showed the stakeholders' agreement with all the 14 statements presented which included inquiry into whether indigenous oil firms have won more contracts and local products were more patronised after the local content law. It was found that the IOCs have complied with the minimum local content requirements and also patronised local materials, banks, insurance and legal services, and built local offices, among others. These positive responses were strong indicators of local value-addition. On the other hand, the qualitative evidence has revealed that some of the positive responses from the questionnaire were just guided by illusion or misconception. The important themes revealed were: *effective enforcement and compliance mechanisms; vested interest, corruption and non-disclosure of beneficial owners of oil companies, and financial and technological constraints.*

It was found that even if the preferential consideration rule had existed in the industry, it might have been discriminatory, politically influenced and marred with corruption and misrepresentation of the real identities of the owners of some oil companies. These practices have given way to some IOCs to disguise as local companies and execute contracts. Therefore, the need for stronger enforcement efforts on the part of the Board was emphasised. Some of the basic elements inhibiting the capability of local firms to successfully execute contracts were found to be the banks' failure to provide funds for oil businesses as well as the technological weaknesses of the indigenous firms.

11.2.6 Effectiveness of the NCDMB's Local Content Programmes

Quantitative findings have shown that the awareness with the three local content programmes involving crucial oil and gas assets (ORAS, MAVOS and ECMI) was not determined by the stakeholders' organizations or their work experience as hypothesised. Some qualitative evidence, even though weak, has attempted but failed to counter this claim. On the effectiveness of the programmes, quantitative results have indicated that the programmes had the potential for success. The qualitative data indicated more improvement as a section of the stakeholders showed relative satisfaction with the programmes. The emerging themes included *cooperation and support; asset ownership strategies; cost effectiveness of local production of oil and gas assets; fronting, and enforcement.*

It was pointed out that the success of these programmes depends on the support and cooperation from the Board and other stakeholders including the original manufacturers of the oil and gas assets. Although the Board has deployed what seemed to be viable strategies to facilitate local ownership and manufacturing of offshore rigs and marine vessels, the problem of fronting was identified as one of the key mitigating factors. Critics of these programmes have focused on the lack of a good implementation strategy and persistent fronting where the rigs and vessels purportedly owned by the local companies were indirectly owned by the foreign firms. The cost-benefit aspect of the local manufacturing of these assets was also queried. Unanimously, stakeholders have required enhanced enforcement mechanisms from the Board.

11.2.7 IOCs' Compliance with the Mandatory Local Content Reporting

This section discussed the results of the analysis in Section 7.9 to determine whether the IOCs comply with certain mandatory local content disclosure and reporting requirements. This involved disclosing and reporting the local content performance report, invitation to tenders, insurance, legal and financial plans, etc., to the NCDMB during the prequalification, technical and commercial stages of the oil and gas contracts. Empirical analysis of quantitative data had showed stakeholders' satisfaction with the level of the disclosure of these contract documents by the oil companies, thereby fulfilling part of their hard and mandatory accountability.

11.2.8 Extent of the IOCs' Voluntary Local Content Disclosure and Reporting

In addition to the hard and mandatory accountability, the work also investigated the soft and voluntary local content accountability of the IOCs. The study applied the disclosure index method to investigate whether or not the five IOCs disclosed their local content sustainability performances in line with the GRI and the IPIECA sustainability reporting guidelines. This was done by scoring 1 if an item was disclosed and 0 otherwise (no matter the number of words used). The results have revealed that the disclosure index of the five years before the Nigeria's local content law was (very) slightly higher than that of the five years after the law. This might be an indication that the Nigerian local content policy may be lacking enough incentives to induce the IOCs to enhance their local content performances. It was also established that the five sampled IOCs were reporting their local content performances pre-NOGICD Act in the rank order of: Local hiring/hiring practices (1st); Local procurement practices/supplier development programmes (2nd); Local content policies (3rd); Local procurement (4th); and Local wages (5th). But post-NOGICD Act the rank order: Local procurement practices/supplier development programmes (1st); Local hiring/hiring practices (2nd); Local procurement (3rd); Local content policies (4th); and none of the local wages were reported.

11.2.9 Changes in the Volume of Voluntary Local Content Sustainability Reporting of IOCs in Nigeria

The final part of the empirical analysis in this work conducted a t-test to test the hypothesis that there was no statistically significant difference between the volumes (in word count) of local content disclosure of the IOCs before and after the enactment of the Nigerian local content law. After comparing the five-year pre- and five-year post- NOGICD Act disclosures, results confirmed that statistically significant difference existed between the two periods. The number of words used to disclose local content information in the period 'after' was higher than that of the period 'before'. It was concluded that the Nigerian local content law might have some impact on the voluntary local content disclosure practices of the IOCs operating in Nigeria.

Based on the foregoing discussion, the study makes some important policy recommendations in the following sections.

11.3 Recommendations and Policy Implications

Based on the conclusions drawn from the study, some useful recommendations that would assist all stakeholders including the IOCs and the regulators are highlighted. The policy recommendations are divided into two parts – the short-term and the long-term. These are considered below:

11.3.1 Short-term Recommendations

1. From the study it was evident that, in spite of the existence of the NCDMB, the effects of corruption, fronting and the use of political power for undue advantage by the local elite have become devastating. The NCDMB should address its enforcement, monitoring and verification, and financial accountability deficits as noted by the stakeholders. Specifically, the Board may want to conduct a SWOT analysis on its own performance in order to identify and address its challenges.

2. As a matter of urgency, the central government should review the policies governing the oil and gas sector with a view to understanding and blocking all possible loopholes and leakages likely to cause compromise and connivance of the local content agency and the powerful oil firms. For example, the identities of the beneficial owners of all oil companies must be ascertained, and all registration documents must be confirmed with the Corporate Affairs Commission (CAC).

3. The government should review the controversial section of the NOGICD Act that allows the NCDMB to accept a gift in money or in kind from individuals or corporate bodies as this poses a serious threat to the Board's independence.

4. As the Nigeria's petroleum sector becomes the most politicized, the government should have a strong political will to strengthen and make good utilization of the existing corrupt practices prevention agencies – the Economic and Financial Crime Commission (EFCC) and the Independent Corrupt Prevention Commission (ICPC), to tackle the persistent corruption at every stages of oil licensing, contracting and crude lifting in the industry.

5. Although results have shown the impact of the NOGICD Act on the voluntary reporting of the selected IOCs, the government may still consider incorporating more incentives into the local content regulations or making the rules less stringent and less hostile. The government may want to incorporate import duty waivers, unringfencing and cross-fencing of costs, or allow some training and development costs to be recoverable against the OPEX. This is likely to encourage more investment in the frontier areas at this moment of dwindling oil prices and mass divestment by the IOCs from several oilfields in Nigeria. Moreover, the government should focus on the provision of S. 48 of the NOGICD Act 2010 that allows favourable fiscal terms for the foreign firms that establish local manufacturing.

6. Throughout the analysis, the concept of "enforcement" has appeared to be the keyword. As such, the central government should deploy more enforcement powers to the Board and isolate all political interference that could temper with the Board's independence and hamper the smooth implementation of the policy. The Board should also be able to effectively utilise its legally endowed enforcement powers and shun from all suspicious practices.
7. The IOCs should enhance the impact of their presence and the value of their efforts towards the sustainable development of host countries. Specifically, they should ensure that the negative impacts of their operations in Nigeria have been compensated with effective local content sustainability performances including job creation, local capacity building, technology transfer and participation in local manufacturing. The IOCs should avoid all negative practices such as involvement in corruption or fraudulent use of local firms as fronts to secure contracts. Rather, they should be preoccupied with activities that could renew their social license to operate. Part of this includes the enhancement and sustainment of local content accounting and reporting practices in line with the internationally recognised sustainability accounting and reporting bodies.

11.3.2 Long-term Recommendations

The long-term recommendations are more concerned with the core political-economy of the country which needs to be strategically planned and executed by the government. It is recommended by the study that:

1. The government should provide an enabling environment for businesses to thrive against all the perceived economic and political sabotage. This concerns the provision of the necessary facilities including adequate power supply, security measures, and eradication of all politically-motivated crises. It was found from this study that the lack of adequate power supply in Nigeria was viewed as one of the factors likely to hinder the local manufacturing initiatives of the NCDMB (i.e., the ECMI

programme) including the intended industrial park project. Again, the persistent insecurity in the country in general and the oil communities in particular, including insurgency, attacks on oil facilities and kidnapping of oil workers, has to be effectively addressed through the proper utilization of local content in order to attract investment in the industry.

2. Although local content has several sustainability benefits, the government should, in the long-term, initiate a phase-out plan to gradually scrap the policy and allow the local firms to compete freely in the international market. It was shown by the international experience that the local content policy should not exist permanently, but, as local firms become matured, they should be phased out as in the cases of the UK and the US. Leaving the policy permanently in place, may turn to work against the interest of the local economy.

11.3.3 Recommendations for the Accounting Standards Setting Bodies

Due to the short- and long-term influence of local content on the oil companies' financial positions as a result of local expenditure commitments, the study recommended that the accounting standard-setting bodies particularly the International Accounting Standards Board (IASB) should issue dedicated accounting standards that address the computation and presentation of local content expenditure in annual financial statements of oil and gas companies that operate in countries where the policy is practiced. Alternatively, the provisions of the IFRS 8 (operating segments) and the IAS 21 (effects of changes in foreign exchange rates) should be expanded to properly accommodate local content issues. Proposed provisions should include the computations of the volumes and values of local materials and equipment, local wages and salaries, local equity ownership, expenditure on local employment and training, technology transfer expenditure, etc. This will complement the local content reporting guidelines of the Global Reporting Initiative (GRI) and the IPIECA.

11.4 Contributions of the Study

The study has made two broad contributions to knowledge – theoretical/ methodological contributions and contributions to practice. The following sections explain each of the contributions in detail.

11.4.1 Theoretical Contributions

The present research has made several contributions to the academic literature on local content, accountability, governance, sustainability and disclosure and reporting. Specifically, the study has made both theoretical and methodological contributions. It has immensely contributed to the extant but scanty literature on local content accountability and governance. The study has made the first attempt to use the accountability and governance models to contextualize local content within the scope of petroleum contracts. The study has further developed the little evidence of the linkages between local content and sustainability into a complex academic discourse where a tentative theory was built from unorganized pieces of literature and tested within the Nigerian oil and gas sector, and generalizable results were obtained. Another contribution is to the sustainability and the sustainable development accounting literature and the accounting practice. The study has brought to light the hidden and less researched area of linkage between local content and sustainability. Similarly, the emerging issue of local content accounting and reporting practices of oil and gas companies was brought to the fore by the study. Moreover, the application of the GRI and IPIECA sustainability reporting indicators by the research would further open the frontiers of accounting research and practice in general.

Another theoretical contribution arose from the innovative conceptual framework built on the first principle consisting of natural resource governance indicators, local content models and accountability theories that had progressed from earlier chapters and tightened up together the various parts of the study. The original stakeholder-accountability model developed after modifying the existing Donaldson and Preston (1995) model and the extensive review of literature that produced the sixteen (16) accountability indicators, as well as the emergence of new accountability indicators from the study, were original contributions to the accountability and the stakeholder literature.

11.4.2 Methodological Contributions

Mixing quantitative and qualitative methods is still evolving in the accounting research which is believed to be grounded in the traditional deductive methods. Based on the pragmatic paradigm, this study used the combination of the mainstream, interpretive and critical accounting paradigms in an innovative manner. This approach has fitted well into the Ryan et al.'s (2002) taxonomy of accounting research founded on the Burrell and Morgan's (1979) 2x2 schema. For example, the issues concerning the voluntary reporting of local content to achieve legitimacy and social license, and the stakeholders' concerns over the consequences of local content rules on the operating costs and profits are aligned to the mainstream accounting. But the stakeholders' complaints about discrimination in the enforcement of local content, exclusion from some programmes, denial access to the Board's financial records, and their opinion on local content as sustainability are aligned to the critical and the interpretive accounting paradigms.

11.4.3 Contributions to Practice

Apart from the academic contributions considered above, the present research has also contributed immensely to the promotion of sustainable local content based on the good governance practices of the oil sector. The application of the practitioner models – *the Chatham House and the Ernst and Young* – has provided a good ground to harmonize and synergize the academic-industry relationships that could ensure the quality of knowledge, theory and practice. Hence, oil companies in Nigeria and elsewhere would find the voluntary local content reporting beneficial in gaining goodwill, securing oil facilities, and reduction in the maintenance and replacement costs. The study has also highlighted the importance of compliance with local content as a precondition for winning oil contracts in Nigeria.

11.5 Limitations and Further Study

This study was conducted with the aim of being a pioneer empirical research in local content accounting, accountability and governance in the Nigerian oil and gas sector. This informed the utilization of various sources of data and the adoption of mixed-methods to study local content sustainability from different dimensions. Although the study was successfully conducted, it was not without some shortcomings in relation to the methodology, conceptual framework, coverage, sample size, and generalizability of findings.

The first limitation of the work is that each of the data analytic techniques adopted has its peculiar drawbacks. For example, the closed-ended questionnaire has restricted the respondents from making further comments on issues of interest. This deficiency was however not adequately offset by the qualitative part of the work because the interviews themselves did not comprehensively cover the contents of the questionnaires, as it was considered impracticable. Again, the interview, apart from being restrictive by established theories had also used a relatively small number of participants. The study may benefit from the more informative grounded theory methodology and larger sample size. The study was also limited to measuring local content disclosure based on an unweighted volumetric index to determine whether or not disclosure was made and the number of words used. Although a large number of studies in sustainability accounting rely on this procedure, the method might not have been the best. Further studies may be interested in investigating the disclosure quality of local content sustainability using the meaning-oriented (weighted) disclosure index to compare what are actually disclosed against how they should be disclosed. For example, a quick scan through the local content sustainability information disclosed by the sampled IOCs revealed significant deviations from how the GRI/IPIECA required some information to be disclosed. Such issues were not considered by this research, as the study was a starting point for this argument.

Secondly, both the theory and the framework used in the study also have shortcomings. The local content-sustainability theory in chapter two was proposed and tested by this study for the first time; hence, it may not be expected to work accurately as shown by the findings. Similarly, the stakeholder-accountability framework has fallen short of capturing other concepts outside the sixteen (16) dimensions of accountability (Table 5.3). There is, therefore, the need to incorporate the concepts of sincerity, understanding, measurability, predictability, professionalism, and honesty into the framework.

Thirdly, the investigation was context-specific and focused exclusively on the Nigerian petroleum sector. The findings may only be generalised to similar developing economies. A comparative analysis among local content implementing countries is needed to examine their level of accountability as well as their perceptions of local content as sustainability policy. The present research was also limited to assessing the accountability of only two local content actors (NCDMB and IOCs) and leaving out the bulk of others. Future studies may consider the contributions of other key stakeholders such as the indigenous oil firms, financial institutions, etc. This will allow the whole of the network of relationships among the stakeholders in our modified stakeholder model to be comprehensively assessed.

Fourthly, the study had focused exclusively on the hard and soft local content accountability of the regulators and the IOCs. An investigation into the hybrid local content accountability such as the EITI requirements[66]

[66] The study has argued that the EITI provisions although originally voluntary, are made mandatory in other jurisdictions. For example, Nigeria enacted the NEITI Act in 2007 while Ghana is yet to make its GHEITI into a Law.

which, depending on the jurisdiction, may or may not be backed by the law is highly needed.

Another important area of possible research is a study of the impact of corporate governance on the local content disclosure by oil companies. This will fill a significant gap in the empirical literature in this field. One of the most likely corporate governance variables to have an impact on the local content disclosure is the Board of Directors, as it is the board that decides on disclosure policies (Michelon and Parbinetti, 2012). A vital corporate governance issue uncovered by the study was the discovery that some foreign oil firms that engage in petroleum contracts in Nigeria were fraudulently hiding the identities of their beneficial owners. An investigation into the impact of ownership (based on nationality) on local content performance is needed. A number of studies have investigated the roles of nationality and diversity of managers and board members in organisational performance (Peterson, et al., 1996; Wang, et al., 1998; Delios and Björkman, 2000; Richards, 2001; Harvey and Richey, 2001; Ruigrok et al., 2007), but none was conducted on local content.

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APPENDICES

Appendix 1a: Sample Invitation to Tenders used in the Nigerian Oil and Gas Industry

NIGERIAN NATIONAL PETROLEUM CORPORATION

NNPC Towers, Herbert Macaulay Way, P.M.B. 190, Garki-Abuja, Nigeria

INVITATION TO TENDER
FOR THE SALE AND PURCHASE OF NIGERIAN CRUDE OIL GRADES (UPDATE)

1. INTRODUCTION

NNPC is the Nigerian National Oil Corporation empowered pursuant to NNPC Act (LFN Cap. 320) to engage in all commercial activities relating to the Petroleum Operations.

In compliance with the Public Procurement Act 2007 and the Bureau of Public Procurement guidelines, NNPC intends to engage qualified and reputable Companies for the sale and purchase of Nigerian Crude oil grades.

2. BRIEF DESCRIPTION OF SCOPE OF SALE

Sale and purchase of Nigerian Crude Oil grades subject to terms and conditions as will be advised in the term sheets and general form of agreement.

NB: Term Sheets and General Form of Agreement shall be made available to pre-qualified applicants.

Who may apply:

2.1 A bona fide end user who owns a refinery and may also own retail outlets. Bilateral involvement of home Governments may be added advantage.
2.2 Trading arm of Upstream companies operating in Nigeria with established track record of Oil and Gas production activities
2.3 An established and globally recognized large volume Crude Oil trader
2.4 Indigenous Nigerian company engaged in Nigerian Oil and Gas downstream business activities.

3. PRE-QUALIFICATION REQUIREMENTS

3.1 Full details of company profile with Certificate of Registration/Incorporation, certified true copies of memorandum and article of Association of the company.
3.2 Company Tax Clearance Certificate for the last three (3) years (2012, 2013 and 2014).
3.3 Evidence of VAT registration and Remittance (where applicable).
3.4 Demonstration of minimum annual turnover of US$750 million and net worth of at least **US$800million.**
3.5 Ability to establish an Irrevocable Letter of Credit for the payment of any allocated Crude Oil subject to the contract terms.
3.6 Ability to pay an initial deposit of **US$2.5Million** representing the first lifting deposit upon signing of the contract agreement.
3.7 Evidence of compliance with the Industrial Training Fund (ITF) Amendment Act 2011 by inclusion of copy of Compliance Certificate from the Industrial Training Fund (where applicable).
3.8 Details of the applicant's facilities, markets and volume of crude oil/ products traded and/or processed over the last three years.
3.9 Audited account for three (3) years (2012, 2013 & 2014).
3.10 Evidence of verifiable similar services carried out within the last five years.
3.11 Compliance with the Nigerian Content Act
Compliance with Nigerian Content Act shall be a major consideration in the selection of applicants to lift Nigerian crude oil. It should be noted that evidence of Nigerian equity in the entity seeking consideration shall give competitive advantage.
3.12 Interested applicants must submit a detailed Nigerian Content execution strategy to the satisfaction of the NCDMB, clearly setting out Nigerian Content commitments for subcontracting in the areas of:
3.12.1 Insurance and Legal Services
3.12.2 Banking and Financial Services
3.12.3 Training and Capacity Building
3.13 Any additional information relevant to enhance the bid/tender process.
3.14 Certainty of business integrity and pre-signed undertaking to strictly comply with Nigerian Anti-Corruption laws in processing the bid and executing the contract if successful.
3.15 Evidence of current registration with PENCOM and inclusion of Certificate of Compliance from PENCOM. (Where applicable).

4. OTHER CONDITIONS

In addition to the above, applicants should show commitment to the development of the Nigerian economy by investing in any number of investment opportunities that abound either in the oil industry or other sectors or as an alternative, in the short run, meaningful and sizeable investment in community development project(s) as may be acceptable. Investment areas include:

4.1 Upstream investment to increase our reserves and production capacity;
4.2 Downstream projects in refining, processing, distribution and storage of petroleum products;
4.3 Gas utilization projects;
4.4 Independent Power Plant Projects;
4.5 Agriculture;
4.6 Railway Construction;
4.7 Solid Mineral Development;
4.8 Healthcare sector development and Real Estate Development;
4.9 And any other areas of the economy acceptable to the SELLER.

5. SUBMISSION OF BID DOCUMENTS

All prospective companies wishing to tender for the sale and purchase described in 2.0 above shall submit relevant documentation as stipulated in 3.0 above.

The requested information and any supporting documents in respect of these requirements shall be submitted in ONE original plus TWO hard copies and two electronic copies (CD ROM). The documents which should be in separate packages shall be sealed and clearly marked **"INVITATION TO TENDER FOR SALE AND PURCHASE OF NIGERIAN CRUDE OIL"** to the following address:

The Group Managing Director
Nigerian National Petroleum Corporation
NNPC Towers
Herbert Macaulay Way
Central Area, Abuja

All the documents shall be delivered/opened as follows:

5.1 Bids to be submitted on or before **12 noon on Tuesday, 27th October, 2015** at Block D, First (1st) Floor, Room 458, Herbert Macaulay Way, NNPC Towers, Central Business District, Abuja, FCT.
5.2 Bids shall be opened immediately after the deadline at **12 noon on 27th October, 2015** in the Amphitheatre, 1st Floor, Block A, NNPC Towers, Abuja, FCT.

Bidders are invited to be present during the opening of the bids.

6. IMPORTANT INFORMATION

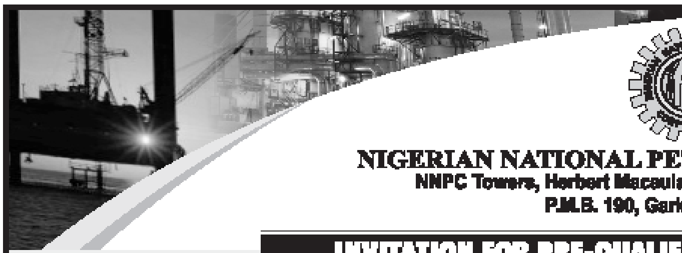
6.1 It must be noted that:
6.1.1 Late submission shall be rejected.
6.1.2 Your company shall provide NNPC with a Letter of Authority to verify all claims made in your submissions.
6.1.3 All claims must be adequately substantiated and verifiable.
6.1.4 NNPC shall deal directly with only authorized officers of the interested companies and not through individuals or agents (ownership is therefore essential).
6.1.5 All costs incurred by your company as a result of this pre-qualification exercise and any subsequent request for information shall be to your account.
6.1.6 This process of Pre-qualification neither creates any commitment by NNPC nor establishes any legal relationship.
6.1.7 **This is an Update to the Invitation to Tender for Sale and Purchase of Nigerian Crude Oil Grades earlier published on 14th September, 2015.**

UPDATED VERSION

SIGNED: MANAGEMENT

Visit us at: http://www.nnpcgroup.com http://www.facebook.com/nnpcgroup http://www.twitter.com/nnpcgroup

Appendix 1b: Sample Invitation to Prequalification used in the Nigerian Oil and Gas Industry



NIGERIAN NATIONAL PETROLEUM CORPORATION
NNPC Towers, Herbert Macaulay Way, Central Business District,
P.M.B. 190, Garki, Abuja - Nigeria.

INVITATION FOR PRE-QUALIFICATION OF CONTRACTORS FOR COMPREHENSIVE FACILITIES MANAGEMENT OF NNPC TOWERS

The NIGERIAN NATIONAL PETROLEUM CORPORATION (NNPC) intends to pre-qualify Contractors for Comprehensive Facilities Management of NNPC Towers, Abuja.

Accordingly, NNPC hereby invites reputable, competent and experienced companies for the pre-qualification exercise. Registration with COREN, IFMA and other relevant professional bodies will be an added advantage. Companies with less than annual turnover of N5 Billion and Tax Clearance Certificate to match need not apply.

SCOPE OF WORKS:
The scope of the Contractor's Works shall include but not limited to Facilities Management of the following:

a) Building Fabric Maintenance
b) HVAC (Heating, Ventilation and Air Conditioning) System and Associated Equipment
c) Lifts, Lift UPS System and other Associated Equipment
d) Power Generating Plants (Electric Generators)
e) Electrical Distribution System, Cabling and Associated Equipment
f) Water Supply (Bore Holes) and Plumbing System
g) Sanitary/Sewage System
h) Architectural Finishes
i) Horticulture
j) Office & Office Environment cleaning, Waste Disposal, Fumigation and Pest Control
k) Operation & Maintenance of Cleaning Cradles
l) Office space, Commercial space (Convenient shops, Banks, Restaurants, etc.), Open space and General purpose Fit-outs

PRE-QUALIFICATION REQUIREMENT
Interested firms should submit pre-qualification documents detailing the company's capabilities and financial status as follows:

A. General Company Profile
i. Name and Address of Company with telephone no. email, fax, etc.
ii. Legal status (Public liability company, corporation, etc.) registered capital, paid up capital, date of establishment, Nationality and country from which control is exercised, providing full details of ownership
iii. Evidence of Company Registration with Corporate Affairs Commission of Nigeria
iv. Documentary Evidence of Company registration with NNPC or any of its subsidiaries
v. Evidence of Tax Payment- Tax Clearance Certificate for the last three (3) Years.

B. Technical Capacity and Capability
vi. Evidence of Registration with COREN, IFMA and other relevant professional bodies.
vii. Detailed Company Profile including Organizational Structure, key professional staff with good knowledge base in Facility Management and their qualifications.
viii. Verifiable evidence of having successfully executed similar works for the past five (5) years. Provide details of such works which are considered relevant in demonstrating ability to successfully undertake this work. This should include:

a) Title and brief description of project
b) Client
c) Scope of works performed
d) Date of award of Contract
e) Contractual period for execution of project
f) Actual period of execution
g) Reasons for discrepancies between (e) and (f) above, if any
h) Nature of Contract (Fixed lump sum, reimbursable, etc.)
i) Name and Address of referee in client's company for each referenced project (provide telephone numbers and email addresses for quick reference)
j) You should provide NNPC with Letter of Authority to confirm previous relevant experiences as claimed
k) Copies of Completion Certificates of completed projects/Evidence of progress of ongoing Facility Management Contracts to be attached

ix. For a Joint Venture or partnership, the previous experiences being claimed must include those executed by the Joint Venture for the partnership
x. Any other information that could further attest to the ability of Company to perform Facility Management of this magnitude

C. Financial Capability
xi. Company's Audited accounts and financial Reports for the past three (3) years
xii. Evidence of accessibility to credit facilities or additional funding from reputable Class A Banks. Bank reference from Class A Bank.

NIGERIAN CONTENT REQUIREMENTS
In line with the Nigerian Oil and Gas Industry Content Development Act, respondents are to include in their pre-qualification documents, evidence of Nigerian Content Compliance. Documents to support this should include:

- Organizational structure indicating Nigerian Professionals, skilled and unskilled personnel to be engaged on this project
- List of equipment, materials and goods that are to be locally sourced on this project
- Where an indigenous company is in a Joint Venture, partnership or consortium- evidence of such a relationship in form of exclusive binding agreement/pre-bid agreement signed by the Chief Executives of both Companies and Partners
- List of equipment, materials and goods that are to be locally sourced on this project
- Verifiable evidence of existing/established residence in Nigeria with available offices and local support facilities
- Full compliance policy statement for the Federal Government of Nigeria Act on Nigeria Content

Non Compliance with the Nigerian Content is a "Fatal flaw"

COMPLIANCE WITH OTHER NIGERIAN LAWS
Also to be included are evidence of compliance with the following

- Provide with verifiable evidence, list of relevant equipment owned and/or to be sourced by the company
- Company's obligations to pay taxes, pensions and social security contributions in line with section 16 (6) d of the Public Procurement Act (PPA), and Section 1(2) of the pension reform act
- Company's CASHES and QA/QC policy, HIV policy, Demonstrable ability to handle host community issues and details of safety records for accidents, injuries, damages for the past three(3) years e.g lost time incidence, downtime, etc.
- Any additional information that will enhance the potentials of the company.

SUBMISSION OF PRE-QUALIFICATION REQUIREMENTS
The requested information and any supporting documents in respect of this requirement should be submitted in "**one bound copy of application letter and supporting pre-qualification information/documents in addition to an electronic copy of CDs must be packaged in one (1) sealed envelope which must be marked" as indicated below:**

"PRE-QUALIFICATION FOR COMPREHENSIVE FACILITIES MANAGEMENT OF NNPC TOWERS, ABUJA" and submitted to the office of:

The Company Secretary,
Room 107, 1st Floor, Block A,
NNPC Towers,
Herbert Macaulay Way,
Abuja, Nigeria.

CLOSING DATE:
All submission should reach the Address on or before Four (4) **Weeks** from the date of this publication.

Note that only pre-qualified Contractors shall be invited to collect the bids documents. NNPC reserves the absolute discretionary rights to either accept or reject any documents, and it shall not be required to assign a reason for refusal to invite any Contractor to participate in the exercise or to enter any correspondence concerning the selection of any Contractor for the works. All information shall be to your account.

This advertisement and any related process neither creates any commitment by NNPC nor establishes any legal relationship with NNPC.

SIGNED: NNPC MANAGEMENT

Appendix 2

Table 3.2: Local Content Agencies and their Monitoring, Accounting and Auditing Functions in Selected Countries

Country	Local Content Monitoring Agencies	Monitoring/Reporting, Enforcement & Auditing Responsibilities
Angola	Ministry of Petroleum; Sonangol	• Monitoring the recruitment of foreign workers is done by the Ministry of Petroleum • Monitoring of local sourcing of materials, goods, equipments and services is conducted by Sonangol
Brazil	Brazilian National Agency for Oil, Gas and Biofuels (ANP)	• Quarterly local content reporting by operators • Block specific reporting for the exploration phase and area specific reporting for the development phase • Reporting uses specific templates provided by the ANP which are standardized for each phase (exploration and development) • Auditing takes place at the end of each of the exploration and development phases
Indonesia	Interim Working Unit for Upstream Oil and Gas Business Activities (SKSPMIGAS)	• Annual compliance monitoring • Production sharing contractors to comply with local content targets set by SKSPMIGAS and ticked against a specific template • Contractors to submit monthly report according to the format and instructions contained in SKSPMIGAS procurement guidelines • Ministry of Trade issues local content certificates to contractors
Kazakhstan	Ministry of Oil and Gas and the Ministry of New Technologies; Kazakhstan Contract Agency (KRA); Expert Council on Local Content; Technical Regulation and Metrology Committee	• Subsoil users are required to file quarterly and annual reports in the KRA Register detailing their: (1) medium- and long-term procurement plans; (2) local content in goods, works and services; (3) local employment; and (4) training performance • Local content in employment is monitored through the work permit applications and the subsoil users reports to the KRA • Educational budgets are monitored by KRA. Unspent amounts are carried forward and must be spent before the end of the relevant petroleum contract
Malaysia	Petronas	• Reports on the level and trend of local content and monitoring of local content obligations under PSAs • PEMANDU tracks progress toward the achievement of the Economic Transformation Program's targets • Indicators have been set to track progress toward: (1) attracting multinationals to bring their global oil field service and equipment operations to Malaysia, (2) Consolidating domestic fabrication sector, and (3) developing engineering, procurement, and installation capacity through strategic partnerships and JV s
Nigeria	Nigerian Content Development and	New reporting guidelines mandated oil firms to submit the following documents to the NCDMB:

	Monitoring Board (NCDMB) Ministry of Petroleum Resources National Assembly committee on local content	• Quarterly contracting plans for all contracts which value exceed $1 million • Invitation to tender for all contracts which value exceed $1 million • Quarterly procurement report • Employment, training and technology transfer plan • Half yearly financial, legal and insurance services plans • Annual Nigerian Content Performance Report showing the following: - Category of expenditure on a current and cumulative cost basis; - Employment achievement in hours/days worked by Nigerians and expatriate workers and their status; - Procurement in quantity, tonnage of foreign and local materials; • Board to issue directives to contractors/operators to facilitate reporting
Norway	Goods and Services Office (GSO)	• Monitored IOCs' contracting and procurement (materials, equipment and services) procedures to maximize local participation • Responsible for ensuring that qualified Norwegian oil companies were involved in petroleum contract biddings • Required all IOCs to publish their tender schedules as well as the list of all participating companies • Upstream oil and gas companies to submit annual reports disclosing information on local content including local materials and labour used in oil production • Encouraged joint ventures and technology transfer
UK[67]	Offshore Supply Office (OSO)	• set up a special auditing and reporting processes to track and monitor all purchases made by the oil and gas companies to ensure compliance with local content provisions

[67] The UK OSO is no longer functioning. With entry into the EU, the UK had scrapped its local content rules. But still local content strategies do exist informally. For instance, it was observed that the Chambers of Commerce and local authorities engage in promotion of opportunities ensuring that local firms enter the supply chains (Govt. Of Australia, 2011).

Trinidad and Tobago	Permanent Committee on Local Content; Work Permit Advisory Committee; Energy Research and Planning Division of the Ministry of Energy and Energy Industries; Energy Chamber of Trinidad and Tobago;	• Production sharing contracts requires that all contractors to ensure that local and nonlocal contractors or suppliers maintain records to enable the government to monitor local content, and have to certify the cost of local materials, labour, and services used with supporting documents which will subsequently be audited • Quarterly reporting on local content activities by operators to the Ministry of Energy and Energy Industries • Training and development programs shall be approved by the Ministry of Energy and Energy Industries and progress shall be reported

Source: Modified from The Trinidad Guardian (2007), Klueh et al. (2009), NOGICD Act 2010, and Tordo et al. (2013: 96-120).

Appendix 3

Stages of Acquiring Participating Interests from the IOCs by the Nigerian Govt.

Company	Nigerian Government Interest (%)	Date of Acquisition
Elf (Formerly SAFRAP)	35 55 60	01-04-1971 01 -04-1974 01-07-1979
AGIP/PHILIPS	33 ½ 55 60	01-04-1971 01-04-1974 01-07-1979
GULP (Presently CHEVRON)	35 55 60	01-04-1973 01-04-1974 01-07-1979
SHELL (Formerly SHELL-BP)	35 55 60 80	01-04-1973 01-04-1974 01-07-1979 01-08-1979
MOBIL	35 55 60	01-04-1973 01-04-1974 01-04-1979
TEXACO/GULP (Presently CHEVRON)	55 60	01-05-1975 01-07-1979
PAN OCEAN	55 60	01-01-1978 01-07-1979

Source: Crosby-Oil and Gas People (1998)

Appendix 4: Interview Protocol

Designing and Contextualising the Interview Questions

The essence of conducting interviews in this study is to obtain further information that cannot otherwise be obtained. This is to address the inherent limitations of the questionnaires. The results will converge with the results from the other procedures to give a more meaningful picture of the problem at hand. Generally, the research questions involved in this work were being informed and contextualized by the statement of the problem and the objectives of the study which were founded on the concepts of sustainability, accountability and governance. Hence, the interview questions were designed to explore the issue of sustainability and accountability and governance of the oil sector. There were five interview questions in total. Three of the questions (i.e., NCDMB's financial accountability, assessment of first consideration rules, and effectiveness of local content programmes) were exactly covered by the questionnaire, while the other two questions (i.e., local content as sustainability and the accountability aspects of local content) were stand-alone and developed based on the researcher's efforts to test a sustainability and a stakeholder-accountability theories proposed. Hence, the five interview questions were partly exploratory and partly confirmatory as they were guided by theories. After the questions were prepared they passed through a pilot test as explained in the work. The administration of the interview ran as below.

Conducting the Interview

The following is a description of the process of how the interview was conducted.

Before interview commences:

- Informal conversation to familiarise with each other and build trust
- Restating the purpose of the interview
- Seeking for consent to record and use the data
- Assurance of confidentiality

During interview:

- Introduction by the interviewer
- Brief description of the area of research
- Introduction by the interviewee

(questions followed)

Questions:

1. While some scholars view local content as a sustainability policy which contributes to the social, economic and environmental development, others view the policy as causing distortion and corruption. In your opinion can local content be classified as a sustainable development policy, and how?
2. What can you say about the level of accountability expected from government and the stakeholders in local content implementation?
3. NCDMB was created by the law to manage the implementation of the local content policy, what can you say about the NCDMB's disclosure of financial and non-financial performance to stakeholders?
4. In your opinion are the Nigerian oil and gas firms actually enjoying the 'first consideration rule' in the award of oil and gas contracts, license, employment and training as required by the law? *If yes, how?*

5. How can you assess the effectiveness of the NCDMB's programmes: Offshore Rig Acquisition Strategy, Marine Vessel Ownership Strategy, and Equipment Component Manufacturing Initiative?

*in some instances, after the completion of the interviews, the researcher asked some interviewees to direct him to other available participants, in another words, snowballing. Below is the list of the participants interviewed and their details.

Interview Participants

Stakeholder Groups	Codes	Organization	Position
Government	IPG01	NCDMB	Manager
	IPG02	NCDMB	Manager
	IPG03	DPR	Manager
International Oil Companies	IPI01	Shell	General Manager
	IPI02	ExxonMobil	General Manager
Local Oil Companies	IPL01	GC Energy	CEO
	IPL02	PETAN	Business Development Manager
	IPL03	PETAN	Manager
Trade Unions	IPT01	PENGASSAN	Director of Research
	IPT02	PENGASSAN	Manager
	IPT03	PENGASSAN	Manager
Civil Society	IPC01	Natural Resource Governance Institute (NRGI)	Nigeria Officer
	IPC03	CISLAC	Executive Director
	IPC02	Borderless Local Content Advocacy	Founding partner

Source: Field study

Note: IP=Interview Participants; G=Government; I=IOC; L=Local company; T=Trade union; C=Civil society

Appendix 5: Questionnaire

Section One

Information on the Nigerian Content Development and Monitoring Board (NCDMB)'s Performance Accountability (and Transparency)

This section deals with the NCDMB's performance accountability generally. Specifically, the section is interesting in finding out how transparent and accountable you think the Board has been in carrying out its legal duties in relation to the implementation of the sustainable development policy of local content. With this in mind, please provide a score (between 1 and 5) to indicate the extent to which you agree with the following statements which deal with different aspects of the administration of the Nigerian Content Development Act.

1=Strongly agree; 2=Agree; 3=Neither agree nor disagree; 4=Disagree; 5=Strongly disagree

	Statements	1	2	3	4	5
1.1	NCDMB has clearly communicated the objectives it wants to achieve for the Nigerian oil and gas industry through the implementation of the Nigerian Content Development Act					
1.2	NCDMB has clearly defined the criteria/ metrics by which local content can be measured					
1.3	NCDMB has sufficient capacity (in terms of qualified staff) to fully implement the provisions of the Nigerian Content Development Act					
1.4	NCDMB has sufficient funding to fully implement the provisions of the Nigerian Content Development Act					
1.5	NCDMB has sufficient power in 'practice' to enforce compliance with all the provisions of the Nigerian Content Act on all oil and gas companies					
1.6	NCDMB ensures that each stakeholder group in the oil and gas industry (regulators, companies, etc) effectively discharges its roles and responsibilities in the implementation of local content					
1.7	NCDMB provides timely information about new local content policies and regulations to the key stakeholders involved in the industry					
1.8	NCDMB provides relevant information about new areas and opportunities for indigenous participation in oil and gas activities					
1.9	Whenever NCDMB fails to disclose certain important information to stakeholders, it provides reasons for the non-disclosure					
1.10	NCDMB engages all the key stakeholders in major decisions concerning the implementation of the provisions of the Nigerian Content Development Act					
1.11	NCDMB accepts advice from the key industry stakeholders if considered appropriate for the achievement of Nigerian content objectives					
1.12	NCDMB maintains an effective system of internal auditing which ensures stewardship of financial and non-financial resources					

1.13	NCDMB regularly conducts facility audit to assess the capacity of companies to execute oil and gas contracts in the industry					
1.14	NCDMB conducts social audit to assess the impacts of its policies on the lives of the general public (in terms of job creation, etc)					
1.15	NCDMB reports its financial performance to all the key stakeholders in the oil and gas industry					
1.16	NCDMB reports its non-financial performance (process, achievements, etc) to all the key stakeholders in the oil and gas industry					
1.17	NCDMB periodically (monthly, quarterly, yearly) conducts performance monitoring and evaluation exercises to assess the extent of compliance with local content requirements by the oil and gas companies					
1.18	NCDMB operates in the best interest of the government to achieve the required level of local participation in the Nigerian oil and gas industry					
1.19	NCDMB considers the best interests of Nigerian oil and gas companies in the process of implementing the provisions of the Nigerian Content Development Act					
1.20	NCDMB always responds to stakeholders' demands to give account on actions undertaken to ensure effective implementation of the provisions of the Nigerian Content Development Act					
1.21	NCDMB complies with all existing laws and due process in discharging its responsibilities with regards to the implementation of the provisions of the Nigerian Content Development Act					
1.22	NCDMB maintains effective complaint and response mechanisms to address matters raised by the key stakeholders with respect to local content implementation issues					
1.23	NCDMB maintains an effective 'whistle-blowing' system to consider complaints from the general public					
1.24	NCDMB provides justification for all material (major) decisions it embarks on in relation to the implementation of the Nigerian Content Development Act					
1.25	NCDMB can effectively impose sanction on any company that violates the provisions of the Act					
1.26	Effectiveness of the overall governance of local content	Scale 1-7				

Section Two

Information relating to the Nigerian Content Development and Monitoring Board's ability to report financial positions to stakeholders

Please indicate the extent to which you agree that the NCDMB has been successful in managing and reporting of its financial positions in relation to the **Nigerian Content Development Fund (NCDF)**

1= Strongly agree; 2= Agree; 3= Neither agree nor disagree; 4= Disagree; 5= Strongly disagree

Statements	1	2	3	4	5
2.1 NCDMB ensures that all oil and gas operators/contractors remit the mandatory 1% of the contract sum to the Nigerian Content Development Fund (NCDF)					
2.2 NCDMB reports the financial position (income and expenditure) of the Nigerian Content Development Fund to all the key stakeholders in the oil and gas industry					
2.3 NCDMB consults with key stakeholders before spending any money from the Nigerian Content Development Fund (NCDF)					
2.4 The Nigerian Content Development Fund (NCDF) is achieving its purpose of providing easy access to finance for indigenous oil companies to execute oil and gas projects					

Section Three

Please indicate the extent of your agreement with the Nigerian Content Development and Monitoring Board's (NCDMB)'s efforts in implementing and enforcing compliance with the provision for the **first consideration for Nigerian companies in the award of oil contracts, employment, procurement and technology transfer**

1= Strongly agree; 2= Agree; 3= Neither agree nor disagree; 4= Disagree; 5= Strongly disagree

Statements	1	2	3	4	5
3.1 NCDMB ensures that Nigerian indigenous oil and gas companies are always given priority in the awarding of contracts that are within their capacity					
3.2 NCDMB ensures that Nigerian indigenous oil and gas companies are not excluded from the award of oil and gas contracts only on the 'lowest bidder' basis as stated by the law					
3.3 NCDMB ensures that the minimum Nigerian content set by the law is always achieved before oil and gas contracts are awarded to any company					
3.4 NCDMB ensures that the indigenous oil and gas companies win more contracts after the enactment of the Nigerian Content legislation					
3.5 NCDMB ensures that all materials used in oil and gas operations which are available in Nigeria are sourced locally and not imported					
3.6 NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian banks for services that are within their capacity					
3.7 NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian insurance companies for services that are within their capacity					
3.8 NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian legal firms for services that are within their capacity					
3.9 NCDMB ensures that International Oil and Gas Companies give employment priority to Nigerian labour for services that are within their expertise					
3.10 NCDMB is making all necessary efforts to ensure that International Oil and Gas companies set up offices and facilities in the communities they operate as required by the law					
3.11 NCDMB ensures that all information on employment and training programmes are made public					
3.12 NCDMB ensures that only Nigerians are employed by the International Oil Companies in junior and intermediate cadre as required by the law					
3.13 NCDMB effectively involve the oil industry Trade Unions (NUPENG and PENGASSEN) in important training and employment decisions					

3.14 NCDMB effectively collaborates with International Oil and Gas Companies to facilitate technology transfer programmes to Nigerian workforce					

Section Four

Information in relation to the Nigerian Content Development and Monitoring Board's (NCDMB's) and the International Oil and Gas Companies' (IOCs) ability to enforce and comply with the mandatory local content Reporting and Disclosure Provisions

As a precondition for the award of contracts, oil service companies are required to submit certain documents disclosing some vital information to NCDMB in compliance with the new reporting requirements. The information to be disclosed includes the following:

Documents
a. Quarterly contracting plan for contracts which value exceeds $1m as set by the law
b. Invitations to tender for all contracts which value exceeds $1m as set by the law
c. Quarterly Procurement Report
d. Employment and Training Plan
e. Technology Transfer Plan
f. Annual Nigerian Content Performance Report
g. Half yearly Financial Services Plans
h. Half yearly Legal Services Plans
i. Insurance Programmes

4.1 Do you agree that all oil and gas service companies submit the above listed documents to NCDMB before they are awarded any oil and gas contracts?

1=Strongly agree; 2=Agree; 3= Neither agree nor Disagree; 4=Disagree; 5=Strongly disagree

1	2	3	4	5

Section five

Information in relation to the awareness and effectiveness of the Nigerian Content Development & Monitoring Board's (NCDMB's) programmes initiated to ensure effective implementation of local content in the oil and gas sector

Statements indicating stakeholders' awareness of NCDMB local content programmes

Yes = I am aware of the programme; No = I am not aware of the programme

NCDMB's Nigerian Content Programmes	Yes	No
5.1 Marine Vessel Ownership Strategy (MAVOS)		
5.2 Offshore Rig Acquisition Strategy (ORAS)		
5.3 Equipment Components Manufacturing Initiative (ECMI)		

Statements that indicate the level of effectiveness of NCDMB's programmes

1 = Very effective; 2 = Effective; 3 = Neither effective nor ineffective; 4 =Ineffective; 5 = Very Ineffective

NCDMB's Nigerian Content Programmes	1	2	3	4	5
5.6 Marine Vessel Ownership Strategy (MAVOS)					
5.7 Offshore Rig Acquisition Strategy (ORAS)					
5.8 Equipment Components Manufacturing Initiative (ECMI)					

Section Six

Personal Information

1. Please indicate your qualification (s). You can select more than one qualification

   (a) Below first degree ( ) (b) First degree ( ) (c) Masters ( )

   (d) PhD ( ) (e) Other, specify..................................

2. Please indicate your years of service

   (a) 1-5 years ( ) (b) 6-10 years ( ) (c) 11-15 years ( ) (d) 16-above years ( )

3. Please indicate your gender

   (a) Male ( ) (b) Female ( )

4. Please indicate your age

   (a) 20-29 ( ) (b) 30-39 ( ) (c) 40-49 ( ) (d) 50 – above ( )

5. Please indicate your organization

	Organization	Tick
a	Nigerian Content Development and Monitoring Board (NCDMB)	
b	National Petroleum Investment Management Services (NAPIMS)	
c	Nigerian Extractive Industries Transparency Initiative (NEITI)	
d	Department of Petroleum Resources (DPR)	
e	Nigerian National Petroleum Corporation (NNPC)	
f	Indigenous oil and gas companies	
h	International Oil Companies (IOCs)	
i	International oilfield services company	
j	Oil and gas Trade Unions	
k	Civil Society groups	

THANK YOU FOR PARTICIPATING

Appendix 6a: Introductory Letter

App 6a

RECEIVED
11 MAR 2014
DEPARTMENT OF PETROLEUM RESOURCES
Director's Office

PTDF
PETROLEUM TECHNOLOGY DEVELOPMENT FUND

PETROLEUM TECHNOLOGY DEVELOPMENT FUND (PTDF)

6, Port-Harcourt Crescent, Off Gimbiya Street, Off Ahmadu Bello Way, Area 11, Garki - Abuja
P. O. Box 9899, Area 10, Garki - Abuja. Tel: +234 9 8700532-3.

28th February 2014 PTDF/E/OSS/PHD/RA/314/10/63

The Director,
Department of Petroleum Resources,
7, Kofo Abayomi Street, Victoria Island,
Lagos State

HCS/AD LC
11/3/2014.

Dear Sir,

LETTER OF INTRODUCTION – **RABIU ADO**

Mr. Rabiu Ado is a PhD research student at Robert Gordon University, United Kingdom under the sponsorship of the Petroleum Technology Development Fund which commenced in October 2010.

2. The scholar is undertaking a research in Oil & Gas Accounting with the research topic [illegible]
Accounting, Accountability and Governance in upstream petroleum contracts: The case of local content in the Nigerian petroleum sector

3. He is currently at the level of data gathering and he has written to inform us that his research involves a survey of fifty-nine organizations including international and local oil companies. Attached herewith is a copy of his questionnaire.

4. Mr. Ado needs the introduction of the Department of Petroleum Resources to the fifty-nine organizations and consequently, he wishes to visit your organization in order to obtain the necessary introduction for the organizations to assist him in his research.

5. Therefore, you are kindly requested to render all necessary assistance to him in this regard.

6. Please accept the assurances of the Fund's highest regards.

Mrs. Rabi'ah Waziri Adamu
Head (Education Department)
For: Executive Secretary

Appendix 6b: Study Population

Regulatory Agencies

S/n	Organizations	Population
1	Nigerian Content Development & Monitoring Board (NCDMB)	63
2	Department of Petroleum Resources (DPR)	24
3	Nigerian National Petroleum Corporation (NNPC)	31
4	National Petroleum Investment Management Services (NAPIMS)	18
5	Nigerian Extractive Industry Transparency Initiative (NEITI)	17
	Total	153

Civil Society Groups

S/n	Organizations	Population
1	Natural Resources Governance Institute (NRGI)	13
2	Borderless Local Content Advocacy Group	11
3	Civil Society Legislative Advocacy Centre (CISLAC)	14
	Total	38

Trade Unions

S/n	Organizations	Population
1	PENGASSAN	43
2	NUPENG	29
	Total	72

International Oil Companies

S/n	Organizations	Population
1	Shell	15
2	Chevron	14
3	ExxonMobil	18
4	Total	16
5	Eni-Agip	13
	Total	76

Local Oil Companies: List of PETAN members[68]

SN	Name of Companies	SN	Name of Companies
1	Aftrac Group	29	Laser Engineering & Resources Consultants Limited
2	Ana Industries Limited	30	Lonestar Drilling Nigeria Limited
3	Ansett Integrated Services Limited	31	Mansfield Energy
4	Ariboil Company Limited	32	Matrix Petro-Chem Limited
5	Atlantic Fluids & Integrated Services Limited	33	Nestoil Group
6	Baywood Continental Limited	34	Northern Oilfield Supplies and Services Limited
7	B.G.Technical Limited	35	Oco Industrial Services Limited
8	Dover Engineering Ltd	36	Oildata Wireline Services Limited
9	Chesroc Nigeria Limited	37	Oilserv Limited
10	Ciscon Nigeria Limited	38	Oiltest Group
11	Dormanlong Engineering Limited	39	Orbital & Oranges Nigeria Limited
12	Drillog Petro-Dynamics Limited	40	Petrolog Limited
13	Elshcon Nigeria Limited	41	Point Engineering Limitefd
14	Emval Group	42	Poseidon Energy Services Nigeria Limited
15	Epic Atlantic	43	Popham Walter Odusote
16	Future Concerns Nigeria Ltd	44	Radial Circle Group
17	Gilbles Nigeria Limited	45	Richardson Oil and Gas
18	Gil Automations	46	Segofs Energy Services Limited
19	G.G.I International Ltd	47	Sego Wireline Services
20	Geoplex Drillteq Limited	48	Sowsco Well Services Nigeria Limited
21	Gramen Petroserve	49	Speciality Drilling Fluids Limited
22	Halden Nigeria Limited	50	Tecon Oil Services Limited
23	Harrybeat International Services Limited	51	Tilone Subsea Limited
24	Hobark International Limited	52	Weafri Well Services Company Limited
25	Hyprops Nigeria Limited	53	
26	International Energy Services Limited	54	Topline Limited
27	Wog Allied Services Nigeria Limited	55	Tolmann Allied Services Company
28	Zitadel Limited	56	Vandrezzer Energy Services

[68] The average number of possible respondents in the local content units of the local oil companies ranges between 8-10.

Sample for the Study

Respondent Groups	Study sample (participants)
Government	110
Local Oil Companies	100
Int'l Oil Companies	55
Trade Unions	60
Civil Society	35
Total	360

**For the local companies only those clustered around Lagos were selected for easy access.

Interview Participants

Stakeholder Groups	Codes	Organization	Position
Government	IPG01	NCDMB	Manager
	IPG02	NCDMB	Manager
	IPG03	DPR	Manager
International Oil Companies	IPI01	Shell	General Manager
	IPI02	ExxonMobil	General Manager
Local Oil Companies	IPL01	GC Energy	CEO
	IPL02	PETAN	Business Development Manager
	IPL03	PETAN	Manager
Trade Unions	IPT01	PENGASSAN	Director of Research
	IPT02	PENGASSAN	Manager
	IPT03	PENGASSAN	Manager
Civil Society	IPC01	Natural Resource Governance Institute (NRGI)	Nigeria Officer
	IPC03	CISLAC	Executive Director
	IPC02	Borderless Local Content Advocacy	Founding partner

Appendix 7: Kruskal-Wallis/Mann-Whitney and Cross-tabulation tests for NCDMB's accountability performance

Table 1a: KW-MW Tests: NCDMB has clearly communicated the objectives/targets it wants to achieve

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	CS
GV	*Chi-Sq=13.68* *Sig.* = .008	-	-	-	-	.000
LOC		-	-	-	-	.004
IOCs		-	-	-	-	.004
TU		-	-	-	-	.001

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 1b: Cross-tabulation: NCDMB has clearly communicated the objectives/targets it wants to achieve

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count(%)	TU Count (%)	CS Count (%)	
SA	32 (33)	29 (29.9)	16 (16.5)	17 (17.5)	3 (3.1)	97 (100)
A	36 (34)	29 (27.4)	14 (13.2)	18 (17)	9 (8.5)	106 (100)
N	9 (19.2)	11 (23.4)	10 (21.3)	11 (23.4)	6 (12.8)	47 (100)
D	5 (45.5)	2 (18.2)	0 (0.0)	0 (0.0)	4 (36.4)	11 (100)
SD	3 (17.6)	8 (47.1)	2 (11.8)	0 (0.0)	4 (23.	17 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 2a: KW-MW Tests: NCDMB has clearly defined the criteria/metrics by which local content can be measured

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	*Chi-sq=13.69* Sig. = .008		-	-	-	.043
LOC				-	-	-
IOCs					.010	-
TU						.000

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 2b: Cross-tabulation: NCDMB has clearly defined the criteria/metrics by which local content can be measured

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	23 (38.3)	15 (25)	10 (16.7)	9 (15)	3 (5)	60 (100)
A	31 (23.1)	40 (29.9)	15 (11.2)	37 (27.6)	11 (8.2)	134 (100)
N	23 (44.2)	13 (25)	12 (23.1)	0 (0.0)	4 (7.7)	52 (100)
D	8 (38.1)	7 (33.3)	2 (9.5)	0 (0.0)	4 (19)	21 (100)
SD	0 (0.0)	4 (36.4)	3 (27.3)	0 (0.0)	4 (36.4)	11 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 3a: KW-MW Tests: NCDMB has sufficient power in 'practice' to enforce compliance

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	*p*-value = .026		-	-	-	.006
LOC				-	-	.002
IOCs					-	.029
TU						.023

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 3b: Cross-tabulation: NCDMB has sufficient power in 'practice' to enforce compliance

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	28 (36.8)	23 (30.3)	13 (17.1)	8 (10.5)	4 (5.3)	76 (100)
A	31 (29.0)	36 (33.6)	11 (10.3)	23 (21.5)	6 (5.6)	107 (100)
N	11 (20.8)	12 (22.6)	13 (24.5)	10 (18.9)	7 (13.2)	53 (100)
D	15 (39.5)	7 (18.4)	5 (13.2)	5 (13.2)	6 (15.8)	38 (100)
SD	0 (0.0)	1 (25)	0 (0.0)	0 (0.0)	3 (75)	4 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 4a KW-MW Tests: NCDMB ensures that each stakeholder group in the oil and gas industry (regulators, companies, etc) effectively discharges its roles & responsibilities

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	*Chi-sq=9.59* *Sig.* = .048	-	-	-	.018	-
LOC		-	-	-	-	-
IOCs		-	-	-	.003	-
TU		-	-	-	-	.021

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table: 4b: Cross-tabulation: NCDMB ensures that each stakeholder group in the oil and gas industry (regulators, companies, etc) effectively discharges its roles & responsibilities

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	8 (44.4)	5 (27.8)	3 (16.7)	2 (11.1)	0 (0.0)	18 (100)
A	18 (26.1)	22 (31.9)	7 (10.1)	16 (23.2)	6 (8.7)	69 (100)
N	35 (26.7)	35 (26.7)	18 (13.7)	28 (21.4)	15 (11.5)	131 (100)
D	23 (39.7)	16 (27.6)	14 (24.1)	0 (0.0)	5 (98.6)	58 (100)
SD	1 (50)	1 (50)	0 (0.0)	0 (0.0)	0 (0.0)	2 (100)
Total	85 (30.6)	79 (28.40	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 5a: KW-MW Tests: Whenever NCDMB fails to disclose certain important information to stakeholders, it provides reasons for the non-disclosure

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq.=16.15 Sig. = .003		-	-	-	.005
LOC				-	.006	-
IOCs					-	.009
TU						.002

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table: 5b: Cross-tabulation: Whenever NCDMB fails to disclose certain important information to stakeholders, it provides reasons for the non-disclosure

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	10 (50)	2 (10)	4 (20)	2 (10)	2 (10)	20 (100)
A	22 (26.5)	21 (25.3)	11 (13.3)	25 (30.1)	4 (4.8)	83 (100)
N	40 (33.6)	37 (31.1)	23 (19.3)	11 (9.2)	8 (6.7)	119 (100)
D	13 (28.9)	15 (33.3)	3 (6.7)	8 (17.8)	6 (13.3)	45 (100)
SD	0 (0.0)	4 (36.4)	1 (9.1)	0 (0.0)	6 (54.5)	11 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 6a: KW-MW Tests: NCDMB always responds to stakeholders' demands to give account on actions undertaken

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	CS
GV	Chi-sq=18.21 *Sig.*=.001		-	-	.022	.016
LOC				-	.000	-
IOCs					-	-
TU						.000

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table: 6b: Cross-tabulation: NCDMB always responds to stakeholders' demands to give account on actions undertaken

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	14 (37.8)	7 (18.9)	8 (21.6)	7 (18.9)	1 (2.7)	37 (100)
A	28 (25.7)	28 (25.7)	15 (13.8)	28 (25.7)	10 (9.2)	69 (100)
N	35 (40.7)	26 (30.2)	11 (12.8)	10 (11.6)	4 (4.7)	131 (100)
D	7 (22.6)	14 (45.2)	4 (12.9)	1 (3.2)	5 (16.1)	58 (100)
SD	1 (6.7)	4 (26.7)	4 (26.7)	0 (0.0)	6 (40)	2 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 7a: KW-MW tests: NCDMB can effectively impose sanction on any company that violates the provisions of the Act

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=21.48		-	-	.000	.002
LOC				-	.008	.028
IOCs					.044	-
TU	.000	-	-	-	-	-

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 7b: Cross-tabulation: NCDMB can effectively impose sanction on any company that violates the provisions of the Act

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	21 (61.8)	6 (17.6)	2 (5.9)	4 (11.8)	1 (2.9)	18 (100)
A	21 (25.9)	29 (35.8)	14 (17.3)	11 (13.6)	6 (7.4)	70 (100)
N	32 (32.3)	31 (31.3)	19 (19.2)	8 (8.1)	9 (9.1)	126 (100)
D	10 (27)	7 (18.9)	4 (10.8)	11 (29.7)	5 (13.5)	37 (100)
SD	1 (3.7)	6 (22.2)	3 (11.1)	12 (44.4)	5 (18.5)	27 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Appendix 8: Kruskal-Wallis/Mann-Whitney Tests and Cross-tabulation of the NCDMB's Financial Accountability

Table 8a: KW-MW Tests: NCDMB ensures that all oil and gas operators/contractors remit the mandatory 1% of the contract sum to the Nigerian Content Development Fund (NCDF)

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=14.79 Sig.=.005		.046	.030	.006	.001*
LOC				-	-	-
IOCs					-	-
TU						-

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 8b: Cross-tabulation: NCDMB ensures that all oil and gas operators/contractors remit the mandatory 1% of the contract sum to the Nigerian Content Development Fund (NCDF)

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	36 (46.2)	23 (29.5)	10 (12.8)	5 (6.4)	4 (5.1)	78 (100)
A	31 (26.7)	31 (26.7)	17 (14.7)	28 (24.1)	9 (7.8)	116 (100)
N	13 (21)	16 (25.8)	12 (19.4)	13 (21)	8 (12.9)	62 (100)
D	4 (23.5)	7 (41.2)	3 (17.6)	0 (0.0)	3 (17.6)	17 (100)
SD	1 (20)	2 (40)	0 (0.0)	0 (0.0)	2 (40)	5 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 9a: KW-MW Tests: the Nigerian Content Development Fund is achieving its purpose of providing easy access to finance for indigenous oil companies to execute oil and gas projects

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=12.025 Sig.=.017		-	.039	.001	-
LOC				-	-	-
IOCs					-	-
TU						-

Source: Author from Field Survey

Note: GV=government; LOC=local oil companies; IOC=international oil companies; TU=trade unions; CS=civil society

Table 9b: Cross-tabulation: the Nigerian Content Development Fund is achieving its purpose of providing easy access to finance for indigenous oil companies to execute oil and gas projects

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	12 (38.7)	9 (29)	5 (16.1)	0 (0.0)	5 (16.1)	31 (100)
A	31 (43.1)	18 (25)	6 (8.3)	11 (15.3)	6 (8.3)	72 (100)
N	26 (25.7)	32 (31.7)	20 (19.8)	20 (19.8)	3 (3)	101 (100)
D	16 (27.1)	16 (27.1)	10 (16.9)	10 (16.9)	7 (11.9)	59 (100)
SD	0 (0.0)	4 (26.7)	1 (6.7)	5 (33.3)	5 (33.3)	15 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Appendix 9: Kruskal-Wallis/Mann-Whitney Tests and Cross-tabulation of First Consideration for the Nigerian Firms

Table 10a: KW-MW Tests: NCDMB ensures that Nigerian indigenous oil and gas companies are always given priority in the awarding of contracts that are within their capacity

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=12.79 Sig.=.012		.036	-	-	.008
LOC				-	.032	-
IOCs					-	-
TU						.007

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

In the above instance no cross-tabulation was computed because all the differences were above the alpha value of 0.005.

Table 10b: KW-MW Tests: NCDMB ensures that Nigerian indigenous oil and gas companies are not excluded from the award of oil and gas contracts only on the 'lowest bidder' basis as stated by the law

Stakeholders	Kruskal--+Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=19.48 .001		.002	.021	.000	.008
LOC				-	-	-
IOCs					-	-
TU						-

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 11a: Cross-tabulation: NCDMB ensures that Nigerian indigenous oil and gas companies are not excluded from the award of oil and gas contracts only on the 'lowest bidder' basis as stated by the law

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	25 (64.1)	10 (25.6)	2 (5.1)	1 (2.6)	1 (2.6)	39 (100)
A	30 (29.1)	23 (22.3)	21 (20.4)	17 (16.5)	12 (11.7)	103 (100)
N	21 (24.1)	33 (37.9)	12 (13.8)	16 (18.4)	5 (5.7)	87 (100)
D	9 (19.1)	12 (25.5)	7 (14.9)	12 (25.5)	7 (14.9)	47 (100)
SD	0 (0.0)	1 (50)	0 (0.0)	0 (0.0)	1 (50)	2 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 11b: KW-MW Tests: NCDMB ensures that all materials used in oil and gas operations which are available in Nigeria are sourced locally and not imported

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=16.090 Sig.=.003		-	-	-	.001
LOC				-	-	.000
IOCs					-	.006
TU						.004

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 12a: Cross-tabulation: NCDMB ensures that all materials used in oil and gas operations which are available in Nigeria are sourced locally and not imported

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	26 (36.1)	24 (33.3)	12 (16.7)	7 (9.7)	3 (4.2)	72 (100)
A	34 (29.6)	35 (30.4)	14 (12.2)	26 (22.6)	6 (5.2)	115 (100)
N	14 (26.4)	13 (24.5)	11 (20.8)	8 (15.1)	7 (13.2)	53 (100)
D	10 (32.3)	6 (19.4)	5 (16.1)	4 (12.9)	6 (19.4)	31 (100)
SD	1 (14.3)	1 (14.3)	0 (0.0)	1 (14.3)	4 (57.1)	7 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Soc

Table 12b: KW-MW Tests: NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian banks for services that are within their capacity

Stakeholders	Kruskal-Wallis H Test	Mann-Whitney Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=11.83 Sig.=.019		-	-	.001	.021
LOC				-	-	-
IOCs			.		-	-
TU						-

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 13a: Cross-tabulation: NCDMB ensures that International Oil and Gas Companies give priority consideration for the Nigerian banks for services that are within their capacity

Responses	Organizations					Total Count (%)
	GV Count (%)	LOC Count (%)	IOC Count (%)	TU Count (%)	CS Count (%)	
SA	22(40)	16 (29.1)	12 (21.8)	2 (3.6)	3 (5.5)	55 (100)
A	44 (34.4)	37 (28.9)	12 (9.4)	23 (18)	12 (9.4)	128 (100)
N	16 (21.1)	18 (23.7)	15 (19.7)	20 (26.3)	7 (9.2)	76 (100)
D	1 (6.7)	7 (46.7)	3 (20)	1 (6.7)	3 (20)	15 (100)
SD	2 (50)	1 (25)	0 (0.0)	0 (0.0)	1 (25)	4 (100)
Total	85 (30.6)	79 (28.4)	42 (15.1)	46 (16.5)	26 (9.4)	278 (100)

Source: Author from field survey

GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

Table 13b: KW-MW Tests: **NCDMB ensures that International Oil and Gas Companies give employment priority to Nigerian labour for services that are within their expertise**

Stakeholders	**Kruskal-Wallis H Test**	Mann-Whitney U Test (Bonferroni corrected alpha = .005)				
		GV	LOCs	IOCs	TU	Cs
GV	Chi-sq=9.91 Sig.=.042		.015	-	.022	.031
LOC				-	-	-
IOCs					-	-
TU						-

Source: Author from field survey

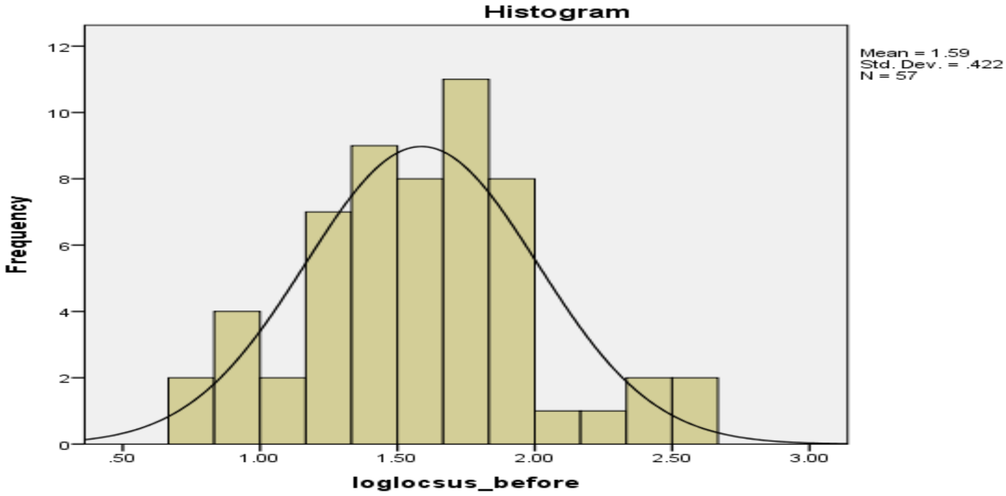
GV=Government; LOC=Local Oil Companies; IOCs=International Oil Companies; TU=Trade Unions; CS=Civil Society

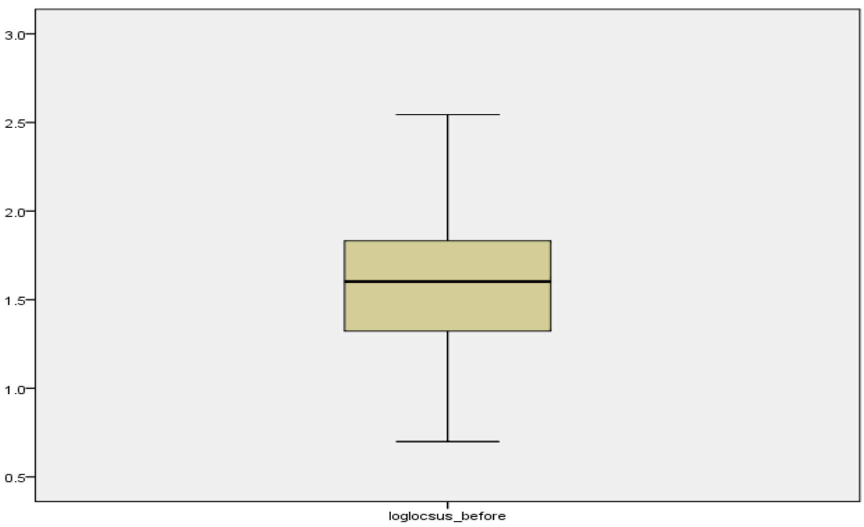
Appendix 10: Sample Local Content Reporting Template

										% of Total Committed value		
Contract no.	Single source/ bidding	Contract description	Contractor/ supplier name	Start date	Finish date	Historical value of contract ($'000)	Approved amendments if any ($'000)	Total committed value: contract value + amendments ($'000)	Expenditure to date: Value of work done ($'000)	Int'l %	National/local %	Total

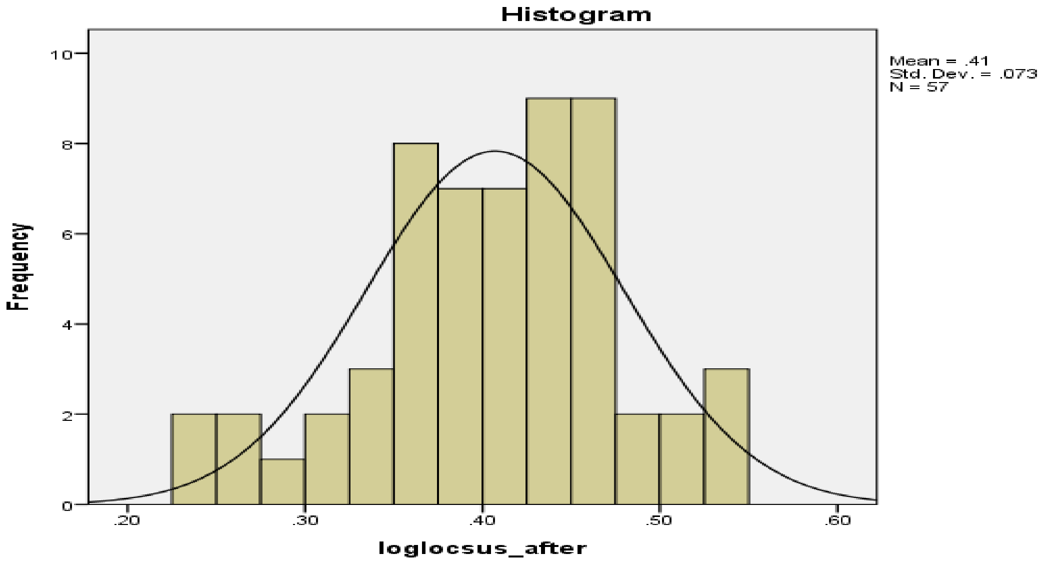
Source: International Petroleum Industry Environmental Conservation Association (IPIECA) (2011)

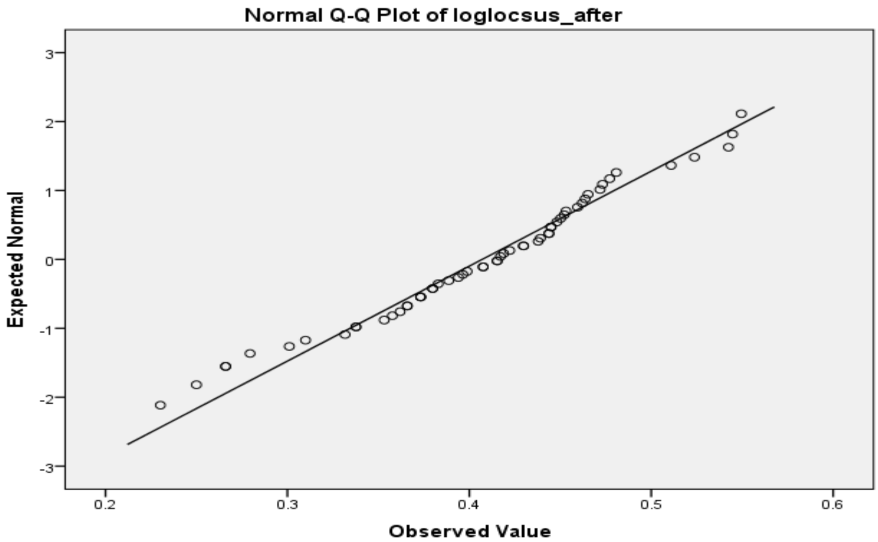
Appendix 11a: Normality Distribution Curve, Q-Q Plot and Box Plot for loglocsus_before Data

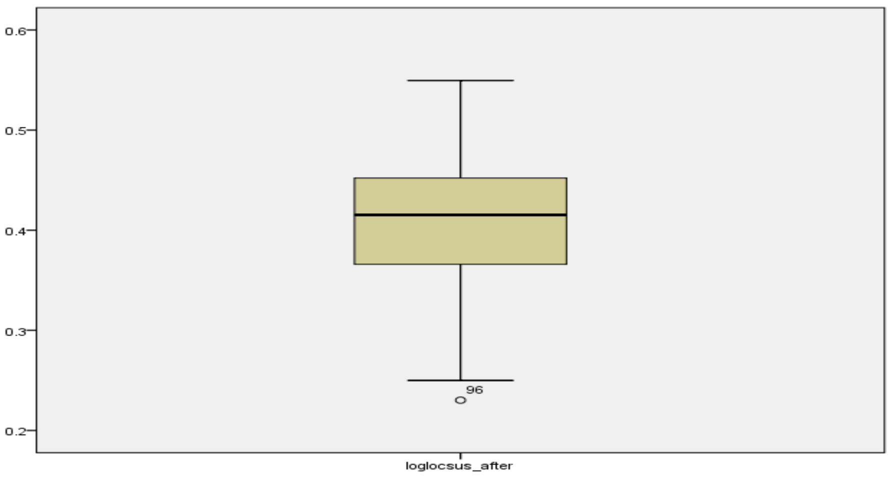




Appendix 11b: Normality Distribution Curve, Q-Q Plot and Box Plot for loglocsus_after Data







Appendix 12: Categorization Matrix for the Marine Vessel Vendors

PUBLIC NOTICE

REVISED CATEGORIZATION MATRIX FOR MARINE VESSEL VENDORS IN THE NIGERIAN OIL & GAS INDUSTRY

The Marine Vessels and Vendor Categorization Scheme was put in place by the Board in 2011 to structure the utilization of indigenous owned marine vessels in the Nigerian Oil and Gas Industry and achieve the short term targets of the Honourable Minister of Petroleum Resources for 60% indigenous ownership of marine vessels operating in the oil and gas industry by 2015.

The implementation model has achieved substantial results, driving percentage of indigenous owned marine vessels utilized in the industry from about 15% to over 50% today. This translates to over $3bn per annum revenue retention in- country.

Having implemented the current model for over 3 years, it is imperative to progress to the next phase of maximizing local value capture by promoting ship building in Nigeria, in order to enhance skills, develop technology and generate employment.

This strategic initiative is underpinned by evidence deduced from our participation in visits to shipyards abroad where Nigerian indigenous companies have placed orders for new build vessels. These vessels are high end and designed to meet the performance specifications of the industry. One major finding from these visits is the common practice where vessel hulls are fabricated in one shipyard while fit out of topsides is carried out in another yard, including some fitout of topsides done in Nigeria.
Based on these findings and the existence of yards in Nigeria with capacity for aspects of ship building and maintenance, the Board has determined that a good starting point is to promote fit out of topsides of hulls in Nigerian shipyards.

In the light of the forgoing, the general public is hereby notified that NCDMB has revised the marine vessel and vendor categorization strategy to take effect from 1st October 2014. The revised categorization matrix will give priority to in-country marine vessel construction and provide better opportunities for vessels that have been part fitted out or constructed in Nigeria for opportunities in tenders.
The general public, especially Operators and marine service providers are to note and comply with the following:

1. Vessels that are wholly built in Nigeria and vessels wholly owned by Nigerians will be given first consideration in all contracts in the oil and gas industry.
2. Vessels which have 50% and above fitted out or constructed in Nigeria (by tonnage or spend) will be given next consideration.
3. Vessels which have below 50% fitted out or constructed in Nigeria (by tonnage or spend) will be given consideration after exhausting capacities of 1 and 2 above.
4. These categories will be given higher priority than ownership of vessels fully imported from abroad.
5. Vessel construction yards are required to upload their vessel construction capabilities in NOGICJQS (http://portal.nogicjqs.com) portal not later than 30th September 2014
6. The NCDMB is compiling a demand profile for new built vessels from operators and major contractors. To ensure that your company is properly captured in the new matrix, Marine service providers intending to build new vessels are required to upload the plan in NOGICJQS and demonstrate that Nigerian yards will be engaged for the vessel build, not later than 30th September 2014.

SIGNED
Executive Secretary NCDMB