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A Critical Evaluation of the Effectiveness of Local Content Policy (LCP) and Transparency Practices in LCP Implementation in the Nigerian Oil and Gas Industry

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ABSTRACT

One of the aims of the Local Content Policy (LCP) is the economic development of Nigeria through the utilisation of local personnel and resources in the activities of the Nigerian oil and gas industry. Many studies have investigated the LCP, but limited work has been undertaken in investigating the transparency practices involved in the implementation of the LCP in the Nigerian oil and gas industry. The study critically evaluates the effectiveness of the LCP and the transparency practices associated with its implementation. A conceptual framework based on accountability was developed and employed in designing the research instrument. This framework was underpinned by the institutional theory, which links accountability discourse to regulatory institutions where organisations within a particular field are subject to pressures to exhibit legitimacy through socially and culturally authorised administrative routines that are intended to render accountability. The study employed a qualitative methodology and the data was collected through in-depth semi-structured interviews with respondents from twenty-three indigenous oil and gas companies, regulatory bodies, international oil and gas companies and non-governmental organizations. The research findings demonstrate that the various LCP stakeholders' views on the definition and purpose of the LCP differ significantly. These diverse opinions affect the way in which the LCP is perceived and implemented in the oil and gas industry. The study has been instrumental in revealing a number of positive effects the LCP has generated since its implementation in the Nigerian oil and gas industry. For example, the LCP compelled IOCs to utilise local resources in their operations, resulting in the domestication of oil and gas activities. However, the findings also reveal that the LCP has been enforced despite the lack of local capacity and capability for its implementation. The findings, therefore, highlight a number of challenges associated with LCP implementation including: the lack of infrastructure; insufficient capital and manpower; absence of trust; and the lack of coordination between the regulatory agencies in the industry. The research findings also reveal that there are different levels of transparency in the implementation of LCP. Determination of the level of transparency in LCP implementation and compliance monitoring is at the discretion of the NCDMB and the oil and gas companies, which unfortunately facilitates corrupt practices. Therefore, this study argues that significant improvements are required in transparency practices in LCP implementation by strengthening the LCP's monitoring and enforcement process. Further, enforcement should strictly be the responsibility of the NCDMB, with no interference from the Nigerian government. Some further recommendations arising from this research include the need for investment in infrastructure that will facilitate indigenous companies' participation in the industry. Also, efforts should be made to promote partnership and collaboration between indigenous companies and IOCs, encouraging investment in world-class infrastructure that can compete with international standards. To foster this partnership, the government and IOCs must invest in educational institutions which could boost the knowledge and capacity of Nigerians. The research concludes with the development of two new models: (1) The LCP stakeholder perception model; and, (2) The LCP implementation model. These models, which are the main contributions of knowledge arising from this thesis, will potentially aid the effective implementation of the recommendations arising from this study.

Keywords: *Transparency, Local Content, Capacity Building, Active Participation, Nigerian Content Development Monitoring Board (NCDMB), Accountability, Monitoring*

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DEDICATION

This research is dedicated to my wife Ada, and daughter Kayla.

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LIST OF ABBREVIATIONS

ANP	National Petroleum Agency – Brazil
ASCM	Agreements on Subsidies and Countervailing Measures
BNDES	National Development Bank
BPD	Barrels of oil per day
CSR	Corporate Social Responsibility
DPR	Directorate of Petroleum Resources
FDI	Foreign direct investment
FEED	Front End Engineering Design
GAF	Global Accountability Framework developed
GATS	General Agreement on Trade and Services
GATT	General Agreement on Tariffs and Trade
GSO	Norway's Goods and Service Office
INSTEP	Institut Teknologi Petroleum Petronas
IOCs	International oil and gas companies
IPIECA	International Petroleum Industry Environmental Conservation Association
KRA	Kazakhstan Contract Agency
LC	Local Content
LCP	Local Content Policy
LOC	Local Oil and Gas Companies
MEMR	Ministry of Energy and Mineral Resources
MME	Mining and Energy Ministry
MNC	Multinational Companies
NAPIMS	National Petroleum Investment Management Services
NCCF	Nigerian Content Consultative Forum
NCD	Nigerian Content Division
NCD	Nigerian Content Division
NCDF	Nigerian Content Development Fund
NCDMB	Nigerian Content Monitoring and Development Board
NCEI	Nigerian Content Employment Initiative
NCJQS	Nigerian Content Joint Qualification Standard

NCLCD	National Committee on Local Content Development
NCS	Norwegian Continental Shelf
NDDC	Niger Delta Development Commission
NEITI	Nigeria Extractive Transparency Initiative
NETCO	National Engineering and Technical Company Limited
NIMASA	National Maritime Administration and Safety Agency
NIPEX	Nigerian Petroleum Exchange
NNPC	Nigerian National Petroleum Cooperation
NOGICD	Nigerian Oil and Gas Industry Development Act
NORAD	Norwegian Agency for Development Cooperation
NOSDRA	National Oil Spill Detection and Response Agency
NPD	Norwegian Petroleum Directorate
NPM	New Public Management Theory
NTB	Non-Tariff Barriers
OECD	Organisation for Economic Cooperation and Development
OGTAN	Oil and Gas Trainers Association of Nigeria
OPEC	Organisation of Petroleum Exporting Countries
OSO	UK's Offshore Supplies Office
PDP	Productive Development Policies
PETAN	Petroleum Technology Association of Nigeria
PROMINP	National Oil and Natural Gas Industry Mobilisation Program
PTDF	Petroleum Technology Development Fund
PTI	Petroleum Training Institute
SEBRAE	Serviço Brasileiro de Apoio às Micro e Pequenas Empresas
T&T	Trinidad and Tobago
TRIMs	Trade-Related Investments Measures
WTO	World Trade Organisation

Chapter One

Research Background and Overview

1.1 Introduction

Nigeria is the most densely populated nation in Africa, with a population of over 186 million (Worldometer 2016). Located in West Africa, it is endowed with vast human and natural resources, the most notable of which is oil and gas (Ihua et al. 2011). Prior to 2012, Nigeria was ranked as the largest oil producing country in Africa and the seventh in the world (Adewuyi and Oyejide 2012). Oil and gas resources play a crucial role in sustaining the nation and fuelling Nigeria's economic and development activities (Odularu 2008). Furthermore, oil and gas resources account for over 95% of Nigeria's export earnings, 76% of government revenue and one-third of the nation's gross domestic product (GDP) (Omenikolo and Amadi 2010; Ihua et al. 2011; Adewuyi and Oyejide 2012).

Nevertheless, despite significant oil and gas resources, the Nigerian economy is plagued with issues such as corruption, civil conflict, the gap between rich and poor, underdevelopment of local economy and infrastructure and local unemployment (Adewuyi and Oyejide 2012). These issues appear to have contributed to increasing frustration and crime among Nigerians, resulting in Nigeria being labelled dangerous and unsafe on the global stage (Odularu 2008). Therefore, transparent decision making, associated with effective management of activities in the oil and gas industry, and the efficient use of the revenue generated play a vital role in shaping the Nigerian economy and the lives of Nigerian people (Odularu 2008).

The organisational structure of the Nigerian oil and gas industry is presented in Figure 1.1. It not only illustrates the hierarchical nature of the system but also demonstrates the range of stakeholders involved in the decision-making process in the oil and gas industry, which ultimately influences the Nigerian economy. At the top is the President of the Federal Republic of Nigeria who exercises his powers through the Minister of Petroleum. The authority of the Minister is then further passed on and exercised through the industry regulator, namely the Department of Petroleum Resources. Other regulators include: the Nigerian Content Development Management Board (NCDMB); the National Oil Spill Detection Response Agency (NOSDRA); and the Petroleum Technology Development Fund (PTDF) (Subai 2014). At the upstream level, the Nigerian oil and gas industry consists of international oil and gas companies (IOCs) including ExxonMobil, Chevron and Shell, and indigenous oil and gas companies, for example, Oando, JC International, Degonceck and Comas. The Nigerian National Petroleum Cooperation (NNPC) acts as both the country's national oil company and the regulatory body. These organisations have put a broad range of infrastructures in place all around Nigeria, including refineries, pipelines, and manufacturing facilities, in addition to implementing various regulatory and policy mechanisms to develop the oil and gas industry and improve the Nigerian economy.

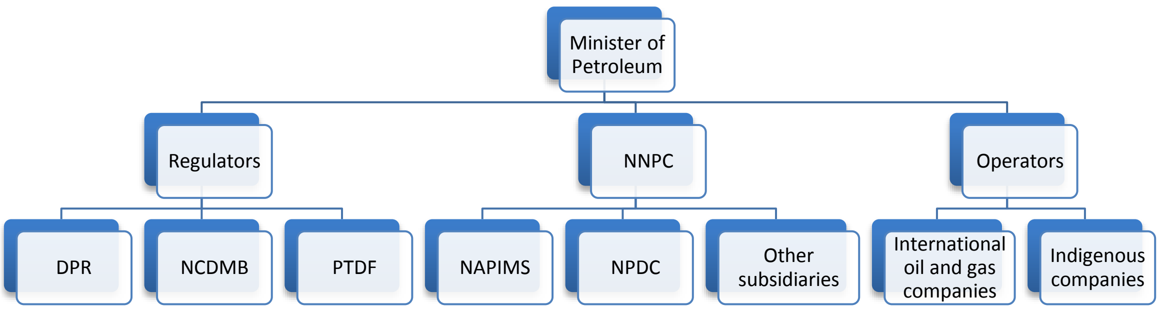

Figure 1.1 Structure of Nigerian oil and gas Industry (Author generated)

However, the government's approach has not been effective in ensuring the technological and economic development of the country (Omenikolo and Amadi 2010; Olulu and Ajie 2010). To reverse this trend, the government undertook several reforms, one of which was the proposal of the Nigerian Local Content Policy (LCP) initiative. The policy was signed into law by the President to facilitate the effective participation of Nigerians in the oil and gas industry (Okafor and Aniche 2010; Ovadia 2013).

The purpose of the LCP is dual in nature; it is both a tool for promoting large-scale economic development and a mechanism through which Nigerian citizens can capture oil revenue through policies that particularly favour indigenous companies (Appiah-Adu 2013; Ovadia 2012). Although the LCP can stimulate broad-based economic development necessary for the benefit of citizens of oil producing countries, its application still produces mixed results (Tordo et al. 2013). For example, the specialised input and advanced technologies in the oil and gas industry used by the IOCs, often limit the possibility of the local economy from benefitting from the oil and gas industry's activities (Balogun 2008; Tordo et al. 2013).

The Nigerian LCP is a useful point of entry into the debate concerning the many issues facing Nigeria, which range from closing the gap between the rich and the poor, to changing the methods of local accrual of wealth and managing the ever-growing conflict in the Niger Delta. Nigerian stakeholders disagree over how these issues are addressed by. (Ovadia 2011). To clarify these issues and contribute to the debate, this research focuses on evaluating the effectiveness of the LCP in the Nigerian oil and gas industry. The reminder of this chapter presents the rationale for the research, identifies the research aim and objectives, introduces accountability as the theoretical framework adopted in for the study and provides a summary of the research methodology.

1.2 Research background

Oil and gas reserves are being discovered globally, and policy makers in oil producing countries are eager to obtain as much economic benefits from the exploitation of these reserves as possible, by designing appropriate policies to accomplish their anticipated goals (Tordo et al. 2013) like the LCP. LCP is defined as, *"the extent to which the output of the oil and gas industry generates benefits for the country's economy beyond the direct contribution of its value added, and the inter-linkage to other sectors"* (Tordo et al. 2013 pg. 1).

In order to implement this policy, in 2010, the Nigerian government established the Nigeria Content Development Monitoring Board (NCDMB) (Ovadia 2013). Upon creation, the NCDMB began reviewing the Nigerian LCP and setting out new policies and guidelines. At the same time, it also embarked on an ambitious programme to improve Nigerian content through the capacity building initiative. All this was undertaken while the NCDMB was still establishing itself as an independent agency and organising its physical space, staffing, budgets, needs and internal processes. According to Ovadia (2013), this may be the reason why three years after the formation of the NCDMB, there were still several aspects of its targets that had barely been addressed, including the development of a defined approach to evaluate the extent to which the Nigerian LCP has been implemented in the Nigerian oil and gas industry (Okafor and Aniche 2014).

Furthermore, the Nigerian Oil and Gas Industry Development Act (NOGICD) was established in 2010 with the main goal of creating a schedule that could be used to calculate the percentage of the Nigerian content in any given activity, in comparison to the targets set by the NCDMB (Ovadia 2013; Tordo et al. 2013). This was achieved by setting specific objectives in all areas of the oil and gas industry. However, this form of measurement had yet to be developed by the NCDMB and required more consultation and oversight from the various stakeholders in the Nigerian oil and gas industry (Ovadia 2013). Furthermore, the NCDMB has been reluctant to evaluate the Nigerian content in the bidding for oil licences, which is an important priority, as it ensures the use of Nigerian content and that preference is given to indigenous companies when awarding oil licences to operators in the industry (Ihua et al. 2011).

This might be as a result of the inability of the NCDMB to build sufficient capacity in bridging the demand gap and due to the shortfalls between indigenous capacity and available opportunities created by the Nigerian LCP. This capacity gap has made it difficult for IOCs to comply with the Nigerian LCP (Okafor and Aniche 2014). Hence, IOCs have entered into corrupt joint ventures with indigenous companies to subvert and violate the policy in return for part of the proceeds (Nwaokoro 2011; Okafor and Aniche 2014; Nwapi 2015). Although, the NCDMB are aware of these sharp practices, they are unable to enforce compliance because of its institutional weakness, lack of qualified workforce and poor regulatory framework (Ovadia 2011; Okafor and Aniche 2014). Therefore, oil and gas companies have been able to evade LCP rules and are not held accountable for their actions. This aligns with the findings of Tandice-B Solutions (2011), which states that one of the challenges of the Nigerian LCP is the absence of a standard framework for monitoring the effectiveness of the Nigerian LCP together with poor accountability practices in LCP implementation.

The NOGICD Act requires 100% compliance with all the objectives in order to operate in Nigeria, even though many targets for Nigerian participation are well beyond the current capacity of Nigerian companies (Tandice-B Solutions 2011; Ovadia 2013). Furthermore, the Act does not stipulate how these targets can be measured, where there are no existing concrete guidelines for measuring Nigerian content, the NCDMB has reverted to simple or surface measures for monitoring and evaluation. This is problematic as they rely on opaque and informal rules, as well as the individual discretion of its principal employees (Ovadia 2013). This approach offers a short-term results and ignores the long-term objectives of the policy (Tandice-B Solutions 2011). Furthermore, it hinders transparency in the industry, where no-one is held accountable for their actions. In addition, the NOGICD Act allows the NCDMB to accept gifts of land and money, creating avenues for corrupt practices (Nwaokoro 2011). The Act also defines operators to include the NCDMB, its affiliates, joint venture partners and other entities operating in the Nigerian oil and gas industry. This begs the question of how the NCDMB will enforce the LCP against the NNPC in practice (Nwaokoro 2011).

The foregoing collectively creates a number of challenges in the implementation of the Nigerian LCP, especially with regards to transparency and accountability practices, for instance, in the award of oil blocks and in the management of the Nigerian Content Development Fund (NCDF) (Tandice-B Solutions 2011). In addition, there are no records of financial statements relating to the NCDF or any available information regarding revenue and expenditure under the NCDMB's custody. This contravenes section 90 of the NOGICD Act and the Nigerian Extractive Industries Transparency Initiative (NEITI) objectives "to monitor and ensure accountability in revenue receipts of the Federal Government from extractive industry companies" (NEITI 2007. Pg.1, Ado

2016). Thus, it can be said that some of the barriers to LCP implementation in the Nigerian oil and gas industry are mismanagement of funds, corruption and lack of accountability (Nwosu 2006, Ado 2016). Given these challenges, this research seeks *to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation*.

1.3 Research aims and objectives

This research centres on the growing pressure on Nigerians to take a proactive role in the nation's most lucrative industry. It also focuses on understanding what the LC practice means to the Nigerian oil and gas industry. Accordingly, the focus of this research is to identify strategies that could be employed to improve the implementation of the Nigerian LCP in the Nigerian oil and gas industry.

1.3.1 Research objectives

To achieve the above aim, the objectives of the study are to:

1. Critically evaluate the effectiveness and efficiency of the Nigerian LCP and its impact on the Nigerian oil and gas industry;
2. Critically examine the level of transparency in the implementation of the LCP in the Nigerian oil and gas industry;
3. Critically evaluate how transparency procedures have been integrated in LCP implementation in the Nigerian oil and gas industry; and,
4. Identify and articulate a contextual LCP implementation strategy for the Nigerian oil and gas industry.

1.4 Accountability as a theoretical framework

The dialogue of accountability is critical since it highlights the potential sources of tension between the local understanding of accountability and the growing need for global legitimisation, for instance, by emphasising notions of efficiency and effectiveness (Ezzamel et al. 2007). Ovadia (2013), Tordo et al. (2013), and Tandice-B Solutions (2011), agree that there is an absence of an effective operating framework for monitoring and assessing the LCP in the oil and gas industry. In addition, a theoretical structure is necessary as a means of ensuring a connection to existing theory and for enhancing the critical analysis of the phenomenon under study. This can then lead to an in-depth understanding of the phenomenon under consideration. This study chose an accountability framework, underpinned by institutional theory after the review of other theories such as legitimacy, growth and stakeholder theories, to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation.

1.5 Research methodology and methods

The aim of the research is to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation. Therefore, a qualitative approach was employed, whereby data was collected from key stakeholders in the Nigerian oil and gas industry via semi-structured interviews. These key stakeholders included regulatory bodies; international and indigenous oil and gas companies; the national oil company; and non-governmental organisations.

In addition, the study utilised purposive sampling in selecting participants that were likely to provide valuable data for the study. A semi-structured interview method was used to explore any unexpected topics or themes, whilst offering the participants the flexibility to further explore any theme that they considered important. Data collected from this study were managed using "NVivo," which is a qualitative data analysis software tool for the management and analysis of the data collected. A thematic analysis approach was employed to conduct the data analysis, which was consistent with the interpretative philosophy adopted for this study. The themes generated from the data analysis are interpreted and explained in Chapter five.

1.6 Research originality

Considerable literature on the subject of LCP exists. For instance, previous studies investigated the effect of an enhanced LCP on welfare (Takechi and Kiyono, 2003; Veloso, 2006). Some studies have also analysed the economic aspect of the LCP by evaluating the vertical integration and division of work and diffusion of technology transfer (Aharonson et al. 2007; Kwon and Chun 2009), and the effect of the LCP on Foreign Direct Investment (Lahiri and Ono 1998; Qui and Tao 2001). Furthermore, scholars such as Giroud (2007), Ivarsson and Alvstam (2009), and Adewuyi and Oyejide (2012) have examined the backward linkages between local suppliers and multinational companies. This backward linkage went beyond the fiscal exchange and brought in technical and financial, informational, managerial, and organisational externalities (Giroud 2007; Ivarsson and Alvstam 2009; Adewuyi and Oyejide 2012; Vaaland et al. 2012). Although these scholars focused more on the implementation of the Nigerian LCP and its benefits, this research extends the discussion to critically evaluate the effectiveness of the Nigerian LCP and its impact on the Nigerian oil and gas industry.

Vaaland et al. (2012) analysed the interrelation between various actors and their capabilities and stressed the importance of understanding the LCP in an integrative way with the inclusion of several capacities. For example, the positive effect of the interrelation between actors and support organisation involved in the Brazilian oil and gas industry (Silvester and Dalcol 2009). Silvester and Dalcol (2009) found that correlations between factors related to multinational companies fostered the growth of the industrial base and level of national and local policies.

The findings of Silvester and Dalcol (2009) and Vaaland et al. (2012) reveal interdependencies between the various industrial players and public institutions in Nigeria. They asserted that communication and interaction between the different actors in the Nigerian oil and gas industry are vital to achieving local participation. While agreeing with the findings of Silvester and Dalcol (2009) and Vaaland et al. (2012), this study focused on the impact of the Nigerian LCP and its effectiveness in the Nigerian oil and gas industry. Hence, the research outcome includes the identification of LCP implementation strategies such as; an LCP stakeholder perception model; and, an LCP implementation model which will potentially aid the effective implementation of the recommendations arising from this study.

Bakare (2011) analysed the impact of the Nigerian LCP on the Nigerian economy, using an experimental design combining theoretical consideration with empirical observation. His findings suggested that for the Nigerian economy to grow, effective implementation of the LCP in the Nigerian oil and gas industry is necessary, as the policy has the potential to generate employment and increase value addition for the economy (Bakare 2011). While Bakare (2011) employed a quantitative methodology, this research adopted qualitative research methodology to evaluate the effectiveness of the LCP and the transparency practices associated with its implementation. Generally, scholars have failed to investigate how transparent the implementation of the LCP in the Nigerian oil and gas industry has been. Therefore, this study assessed the level of transparency in implementing the Nigerian LCP and also evaluated how transparency has been integrated into LCP implementation. To investigate the transparency practices in the implementation of the policy, this research employed the framework of Klueh et al. (2007), which theorised that accountability, adequate metric/definition, efficiency consideration, information dissemination, and acknowledgment of spin-off benefits are the key principles for fostering the LCP. These principles were modified to develop an accountability framework employed to help design the study and guide the data collection process.

1.7 Outline of thesis

This study is organised into seven chapters. Chapter one introduced the topic of research by presenting a brief profile of Nigeria and the Nigerian oil and gas industry. It also presented a brief overview of the Nigerian LCP, the challenges of implementation and a rationale for the study by highlighting the importance of the LCP. Furthermore, the chapter also stated the aim, research questions and objectives for this research. A brief description of the subsequent chapters is presented below to guide the reader through the thesis.

Chapter two provides an extensive literature review relating to the LCP and the oil and gas industry to inform the research. Due to the nature of this research, the literature review covers a number of distinct but related topics. This chapter presents an argument for and against the implementation of the LCP. The aim here is to develop an understanding of LCP and its importance, not only in the oil and gas industry but also in its relationship with other sectors of the economy. The primary focus of the chapter is to demonstrate a clear understanding of the LCP in Nigeria, as well as in a global context, and the challenges in the Nigerian oil and gas industry.

Chapter three provides a conceptual framework that incorporates the Klueh et al. (2007) principles of LCP in relation to different forms of accountability. The accountability framework was underpinned by institutional theory, which links accountability discourse to regulatory institutions, where organisations within a particular field are subject to pressures to seek legitimacy through socially and culturally authorised administrative routines intended to create accountability. Institutional theory was chosen after the review of various theories such as legitimacy, growth and stakeholder theories. Thus, this study chose an accountability framework, underpinned by institutional theory, to assess the level of LCP transparency practices in the Nigerian oil and gas industry. The framework helped to design the study and guide the data collection process.

Chapter four presents an explanation and justification of the research methodology or approach taken. This includes: the rationale for the research method employed; the sampling method adopted; data collection techniques; data collection process; data management; data analysis; and ethical considerations.

Chapter five provides a detailed analysis of the outcomes of the data gathering process. The structure of the chapter is based on themes developed from data analysis.

Chapter six presents the findings from the data analysis, resulting from comparing all collected data and theoretical aspects of this study with their relationship to the previously evaluated literature on the LCP. This leads to the development of two different LCP models: the LCP stakeholder perception model; and, the LCP implementation model.

The final Chapter presents key findings and implications and further reflects on the overall contribution to knowledge made by this thesis. This chapter also offers recommendations on ways to improve transparency in the implementation of the LCP and suggests directions for future research.

Chapter Two

Local Content from the Nigerian and Global Perspectives

2.1 Introduction

This chapter identifies appropriate areas of the LCP literature which supports this study. The aim of this study is to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation.

This chapter provides an overview of the existing research on the LCP, rationale for the LCP, its characteristics and the argument for and against the LCP. The chapter examines the conditions required to support LCP implementation and examines the policy from a global perspective. Finally, the chapter presents the history of the Nigerian local content policy and the challenges to LCP implementation in the Nigerian oil and gas industry.

2.2 The Nigerian oil and gas industry

The story of the Nigerian oil and gas industry began in 1903 after the amalgamation of the Northern and Southern territories (Yusuf and Omoteso 2016). However, exploration was initiated by the efforts of a German company, the Nigerian Bitumen Corporation, which commenced exploration activities in the Araromi area, in the western part of Nigeria, between 1908 and 1914 (Frynas 1993; Ogbimi 2013; Playfoot et al. 2013). The outbreak of the First World war in 1914 forced the German company to withdraw from Nigeria. However, when the war ended, the operation was resumed and in 1937 permission was granted to a British company, Royal Dutch Shell Petroleum, to explore for oil (Frynas 1993; Ariweriokuma 2009; Ogbimi 2013; Playfoot et al. 2013; Akinrele 2014; Yusuf and Omoteso 2016). The Second World War again interrupted exploration, however in 1946, Shell-BP, formed when Shell partnered with British Petroleum, was granted the only licence to explore the whole of Nigeria (Frynas 1993; Akinrele 2014). Before the discovery of oil in Nigeria, the country's economy was dependent on the export of agricultural produce such as cocoa, palm kernel, palm oil, groundnut and solid minerals such as coal, bauxite, tin and other precious metals (Frynas 1993 and Ariweriokuma 2009). However, since the discovery of oil, oil production and exploration has taken a dominant position in the Nigerian economy and pushed agriculture into the background (Frynas 1993; Odularu 2008, and, Ariweriokuma 2009).

The first commercial oil discovery was in Oloibiri, in the Niger Delta, and encouraged by this early success Shell-BP expanded its exploration programme. The first oilfield came on stream in 1958 producing about 5100 barrels of oil per day (bpd) (Frynas 1993; Akinrele 2014). In the same year, section 2 of the Mineral Oils Amendment Ordinance No.5 1958 was introduced expanding the rights of exploration to other foreign companies. Non-British Corporations thereby relinquished the sole exploration rights from Shell-BP (Odularu 2008; Obi 2010; Akinrele 2014). Due to the success of Shell-BP and the right of exploration given to non-British companies, new multinationals started expanding their exploration activities in Nigeria. Mobil was the first to obtain its exploration licence in 1955; America Overseas (Amoseas) followed in 1961; Chevron in 1961; Tennessee in 1961; SAFRAP (Elf) in 1962; Agip in 1962; and, Esso in 1965. Thus, all six major foreign companies, Texaco, Agip, Shell, Chevron, Elf, and, Mobil, dominated the Nigerian oil and gas industry and were all exploring and producing oil by 1971 (Frynas 1993 and Odularu 2008). Oil production reached 200 million barrels by the end of 1969 and by 1970 the total revenue generated from oil production grew to $718 million per year. Moreover, there was unprecedented production growth, which peaked in 1974 at 384 MB in 1970 to 651 MB in 1975 (Frynas 1993 and Ariweriokuma 2009). Hence, crude oil became the primary source of foreign exchange and accounted for over 64% of the country's foreign exchange (Odularu 2008). Following the Arab oil embargo of 1979, crude oil completely overshadowed agricultural export by accounting for over 95% of Nigeria's export earnings (Odularu 2008).

As the number of foreign companies in the industry increased, the Nigerian government sought ways to increase the level of indigenous participation. As a consequence, the Petroleum Act, known as the 1969 Act, was established to increase its control over oil production, which made it possible for Nigeria to create a statutory regime for the right to explore and discover oil in the country. Additionally, Nigeria joined the Organisation of Petroleum Exporting Countries

(OPEC) in 1971 and the Nigerian National Petroleum Corporation (NNPC) was established in 1977 to regulate the Nigerian oil and gas industry (Playfoot et al. 2013). This state-owned oil company not only controlled the Nigerian oil and gas industry, but also supervises all other sectors of the oil and gas industry, including the midstream and downstream sectors (Odularu 2008; KPMG 2014). The NNPC was later divided into 12 divisions to monitor other sectors within the industry. These sectors include the Ministry of Petroleum, which is the administrative arm of the government that deals with policy regulation, administers license bidding rounds, prospecting, exploration and mining (Huem et al. 2003).

The Department of Petroleum Resources is one of the main regulatory bodies and lies within the Ministry of Petroleum Resources. Its primary responsibility is to set standards to control and supervise oil and gas activities in the industry (Huem et al. 2003; Playfoot et al. 2013; KPMG 2014). NNPC, through its asset management subsidiary, the National Petroleum Investment Management Services (NAPIMS), manages agreements with multinational corporations (MNCs) in the industry by regulating and approving budgets and work schedules (Huem et al. 2003; Subai 2014). Through the Nigerian Content Development and Monitoring Board (NCDMB), the government implements the Nigerian Oil and Gas Industry Content Development (NOGICD) Act. The NCDMB also administers, monitors and manages the Nigerian content in the industry (Ogbimi 2013; KPMG 2014). There is also the Niger Delta Development Commissions (NDDC) whose primary role is the formulation of guidelines and policies for the development of the Niger Delta (KPMG 2014). Finally, the National Maritime Administration and Safety Agency's (NIMASA) principal role is to monitor and promote the development of domestic shipping in international and coastal shipping trade (KPMG 2014).

The oil and gas industry plays a major role in shaping the economy of Nigeria. One way of assessing its impact is by measuring the rent generated by oil. From 1979-1999 $231 billion was generated in rent for the Nigerian economy (Ross 2003). Furthermore, the industry accounts for about 83% of the federal government revenue and 98% of export earnings. Oil also generates more than

14% of Nigeria's GDP, 65% of the government's budget revenue and 95% of foreign exchange earnings (Nwosu et al. 2006; Ihua 2010; Vaaland et al. 2011; Okafor and Aniche 2014; Akinrele 2014). Despite all these benefits, the income generated from oil and gas production has failed to raise Nigeria's standard of living. Rather, oil wealth has resulted in widespread corruption and rent-seeking activities due to the weak governance structure in Nigeria (Ross 2003; Idemudia 2012; Omoteso and Mobolaji 2014; Akinrele 2014). Perhaps, as a consequence, the country has been burdened by inter/intra community violence, kidnappings, illegal oil bunkering and political instability, which has led to poor macroeconomic management and inadequate infrastructure development particularly in the Niger Delta (Ross 2003; Idemudia 2012; Akinrele 2014). This reinforces Omoteso and Mobolaji's (2014) claim that the poor economic performance of African countries can be attributed to corruption, inconsistent policy regimes, ethnic conflicts, complex institutional and administrative frameworks and weak institutions.

Since its initiation, the industry has been dominated by cartel-type (foreign) organisations with a low level of indigenous participation. The main activities, which include drilling, exploration, production, well intervention and service provision have been controlled, exploited and managed by foreign multinational companies. For instance, 95% of oil and gas production in Nigeria is carried out by only five companies: Exxon, Shell, Chevron, Total and Agip (Nwosu et al. 2006; Vaaland et al. 2011). It is estimated that $8billion annually is spent on operation services in the Nigerian oil and gas Industry and this figure is projected to reach $15billlion by 2017 (Ihua 2010). Despite the significant amount of money spent in the industry, only a small proportion of the accrued profit is available to indigenous oil servicing firms or expended in the development of the Nigeria industry base (Bakare 2011). Most of the money is remunerated to foreign oil and gas firms for services such as Front End Engineering Design (FEED), conceptual designs and seismic studies (Ihua 2010). This has led to capital flight as most of the profits from contracts are sent abroad where the majority of the equipment and products are produced and manufactured (Nwosu et al. 2006; Ihua 2010; Bakare 2011).

Likewise, Nwosu et al. (2006) claimed that despite numerous activities in the Nigerian oil and gas industry, there is little value added to the local economy. Environmental pollution is at a very high level implying low local sustainability caused by the destruction of local agriculture, thereby leading to high unemployment and economic depression. Similarly, the Nigerian Extractive Industries Transparency Initiative (NEITI) claim that besides the loss of revenue, oil theft or illegal bunkering has also resulted in the loss of life (NEITI 2013). The effects of this have been demonstrated through conflicts, youth restlessness, hostage taking, upheavals and equipment seizures leading to the disruption of operations (Nwosu et al. 2006). Yusuf and Omoteso (2015) opined that violence in the Niger Delta is the indigenes' response to MNC activities that have seemingly not complied with their corporate social responsibility (CSR) objectives. Moreover, Ihua et al. (2011) observed that in 1960, Indonesia and Nigeria had the same level of per capita income; however, Indonesia has quadrupled its per capita income, while that of Nigeria has stagnated. Heum et al. (2003) also stated that the Nigerian GDP growth rate is lower than those of non-oil producing countries. This may be due to the inability of the Nigerian government to transform oil wealth into long-term welfare and industrial development, as seen in Malaysia and Indonesia that have industrialised rapidly (Heum et al. (2003). This has led to a nationwide outcry for the Nigerian government to facilitate indigenous participation in the oil and gas industry in order to raise the average standard of living (Neff 2005). Demands were made that the government create an enabling environment to favour local contractors by offering government tenured loans to indigenous firms which would allow them to execute projects and to foster alliance and partnership between Nigerian and foreign firms (Heum et al. 2003; Neff 2005).

2.3 The local content policy

Most of the literature available analyses the welfare and resource allocation effects of Local Content Requirements (LCRs) (see for example: Grossman 1981; Hollander 1987; Richardson 1991, 1993; Lopez-de-Silanes et al. 1996; Lahiri and Ono 1998; Qiu and Tao 2001). Early efforts were prompted by the frequent use of LCRs in developing countries and concentrated on the resource allocating effects of LCRs, and on modernising the local intermediate goods industry (Veloso 2001).

Many scholars consider Grossman (1981) to be the first contributor in academic literature in the field of LCP (Veloso 2006). Grossman (1981) identified a content protection scheme reminiscent of the Local Content Requirement (LCR), which was a permutation of a tariff imposed on the imported intermediary input and a subsidy provided for the final goods produced. Grossman (1981) systemically analysed the results of content protection on resource allocation, with focus on intermediate goods (Richardson 1993; Belderbos and Sleuwaegen 1997; Veloso 2006; Kazzazi and Nouri 2012; Ado 2013). Likewise, several researchers argued that the LCR (or content protection) might result in unforeseen and undesirable results (Krishna and Itoh 1988; Davidson et al. 1985 Chao and Yu 1993; Belderbos and Sleuwaegen 1997). However, a few studies revealed that the LCR policy could improve the welfare of a country in certain situations (Richardson 1993 and Hollander 1987). Furthermore, Qiu and Tao (2001) examined both the positive and negative aspects of the LCR and derived an optimal LCR policy. Although the LCP might be an entirely new concept, it has become a recognised catchphrase in the oil and gas industry.

2.3.1 Definition of local content

The concept of LC has been defined in many ways and from various perspectives. Local content, which is also referred to as “community content,” “national content,” “content protection” and “domestic content,” connotes the competitive and gainful participation of citizens and the private sector in an economic activity (Jackson et al. 2010). It states that it should have “a set amount of inputs (value or quantity) in a given industrial output to be of domestic origin”, which leads to knowledge transfer, value addition, enhancement of economic multipliers and that it is the basis for economic growth and development of citizens (Richardson 1993; Qiu and Tao 2001; Veloso 2006; Jackson et al. 2010; Ado 2013).

According to Kalyuzhnova (2012 pg. 1), “LCP builds the locally owned and adapted knowledge of the community and its capacity to appropriate technical expertise and managerial skills from external sources and to transfer this onto others in the locality and the wider economy". There are strong arguments to justify why the government should pay close attention to the development of the LCP in the host country including broadening the knowledge base of local capacity (Adegbite and Erhimona 2008; Kalyuzhnova 2012). Qiu and Tao (2001) and Blederbos and Sleuwaegen (2002), defined LCP as the utilisation of a specific proportion of local components in production, or the inclusion of an indigenous firm in production and manufacturing (Vaaland et al. 2012). Additionally, it is the occurrence of local inputs (labour, capital and intermediate products) in the various stages of a value chain (Kolstad and Kinyondo 2015). For instance, when it comes to employment, the LCP's objective is that there are more domestic employees. It can even go as far as imposing a legal requirement on companies to employ domestic workforce in a way that facilitates the transfer of technology from the foreign workforce to the domestic workforce (Ramdoo 2016).

From the experience of resource-rich countries, it is evident that the government can maximise the value of the oil and gas sector through non-fiscal instruments, which includes local participation and the LCP (Kalyuzhnova 2012). Long-term government intervention is required to increase the share of sales or local employment in any sector at every stage of the sector's supply chain (Warner et al. 2013). Through the creation of LCP regulation, the government's aim is to create a favourable environment for the transfer of skills and output to the host country's economy (Kalyuzhnova 2012; 2016). The LCP is part of a policy intervention entitled Productive Development Policies (PDP), which is an initiative aimed at supporting the productive arrangements of a nation's economy (Tordo et al. 2013). The initiatives of PDP include programmes or policies that improve the competitiveness and growth of different sectors of an economy. However, despite the good intentions of the LCP or regulations, if not implemented properly, these policies can lead to significant economic and commercial problems. They can also create less predictable environments for investors, as well as increments in cost. Furthermore, there is also the risk of creating a climate of permanent protection, inferior infrastructure and weak/slow industry development (Richardson 1993; Qiu and Tao 2001; Veloso 2006; Jackson et al. 2010; Ado

2013), which could result in a fall in economic growth by wealth consummation, rather than value creation.

A familiar scenario in the oil and gas history is when a country discovers oil reserves and questions how to initiate a policy that promotes the LCP by involving local businesses as well as utilising the local workforce and resources in the extraction of the oil and gas resources (Kolstad and Kinyondo 2015). Developing countries with natural resources usually suffer from a lack of economic development. Hence, the governments of developing countries are always seeking ways of introducing policies to help them derive benefit from their oil and gas activities, thereby creating economic and social benefit for the nation (Martini 2014; Ramdoo 2015; Kalyuzhnova 2016). To achieve this, the government of these countries initiated a series of reform policies in order to capture more benefits from the oil and gas industry (Ramdoo 2015). One such policy was the LCP (Ramdoo 2015), which was employed to foster better local partnership and create more local jobs within the oil and gas industry. LCP is, therefore, the value added or the number of jobs generated within a local economy as a result of the activities of oil and gas companies. This can be referred to as the domestic jobs created around the area of the host community (Tordo et al. 2013). Similarly, Appiah-Adu (2013) defined the LCP as the domestic participation in the oil and gas industry with the aim of contributing and creating value to the social and economic development of the host country. While Ramdoo (2015) argued that it is a policy utilised by the government for the generation of economic benefits for the domestic economy.

Countries also have different motivations for designing and implementing the LCP. For instance, the definition of the LCP under the Nigerian Oil and Gas Industry Content Development Act is *"the quantum of composite value added to or created in Nigeria through utilization of Nigerian resources and services in the petroleum industry resulting in the development of indigenous capability without compromising quality, health, safety and environmental standards"* (NNPC 2016). The Act places emphasis on value addition through the mandatory training and employment of Nigerians by oil and gas companies (Asiago 2016). Similarly, in Ghana LCP is defined as *"the quantum/percentage* *of locally produced materials, personnel, financing, goods and services rendered to the oil industry and which can be measured in monetary terms*" (Petroleum Commission Ghana 2016).

The Ghanaian policy promotes value addition through the utilisation of local expertise in order to gain control of the oil industry through equity participation with Ghanaians in regard to development initiatives for domestic stakeholders. This is undertaken by considering local suppliers, developing local capacities and strategies for increasing the minimum in-country spending and local employment levels (Asiago 2016). In Tanzania, the LCP is the value added from oil and gas activities in the country from the participation and development of local businesses and the development of Tanzanian citizens through technology, goods, services, national labour, capital and research capability (Nwapi 2015). Thus, from another perspective, Tanzania defines the LCP as the value addition brought to a host country (host communities) through the activities in the oil and gas industry (Nwapi 2015). From the above definition, recognition must be given to host communities in the implementation of the LCP. It also indicated that for the policy to be fulfilled, indigenes would have to be employed or included in providing services in the industry. Here, the mention of host communities and regions differs from the position of other oil producing countries. It gives special recognition to communities where oil is being extracted and mandates oil and gas companies to contribute to the growth of the host communities (Nwapi 2016).

From the above definitions, it can be said that the LCP means different things to different stakeholders or countries. However, there is a consensus among countries that foreign investors/companies must utilise local goods, and services (Asiago 2016). LCP encourages foreign companies to employ locals, but it also recognises that activities in the oil and gas industry cannot significantly contribute to the employment of the local workforce without linkages to other sectors in the country (Ovadia 2014). LCP ensures that oil and gas companies utilise local businesses to supply goods and services and these companies then invest in facilities for local manufacturing, thereby adding value to the economy (Ovadia 2014).

2.3.2 Rationale for LCP

On the economic front, the main rationale for the utilisation of the LCP is to develop or strengthen the domestic industrial base to create jobs and stimulate local industrial development (WTI 2013; Ramdoo 2016). Here limited periods of protection are used to boost domestic industries up to a level of productivity where they become internationally competitive (Stephenson 2013; Kolstad and Kinyondo 2015). This occurs mostly in developing countries that have low value-adding activities and where there is a poor linkage between large industries and the rest of the manufacturing industries (Stephenson 2013). In some oil producing countries, the revenue and demand associated with oil production have led to capital flight, high exchange rates, and a disregard of investments and goals to reduce business costs. This has also contributed to a great tendency for consumption and a neglect of other sectors of the economy, for example, the agricultural and manufacturing sectors that would have contributed to the value adding activities in the country (WTI 2013; Nwapi 2015). Hence, the government of these oil-producing countries utilises the LCP as a means of moving the economic base away from a rent base and consumption industry, to an indigenous production industry focused on domestic value-adding activities (WTI 2013).

The LCP is also a means of addressing market deficiencies or failure through employment and creation of opportunities in the domestic markets (WTI 2013; Tordo et al. 2013; Nwapi 2015). For instance, the oil and gas industry poses technological complexity and requires high levels of investment and specialised input, which is often a hindrance to local participation (Tordo et al. 2013). Hence, new entrants find it difficult to participate because of the high level of market concentration. The LCP can help countries with low industry capacity to develop sectors through lowering entry barriers and encouraging indigenous participation can be developed efficiently; more so if high aggregated demand is expected (Tordo et al. 2013). It can also help minimise the gap between private and social returns for specific Foreign Direct Investment (FDI) activities and reward business activities undertaken by indigenous companies or sanction foreign companies that impede local capacity development (WTI 2013). For instance, where indigenous capacity can be developed, or is available to meet long-term demand, the government tries to ensure the integration of local contractors in the procurement strategies through a combination of mandatory requirements or incentives for local contractors to foster the development of the local supply chain (Tordo et al. 2013).

Furthermore, Tordo et al. (2013) state that information asymmetry is another form of market inefficiency that occurs in the oil and gas industry. It is a condition whereby participants do not have access to the information needed for their decision-making process, which can lead to market failure. Further, where countries have a minimum target for the procurement of goods and services, qualified indigenous suppliers might not be informed of the market opportunities because foreign companies might be reluctant to share information. Also, foreign companies' procedures are designed to target only established foreign companies. To solve this problem, the government includes a regulation in their LCP that improves transparency and access to information for oil and gas industry suppliers (Tordo et al. 2013). For instance, Kazakhstan created the KCA register in 2010, whereby companies are required to upload all procurement information and documents to make the procurement process transparent for both local and foreign suppliers (Ospanova 2010; Warner et al. 2013). Furthermore, by improving access to information, countries that rely on revenue from oil and gas production have also utilised the LCP to redistribute rents arising from oil production (WTI 2013).

In designing the policy, policy makers tailor the LCP according to the set targets and the specific industry in question (WTI 2013). The LCP gives the government the opportunity to divert the rent generated from oil production to other sectors of the economy. This ensures host communities benefit from the profit generated from oil production (WTI 2013; Nwapi 2015).

One of the many disciplines used by developing countries to advance the process of learning and adopting technologies from developed countries is the use of performance requirement (WTI 2013). Technology transfer and knowledge spill-over have a positive impact on the economic development and productivity of domestic companies (Stephenson 2013). According to Kokko (1994); Borensztein, de Gregorio, and Lee (1998); Xu (2000) cited in Warner et al. (2013), countries that impose low trade barriers benefit more from technology transfer and knowledge spillover. This occurs when the technology gap between domestic and foreign companies is not too wide and there is a mandatory minimum level of foreign workforce. Furthermore, the level of domestic ownership affects the degree of technological and knowledge spillover as it does not necessarily produce positive spillover (Tordo et al. 2013). This is because the oil and gas industry utilises complex technology and specialised input and the success of technological and knowledge spill-over is key to the successful development of value addition to the local economy. Therefore, oil-producing countries have adopted the LCP as a medium to foster the transfer of knowledge and technology (Warner et al. 2013; Cimino et al. 2014). For instance, the Brazilian government requires operators to invest 1% of oil revenue into oil and gas related research and development (Warner et al. 2013).

2.3.3 Characteristics of local content

Depending on their various economic situations, resource rich countries have different perspectives in regard to LCP implementation and maximising the benefit from their natural resources. In addition, LCP has various unique characteristics, including value addition or creation. Resource-rich countries maximise the benefit from their natural resources by retaining value generated from the exploitation of these resources (Appiah-Adu 2013). These countries have designed various policy instruments to maximise the benefit gained from these resources, some of which are aimed at increasing participation and local sourcing from indigenous companies (Ramdoo 2015). To increase participation and local sourcing, both must occur along the value chain within and outside the host community and country. Through this, LCP will increase the utilisation of local workforce, goods, and services (Appiah-Adu 2013). These policies can take the form of a mandatory partnership with indigenous companies and include sourcing materials locally to enhance the quality of local suppliers (Appiah-Adu 2013; WTI 2013; Ramdoo 2016). According to Appiah-Adu (2013) and WTI (2013), LCP implementation has been successful in broadening and enhancing capabilities. This can also be seen in the international competitiveness of indigenes and local businesses through collaborations that include equal participation of local citizens, as illustrated in Figure 2.1 below (WTI 2013; Appiah-Adu 2013; Ramdoo 2015).

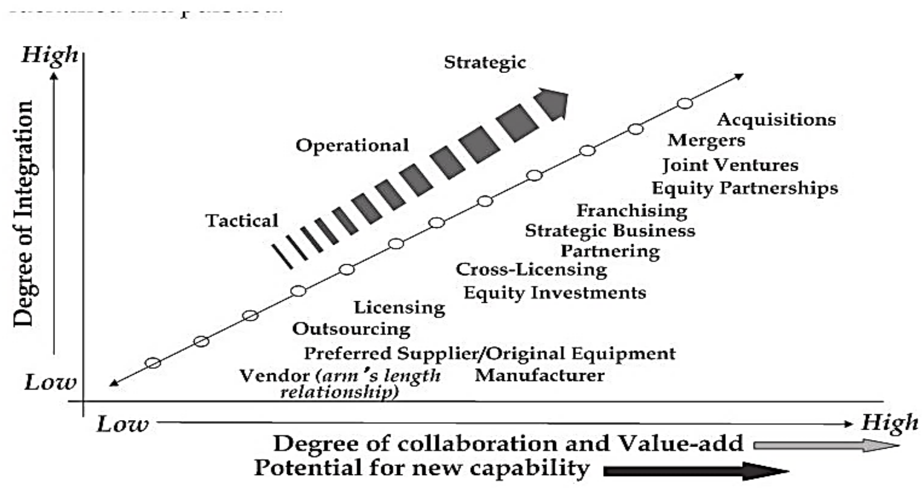

Figure 2.1 The relationship between transfer of knowledge, and technology in regard to value addition (Appiah-Adu 2013 pg. 178).

Another characteristic is the development of domestic industries. The development of indigenous suppliers to participate in the oil and gas industry is another primary objective of the LCP. This objective can be achieved in several ways:

- Priority is given to the purchase of local goods and services when they are competitive in regard to quality, price, and availability (WTI 2013).
- Consideration is given to companies registered domestically, regardless of the nationality of management or investment (Ramdoo 2016).
- The compulsory partnership between indigenous companies and foreign investors (Ramdoo 2016). The goal of this objective is to minimise the market power of foreign companies whose global sourcing reduces the capabilities and competitiveness of local suppliers (WTI 2013).

Promoting technology transfer also characterises LCP. Technology complexity has been a barrier for indigenous companies in the oil and gas industry. LCP often requires foreign companies to bring a level of technology into the countries so that indigenous companies can benefit from technology transfer through the use of state of the art technology (Ramdoo 2015). In some cases,

governments also create incentives for indigenous companies to encourage them to invest in developing technology that can place them globally in strategic positions (Ramdoo 2016).
Perhaps the most pervasive characteristic of the LCP is that it encourages foreign companies to develop employment and the capacity of locals; it creates employment at different stages of oil production; promotes the transfer of skills, training of locals and technology transfer between companies and locals (Ovaidia 2014; Ramdoo 2016). To create employment opportunities, oil-producing countries have utilised different regulatory instruments, such as setting minimum targets for training and hiring locals (Ramdoo 2014). Furthermore, companies must invest a proportion of their turnover in training programmes for local staff. However, the LCP adopters acknowledge that the oil and gas industry cannot be the sole employer of locals without a direct linkage to other sectors of the economy (Ovadia 2014). LCP mandates that oil and gas companies utilise local goods and services and invest in facilities for local manufacturing (Ovadia 2014; 2016).

What appears to be a robust LCP can change because of the evolving circumstances and factors in an industry or country; therefore, an overarching characteristic or principle of LCP is that it must be flexible in nature. Changing circumstances can include the movement of the resource base to a geographical certainty, continuous development of the domestic skill base and supply chains, and the internal and external environment becoming less or more favourable (Marcel et al. 2016). To facilitate these changes, a periodic assessment of the policies is required to ensure they are ambitious enough, capable of maximising the benefit from oil and gas production, do not deter investment or lead to ineffective LCP investment (Marcel et al. 2016). Hence, LCP should be dynamic in nature as it moves across the oil and gas value chain. Furthermore, LCP should be predictable enough to attract foreign companies to invest, even when the oil price is low and the government insists on LCP requirements (Marcel et al. 2016). For example, the government may wish to increase the proportion of revenue they receive and adopt a strict LCP if the price of oil rises (Marcel et al. 2016). In countries with low economic development, it is essential to have flexible LCP. Where there is inadequate human capability and capital that can hinder the completion of an oil and gas project, oil and gas companies may be given the opportunity to change their approach to LCP. It is expected that new oil producing countries possess a high level of flexibility during oil exploration to reduce the risk to foreign investors, which means little is achieved in regard to local content. However, when the resource potential is attained the government tightens their LCP, as countries are eager to enter into the industry (Marcel et al. 2016)

2.4 Argument for and against LCP

The oil and gas industry purchases input (both raw material and labour) for its activities, which are both imported and supplied domestically. The importation of inputs creates a leakage in the host country, while domestic inputs retain value and benefit for the host country (Tordo et al. 2013). For instance, buying goods from a local company requires the local company to purchase its raw materials and labour to be able to manufacture its output. Thus, this indirect input will be produced locally. Further, the domestic workforce will spend their salaries on locally produced goods, which in turn will help create more jobs (Warner et al. 2013). Therefore, the share of domestic employment and domestic sales at every stage of the supply chain is referred to as local content.

Similarly, Grossman (1980) defined LCP as a given percentage of the domestic component value input in a final product. LCPs, in general, are government interventions that aim to improve, in the long term, the share of domestic employment and sales to an industry that is locally supplied at each stage of the value chain. This form of intervention is categorised under the policy interventions called Productive Development Policies (PDP) (Warner et al. 2013; Nwapi 2016). As a form of PDP, it helps correct market failures by ensuring companies assist in the development of local skills to meet the market and industry requirements. It also enhances local participation by enforcing the employment of an indigenous workforce, using local raw materials and utilising local companies and local procurement (Nwapi 2016). LCP has also been created as a form of behind-the-border tariff to achieve its localisation objectives (Hufbauer 2013). During the recession of 2008, more constrained governments avoided the traditional form of protection (quota and tariffs)

(Hufbauer 2013). Thus, they favoured the opaque Non-Tariff Barriers (NTB) and this has gained popularity since the recession of 2008. While other forms of protection focus on the percentage of import value, the LCP concentrates on the percentage of a project that is given to indigenous firms, or the subsidy made available to indigenous companies (Hufbauer 2013).

2.4.1 Argument for LCP

There are many reasons why governments increase the use of the LCP in the extractive sector. One of these grounds is to correct market failures (Warner et al. 2013; Nwapi 2015; 2016). Market failure occurs when an industry/country cannot access the necessary knowledge, technology, capacity to participate in an open market without the assistance of foreign companies. Therefore, indigenous workers cannot obtain jobs because they lack the skills and they cannot obtain the skills because they are not offered jobs or training (Warner et al. 2013). Consequently, from a domestic point of view the market fails because locals have inadequate domestic skills to participate in the industry. This in turn affects the allocation of resources to the market (Nwapi 2016). The government, through the LCP, corrects market failures by supporting the development of skills and capacities to meet the demand of the market. One way of developing local skills is by mandating foreign companies to engage in the local workforce empowerment to meet the technical expertise required by the industry (Klueh et al. 2009). Another means of skills development is created by the partnership between foreign and local/indigenous companies. When local companies partner with foreign companies, the local company gains knowledge through technology transfer from the foreign company (Klueh et al. 2009). Part of the argument in favour of LCP, especially in developing countries, is that it creates jobs in the local communities and protects the nascent industry (e.g. renewable industry), until it is capable of competing in the international market (Stephenson 2013). By protecting infant industries, it presents an attractive solution as it allows industries to become competitive internationally by offering local companies incentives to produce, innovate and lower their production costs over a specific period of time (Stephenson 2013).

2.4.2 Arguments against LCP

One major issue relating to LCP is its conflict with international regulations (Warner et al. 2013). For instance, concerns have been raised about the conflict between LCP and international trade agreements applicable to members of the World Trade Organisation (WTO), specifically the Agreements on Subsidies and Countervailing Measures (ASCM), the General Agreement on Tariffs and Trade (GATT) and Trade-Related Investments Measures (TRIMs) (Nwapi 2015; Ramdoo 2016). These agreements require WTO member countries to treat one another in the same way they would treat their citizens. However, these international trade tools limit the LCP (Ado 2013; Warner et al. 2013; Nwapi 2015). Furthermore, most countries use performance requirements to attract foreign direct investment (FDI). The LCP is a performance requirement as it is utilised for the creation of jobs and technology transfer (Ado 2013).

Foreign investors, however, do not agree with the use of performance requirements as it interrupts their investments, and contravenes some trade-related investment measures. For example, the LCP as its requirements violate Article III of General Agreements on Tariff and Trade (GATT) (Ado 2013; Warner et al. 2013). Trade-Related Investments Measures (TRIMs), for example, prohibit the LCP requirements that mandate a specific level of domestic purchase by a company, such as the requirement of minimum targets for the participation of indigenous suppliers/contractors. Thus, LCP may be contrary to a country's WTO undertakings (Warner et al. 2013). Therefore, the LCP may have an adverse impact on trade as it discourages foreign importation and suppresses competition between foreign and domestic companies. Its effect depends on the percentage of the LC needed and the effectiveness and efficiency of existing companies (Stephenson 2013). For instance, in a country with inefficient companies, a higher degree of LCP hinders competition. However, according to Rodrik (2007), although the LCP breaches international trade agreements, it is a necessity that aids developing countries to pursue their economic development goals (Nwapi 2016).

Another argument against LCP is the requirement for companies to purchase domestic inputs, which are likely to be more expensive than foreign inputs

(Stephenson 2013). LCP sometimes operates in an opaque manner, thus its effects on downstream operators in regard to quality and price is hard to calculate; therefore, it can be challenging for responsible officials and legislators to evaluate the benefit of the LCP (Cimino et al. 2013; Stephenson 2013). The protection offered by LCP also insulates domestic companies from foreign competition, which can lead to delays in adopting novel technology and defeats the aim of a healthy infant industry (Cimino et al. 2013). Furthermore, foreign companies believe that imposing domestic labour hiring conditions on them is unfair, especially when the current domestic labour lacks the necessary skills to undertake the job. This not only puts pressure on companies but also discourages further investments in the host nations (Nwaokoro 2011; Nwapi 2016).

Consequently, this makes LCP susceptible to corruption, which is another argument against LCP. Although LCP is a policy intended to help oil rich countries benefit from their natural resource, if it is not implemented properly, it opens avenues for corrupt practices. Government policies are vulnerable to corruption especially in the area of trade and investment policies (Cimino et al. 2013; Hufbauer 2013). Furthermore, the reason for adopting LCP might be aligned with the investors', local elites' and public officials' interests rather than the benefit of the nation (Esteves et al. 2013; Martini 2014). This may further minimise competitive solutions to problems (Marcel et al. 2016). Many of the new oil producing nations have very low tax bases, encouraging political elites to look to other sources of income to use as sponsorship to gain political loyalty. Here the LCP discourages local capacity development and promotes rentier behaviour (Marcel et al. 2016). Furthermore, the LCP can create delays and increase the cost of projects as they depend on the supply and demand conditions of the local economy (Cimino et al. 2013; Hufbauer 2013).

2.5 Necessary conditions to support local content policies

Despite the positive characteristics of LCP, it has often failed to meet countries' expectations. Evidence has highlighted the failure of countries to retain value from oil and gas production in their various countries (Warner et al. 2013; Nwapi 2015; 2016; Ovadia 2014; 2016). Therefore, when a government decides to implement LCP, it is crucial to understand the risks associated with the policy.

2.5.1 Thorough understanding of the situation in the oil and gas industry

Firstly, there must be an agreement between stakeholders (indigenous companies, MNCs, local communities and government) and the outcome of this understanding will determine the success of the LCP (Ramdoo 2016). The LCP should be guided by a vision that explains how to prioritise different policy objectives and identifies the industries of strategic importance to the government. The government should also be clear about which policy objectives should be prioritised, for example, job creation. Coordination between government, oil and gas companies and other relevant industries will help construct the countries' vision and avoid partisan approaches to long-term planning (Marcel et al. 2016).

2.5.2 Capacity and capability to deliver LCP

Developing countries endowed with natural resources often have frail private sectors, with private companies often lacking competitive advantages to participate in the oil and gas industry (Marcel et al. 2016). While LCP mandates oil and gas companies to procure materials locally, most local businesses lack the capacity to operate in the oil and gas sector. Furthermore, some of these countries have an unrealistic LCP, which has led to cost inflation and compromised the viability of their oil and gas industry (Marcel et al. 2016). Therefore, when capabilities are insufficient, the government must create opportunities to support them. Government and policy makers should have a baseline of existing capabilities and should periodically assess the progress of indigenous companies against the baseline. Thus, will maximise short-term opportunities and plan since knowledge of the resources is available and its impact well-known (Marcel et al. 2016).

2.5.3 Institutional readiness

Institutional readiness is the key to the success of LCP. However, the lack of transparency and corruption in implementing LCP is a major hindrance.

Furthermore, developing countries must adopt the approach whereby local suppliers are given the opportunity to gradually build their competencies to be able to compete with foreign companies (Stephenson 2013). LCP will also be more valuable if local companies are engaged in training through learning by doing, for example taking locals as understudies to establish high-skilled workers (Stephenson 2013). Furthermore, access to information is an important aspect of LCP success. Limited information on the availability of competencies and qualified local suppliers can cause foreign companies and operators to seek outside help (Marcel et al. 2016). Therefore, free flowing information between the government, local companies and international oil and gas companies is essential to the success of LCP.

2.5.4 Local content requirement should be industry specific

LCP requirements are mostly generic as governments may lack necessary information and understanding of industry needs or requirements (Marcel et al. 2016). This leads to a poor implementation strategy that makes reporting and measurement complex (Marcel et al. 2016). It also does not consider the regulators capacity to measure and monitor performance and results in poor enforcement that influences the corruption of regulatory officers. Therefore, it is vital that the government has a consistent definition of local content, local companies and suppliers (Marcel et al. 2016). In general, these terms have different connotations when it comes to trade agreements and government procurement laws. Thus, defining terms critical for measurement, performance management, and target setting is imperative (Marcel et al. 2016).

2.6 Local content policy in global context

Many states have established Local content rules for companies intending to operate in their countries (Munson and Rosenblatt 1997). As a result, these rules have compelled companies to purchase a certain amount of goods and services from local suppliers.

In resource-rich countries, governments are searching for opportunities to develop economic linkage between the extractive sector and the rest of the economy (Playfoot et al. 2015 and Ramdoo 2016). Hence, a number of these states have introduced the LCP to promote the use of local resources such as capital, labour, goods and services in order to create value in the local economy and thus, expand the various countries' industrial sectors (Esteves et al. 2013). However, diversification of these oil producing countries has been monolithic. The experiences of these countries show that many different routes have been taken at various times during the countries' development (Ramdoo 2016). These developments have been defined by the systemic and political systems of the individual countries, as well as the demand and supply of goods and services, technological changes and the cyclic behaviour of commodity prices (Ramdoo 2016). These are the motivations behind the implementation of the LCP. These incentives are linked to the socio-political and economic considerations that consist of reasons such as the need to stimulate local industrial development, create jobs and in response to the need to address policy failures (Ramdoo 2015). The type of intervention used by countries to address these policy failures vary according to the countries' resource endowments, the level of development and industry maturity (Ramdoo 2016). Moreover, the industry's various stakeholders also have their reasons for encouraging the use of the LCP (Ramdoo 2016). Where the government are the regulators, the implications, interventions and results may differ. In addition, oil and gas companies may implement the LCP in order to obtain a license to operate, or to stimulate supplier development (Ramdoo 2016). While a number of these companies have been successful in developing domestic businesses and capacity, other companies have created avenues for corruption, or have failed in their LCP objectives (Esteves et al. 2013). Thus, it may be challenging for international oil and gas companies and governments to agree on definitions and parameters, which may vary from country to country and on how to effectively regulate and measure LCP implementation in the various oil and gas industries (Bordman 2010). An examination of the LCP practices of oil producing countries will help to highlight the main issues.

2.6.1 Indonesia

In Indonesia, oil production began in 1890. However, foreign companies ran the industry until the 1950s when the government introduced new regulations stating that the government and government-owned companies would take over oil and gas development activities (Heum et al. 2003). In 1968, the Indonesian national oil company Pertamina was formed, and its sole responsibility was negotiating and managing Production Sharing Contracts (PSCs) with international oil companies. It also had a monopoly over the industry's downstream sector. Heum et al. (2003) state that the LCP's minimum target in the Indonesian upstream oil and gas industry was 25%. However, in 2013 the Ministry of Energy and Mineral Resources (MEMR) issued new regulations concerning LCP in the upstream sector (Asiago 2016). One of these regulations was that preference should be given to domestic suppliers. The regulation also set individual targets and provided timeframes for the implementation of LCP in different services in the oil and gas industry. MEMR also changed the LCP target of 25% to vary across the various departments in the industry (Ramdoo 2016). This ranged from 35% to 90% depending on the activities in the industry (Asiago 2016). For instance, the LCP's target in the offshore oil and gas drilling rose from 35% to 45% (Ramdoo 2016). The recruitment of a domestic workforce in Indonesia relies on the approval of the regulator. Furthermore, indigenous oil and gas companies operating in the downstream sector are mandated to give priority to local employment, which should be undertaken in coordination with the regional government (Warner et al. 2013).

2.6.2 Malaysia

Oil production in Malaysia began in 1910 (Heum et al. 2003), but offshore production commenced in the 1950s (Klueh et al. 2007). The national oil company, Petronas, was established in 1974 and is the largest contributor to the government's tax revenue. In 2010, it accounted for over 40% of tax revenue (Tordo et al. 2013). The main objective of the Malaysian government is to maximise benefit through the building of local capabilities and an industry base to support its growing offshore and onshore oil and gas industry (Klueh et al. 2007). To achieve this, Petronas used its role to increase the government's take of the oil revenue and mandated an increase in participation of Petronas in the production sharing contracts with foreign companies. This gave the government greater cash flow and increased its opportunities for technology transfer (Klueh et al. 2007; Warner et al. 2013). Petronas has been a key driver in the development of LCP in Malaysia. Companies that wish to participate in the upstream sector must obtain a license from Petronas. To obtain the licence, oil and gas companies must be registered with Petronas, create an incorporated business with local equity participation in Malaysia, acquire all materials locally and purchase directly from the manufacturer if not available locally (Klueh et al. 2007; Warner et al. 2013). Foreign companies are given permission to operate in the oil industry and partner with indigenous companies, but are restricted to a 30% equity stake (Warner et al. 2013). Furthermore, Petronas has invested in the development of the skilled workforce, technology and supports the local supply industry through the establishment of several management-oriented and technical institutions. One such institution is the Institut Teknologi Petroleum Petronas (INSTEP), which has been a major supplier of competent, skilled manpower for companies operating in the oil and gas industry (Warner et al. 2013). LCP has been an integral part of the economic transformation plan of Malaysia, where it has improved the competitiveness and performance of local business and strengthened domestic skills through the integration of incentives for foreign and domestic investors and the enforcement of regulations and requirements (Warner et al. 2013).

2.6.3 Trinidad and Tobago

Trinidad and Tobago (T&T) is a small but resource-rich country in the Caribbean (Ugursal 2011), which gained independence in 1962. T&T has been characterised by its heavy dependence on the production and exploration of oil and gas (Ugursal 2011 and Tordo et al. 2013). T&T's continuous growth since the early 1990's is due to its tight monetary policy and economic reforms, as well as the strong markets for export commodities (Ugursal 2011). Also, owing to its considerable dependence on energy and petrochemical exports and low domestic energy prices, energy consumption in T&T has been on the rise more than anywhere else, making T&T one of the highest consumers of energy in the world. In T&T the need for a greater local content, including local ownership has been extensively debated (Ngoasong 2014). The government adopted an LC participation framework policy for the oil sector together with its entire value chain. This framework was established to determine the guiding principles – the key mechanisms necessary for LCP participation and capacity development.

These include: how, where and by whom these will be delivered; the assurance, reporting process and performance measures that will be utilised; and, major areas for priority focus (Ministry of Energy and Industry 2004).

The framework defines LCP in regard to the level of ownership, control and financing by citizens, in agreement with internationally accepted standards and the principal terms of the international agreement, such as General Agreement on Trade and Services (GATS) (Ministry of Energy and Industry 2004). In T&T, LCP is driven by the traditional approach whereby first consideration is given to local suppliers if their service quality is at the same level as international competitors (WTI 2013). Also, recognising that not all projects can be delivered or sustained locally, T&T's government directed efforts to defining and maximising LCP regarding the levels of local financing and local ownership and control. Efforts were also directed towards considering local suppliers by ensuring that the principal operator gives local suppliers assurances and preference (WTI 2013). Regarding people development, the government focused on the main areas that will give locals the opportunities to take more analytical, value added and decision-making roles that make sure that existing regulations are aligned to ensure compliance with strategies and policies (WTI 2013). With regard to monitoring of activities in the industry, the T&T government created the Permanent Committee on the LCP in 2004 to monitor the activities in the oil and gas sector to ensure that all energy projects include avenues for the development of expertise of nationals and maximise the level of the LCP and local participation. This committee creates strategies and policies that facilitated the transfer of knowledge and technology and helps improve local capabilities. Also, the committee updates the LCP and participation policies and ensures compliance with set policies (Tordo et al. 2013).

2.6.4 Kazakhstan

Since Kazakhstan gained independence, there has been a strong desire by the government to create an environment that includes local businesses and up-skills the population whenever possible (Kalyuzhnova 2016). In Kazakhstan, the term LCP refers to the level of work, goods and services purchased from Kazakh companies, of Kazakhstan origin as stated in the subsoil usage contracts or law (Asiago 2016; Kalyuzhnova 2016). According to the Subsoil Law, the LCP is the cumulative share value of local goods used in operational activities, or the number of Kazakhstan citizens; the fund is paid to the manufacturer of services (Work) minus the cost of the products utilised in carrying out the service and the price of the subcontracts (Asiago 2016). The Kazakh LCP first appeared in the Petroleum Law of 1995. The law required subcontractors in the oil and gas sector to be mostly Kazakh-owned (Ospanova 2010; Kalyuzhnova 2016). In addition, the 1996 law on Subsurface and Subsurface Use was created which mandated companies to propose their LCP commitments at the initial stage. However, the LCP was vaguely presented and companies were given free passes in the activities in the industry, which led to difficulty in monitoring LCP levels. Hence, key objectives have not been achieved (Ospanova 2010; Ramdoo 2016).

This prompted the regulators to adopt a more rigid approach. As a result, in 2007 more detailed LCP requirements were established (Ospanova 2010). It included a comprehensive procurement process, monitoring, measurement procedures, and provided a clear definition of local content. In the localisation of the labour force, the quota of the expatriate workforce and work permit rules' mandate is that medium and large businesses have 90% LC for technical personnel, 70% for company executives and a 95% minimum employment requirement for Kazakhstan citizens (Ospanova 2010). The protection of nationals against discriminatory hiring and remuneration practices (Olcott 2007) was also mandated, as well as the allocation of minimum funding for the training and education of Kazakhs. In the procurement of goods and services, there must be a minimum of 20% LC for goods and 15% for services and construction. In addition, a company that had more than a 50% foreign shareholding was considered foreign and excluded from participating in public procurement tenders (Olcott 2007). Additionally, institutional responsibilities were highlighted. These included:

- Policy formulation and design by the Ministry of Oil and Gas and the Ministry of New Technologies.

- Certificates for domestic producers to be issued by the Technical Regulation and Metrology Committee.
- The Kazakhstan Contract Agency (KCA) is assigned to promote the LCP in the oil and gas value chain, to assist local manufacturers in meeting industry standards and requirements and to carry out LCP implementation analysis.
- The Expert Council on LC participates in: (a) developing working programs for Kashagan, Karachaganak and Tengiz and sees to the interest of domestic suppliers; and, (b) in the assessment of the LCP implementation for major projects. The council is also under the supervision of the Ministry of Oil and Gas (Olcott 2007).
- The LC in employment is monitored through work permit applications.
- KCA monitors the education budgets. Unspent monies are put forward and spent before the end of the relevant petroleum contract.
- There is a special formula for calculating LC in goods, works, and services as set out in the 367/2010 decree (Olcott 2007).

2.6.5 Norway

Norway has been a major oil producer on the world scene for the past 20 years. The country is recognised for its administrative system in which it assigns oil sector functions to three state controlled institutions, each having a distinctive role (Thuber, Hults and Heller 2010). First, there is the National Oil Company (NOC) Statoil, the commercial entity, which carries out extensive oil operations in both Norway and abroad. Second, the organizational structure includes the Ministry of Petroleum and Energy, the Policy-making body (Huem 2008, Thuber, Hults and Heller 2010; Kalyuzhnova et al. 2016). This Ministry collaborates with the country's political leadership in setting targets and goals for the oil sector and runs the licensing process (Thuber, Hults and Heller 2010; Kalyuzhnova et al. 2016). Finally, there is the Norwegian Petroleum Directorate (NPD), the regulatory and technical advisory agency which collects fees from oil operators, compiles data on all hydrocarbon activities on the Norwegian Continental Shelf (NCS), sets hydrocarbon regulations within its areas of responsibility and advises the Ministry on technical matters. According to Thuber, Hults and Heller (2010), the separation of roles and responsibilities between policies and commercial and regulatory bodies became recognised as the "Norwegian Model" of oil sector governance.

Moreover, Norway has witnessed the macroeconomic distortions created by oil industries elsewhere in the world and was concerned by the intrusion of the industry into the traditional way of life of coastal communities. Therefore, the government decided to pursue a "go-slow" policy regarding the development of the petroleum industry (Wolf and Pollitt 2009; Thurber, Hults and Heller 2010). The Norwegian government stated that absolute control of the petroleum sector would be the best means of guaranteeing the correct pace of development and ensuring that industrial expertise was built domestically instead of abroad (Wolf and Pollitt 2009; Thurber et al 2010).

In Norway, local industrial competence has been developed to serve the offshore oil and gas activities with goods and services on a rather broad basis. Moreover, in Norway, the demand for LC services from operating petroleum activities is very high, for instance, in the investment in developing new fields, LC level is at 50-60% (measured in value added), whereas in maintenance and operations, it is approximately 80% (Heum 2008). Furthermore, the significant share of LC in Norway can be explained partly by the advantage of geographical proximity, but also because the technical competence of local service providers and suppliers in the oil and gas industry has proven to be truly competitive by international standards (Heum 2008). This supports the fact that the degree of success in LC development in Norway is not measured by domestic employment, but more importantly, that service providers and suppliers based in Norway serve markets and operate businesses all over the world. Essentially this suggests that it is possible to generate industrial value-added capacity that will benefit society if industrial competence is domestically based and internationally competitive (Heum 2008).

As already stated, these policies have been quite significant to Norway's success in offshore oil and gas activities. For example, the administrative system in which it assigns oil sector functions to three state controlled institutions, each with its distinctive role (Thuber et al 2010), has allowed politics to be conducted with transparency and business to be conducted away from politics. Also, in

Norway there is strong intolerance of corruption among civil servants and business people and this has further assured the separation of business and politics (Heum 2008). As Joseph Stiglitz (2007 pg.30) sceptically remarked, "By most accounts, Norway's state oil company was both efficient and incorruptible; probably few countries have been able to realise for its citizens a larger fraction of the potential value of a country's resources" (Wolf and Pollitt 2009). Norway is also known for its proactive approach to the development of strong local services and construction sector associated with oil exploration and development. This approach includes favouring local involvement and ranges from supporting Statoil in the licensing round as it would increase opportunities for developing local suppliers and encouraging the use of locally produced goods and services.

In the late 1970s, foreign operators entering the Norwegian industry were encouraged to form R&D partnerships and joint development programs with research institutions and Norwegian companies. The strategies and technology transfer of the operators were a crucial and determining factor in the licencing process (Accenture 2008). Again, Norway identified a list of institutional responsibilities that include:

- Norwegian Petroleum Directorate (NPD), the regulatory and technical advisory agency, which collects fees from oil operators, compiles data on all hydrocarbon activities on the Norwegian Continental Shelf (NCS), sets hydrocarbon regulations within its areas of responsibility and advises the Ministry on technical matters (Thuber et al 2010).
- NOC Statoil, the commercial entity, which carries out extensive oil operations both in Norway and abroad.
- The Ministry of Petroleum and Energy, the Policy-making body. The Ministry collaborates with the country's political leadership in setting targets and goals for the oil sector's plans for achieving these targets and runs the licensing process (Thuber et al 2010). The ministry also established the Petroleum Act (sections 8, 23, and 54), which delineates requirements regarding the oil companies' purchasing policies, for example it ensures that genuine opportunities shall be given to

competitive Norwegian suppliers to secure orders. Also, operating companies are mandated to inform the Norwegian supply industry in advance of the bidding process. In addition, it is the duty of the operator to perform at least 50% of all required field development expenditure (Thuber et al 2010).

2.6.6 Brazil

In Brazil's oil and gas industry, two organisations are prominent: the State Oil Corporation Petrobras, which produces 92% of the gas and 98% of oil in Brazil; and the National Petroleum Agency (ANP), which is the regulatory agency for the sector (Prochnik 2011). These two organisations are responsible for implementing policy in the Brazilian oil and gas industry (Prochnik 2011).

In Brazil, there has been a deliberate attempt by the government to balance local content requirement across the oil and gas industry and in other sectors, by exploring models that are realistic and sustainable and applying these models to the oil and gas industry in ways that will fit into the Brazilian context (Playfoot et al. 2015). Much effort has been put into developing the Brazilian LCP to align with the country's economic growth strategies. According to Warner et al. (2013) and Playfoot et al. (2015), the Brazilian LCP has been successful in promoting indigenous participation and in doing so has created demand for skilled local labour. To increase indigenous participation, Brazil implemented the LCP as part of a wide macroeconomic structure (Playfoot et al. 2015). Hence, the Brazilian LCP strengthens the demand for the local market (manufacturing, construction and naval engineering) (Playfoot et al. 2015). As a result, it also improves the linkage to other sectors of the Brazilian economy. This has not only ensured indigenous participation in the oil and gas industry, but has also stimulated the growth of the Brazilian economy by creating employment in other sectors and supporting local companies (Prominp 2008; Mireftekhari 2013). The Brazilian LCP has two long-term goals: first, the development of technology and research sector; and second, the diversification of the petroleum industry (Playfoot et al. 2015). The R&D sector for the supply of technologies is vital to the diversification of the oil and gas industry, due to the strong network of research centres which allow local oil and gas companies to compete with international companies (Playfoot et al. 2015). In addition, following the diversification of the Brazilian oil and gas industry, there is increased participation of local companies on a competitive base (Prominp 2008; Justi et al. 2009; Mireftekhari 2013, and Playfoot et al. 2015). The diversification policy was led by the National Development Bank (BNDES) and Petrobras and chaired by the National Oil and Natural Gas Industry Mobilisation Program (PROMINP). The PROMINP was created in 1993, with the aim of increasing the involvement of local goods and service vendors in the oil and gas industry, in alignment with the Brazilian local content policy (Justi et al. 2009). Nevertheless, there are a number of exceptions as equipment for deep-water operations are still brought from outside Brazil. Nonetheless, success was achieved as there has been an increase in domestic vendors competing for contracts with international suppliers. The success of the LCP in Brazil is due to the mechanism by which it was enacted. These mechanisms are the PROMINP and Petrobras (Playfoot et al. 2015). The PROMINP played a crucial role in identifying the challenges to LCP implementation which were addressed through education and training (Justi et al. 2009). Thus, through the PROMINP, education and training was aligned and became the dual pillars of the LCP in Brazil (Playfoot et al. 2015). In addition, Petrobras played an important role in LCP implementation in Brazil through the agreement made with Serviço Brasileiro de Apoio às Micro e Pequenas Empresas (SEBRAE), the national association that supports small businesses (Playfoot et al. 2015). As a result of this partnership, small and medium size businesses were included in the supply chain. This allowed Petrobras to map out business opportunities and channel funds into the most appropriate areas of training and offer necessary support to domestic companies (Justi et al. 2009). Thus, they were able to support the capacity and capabilities of local companies.

Furthermore, to increase the capacity of local companies, the funding of training and education was linked to operations in the Brazilian oil and gas industry. The approach taken to spend and source labour and goods was developed during the licensing round and operators were mandated to invest 1% of the revenue generated from each oil field being explored and produced (Justi et al. 2009; Baroso and Macedo 2012). These funds are then used in research and development projects in the oil and gas industry. Moreover, it is further stipulated that half of these funds must be used in Brazilian universities or institutes accredited by the ANP (Playfoot et al. 2015). By investing in the Brazilian education sector, international companies have established factories in Brazil due to its strong research base (Playfoot et al. 2015). These international companies have also partnered with local research institutions and are active in technology transfer for deep-water equipment. Partnership between the IOCs and local companies has been crucial in developing a local workforce skilled in pre-salt production (Playfoot et al. 2015). Pre-salt activities are normally expensive and require complex technologies, thus, without the LCP's long term goals in research and development, Brazil would not be able to meet its pre-salt extraction targets (Playfoot et al. 2015).

2.6.7 Angola

Over the past two decades, Angola has become a significant player in the oil sector (Teka 2012). Sonangol, the Angolan state-owned/ national oil company that runs the Angolan oil operations under the Angolan Petroleum Activity Law (Law no. 13/76 of 1976), is the sole owner of Angola's hydrocarbon resources (Klueh and Pastor 2008, Teka 2012). Sonangol owns 33.5% of the production equity, 6.7% of the deep-water production equity and 25.5% of exploration equity; these stakes were generated through Production Sharing Agreements (PSAs) with international oil companies (Teka 2012).

However, Angola, despite being a resource rich country with a 3% annual growth per year, has shown that the development impact of oil activities has had limited effect on the rest of the economy and the country has not been able to develop the local industry (Wiig and Ramalho 2005). According to Power (2011), Angola is the world's richest country among the poorest. Also, as stated by a civil society leader "Angola is developing rapidly regarding the economy, but this is not resulting in better quality of life for everyone" (Ovadia 2012: pg. 389). However, compared to Norway and Brazil, Angola has placed new emphasis on the LCP, which it calls National content or Angolanisation, to promote local involvement in the national oil industry (Ramalho 2005; Ovadia 2012; Teka 2012, Wiig and Ovadia 2013). According to Ovadia (2012) and Ovadia (2013), Angola's LCP consists of two separate components:

Angolanisation that is focused on human resources and the procurement of Angolan goods and services.

The Angolan government, through consistent prioritisation of the LCP, has been able to encourage IOCs to support LCP promotion in Angola. Moreover, Sonangol has played a key role in implementing the LCP (Ovadia 2014; 2016). Although Angola has no precise definition of the LCP, it enforces it through various legislative provisions and production sharing contracts with IOCs (Ovadia 2014; Asiago 2016). Furthermore, a department has been created under the Ministry of Petroleum called the National Directorate for Development of Angolanisation, to help increase the participation of Angolans in the oil and gas sector through a process called "positive discrimination" (Ovadia 2016). The government has also passed a law whereby tax incentives are provided to indigenous companies and has also implemented a law mandating the use of Angolan banks and ensuring that oil and gas companies pay their taxes and domestic contractors in Angolan currency (Ovadia 2014; 2016). Regarding training, Angolan companies are mandated to contribute $0.15 for every barrel of oil produced, on a yearly basis, towards the training of Angolans (Asiago 2016).

Finally, in terms of increasing local participation, the LCP on the domestic sourcing of goods and services has been effective, even though most of the local connections seem to involve generic products, essential services and imported goods (Warner et al. 2013). In the oil and gas industry, the percentage of local employment ranges from 51% to 90% (Asiago 2016) and there are also rules under the Decree-Law 127/03 that foreign companies operating in the Angolan oil and gas industry must contract goods and services from local companies (Asiago 2016). One of these rules states that all activities with low capital value should be carried out by Angolan companies (Asiago 2016). A second rule states that there should be a competitive system whereby all businesses participating in the Angolan oil and gas industry must utilise local materials, services, and equipment. However, if the quality of the materials is not up to international standard or unavailable, they can be acquired from foreign companies (Asiago 2016).

Sonangol has also expanded into some sectors directly linked to the oil sector including: fabrication, drilling, industrial supplies, transportation, infrastructure, food retail and catering, civil engineering and real estate. Thus, Sonangol has been the primary tool for economic diversification (Warner et al. 2013). In regard to monitoring, Sonangol monitors the domestic sourcing of goods and services and the Ministry of Petroleum monitors policy implementation with respect to the recruitment of foreign workers. However, it would appear there is no process or methodology guide in place to measure the impact of training activities and the effective utilisation of resources from the training funds, especially funds provided by the Ministry of Petroleum (Warner et al. 2013). Table 2.1 presents ta comparative analysis of LCP in the countries discussed above considering the variables that emerged from the review.

Table 2.1. Classification of local content policies of oil and gas producing countries

	Angola	Brazil	Indonesia	Kazakhstan	Malaysia	Trinidad and Tobago	Norway
Year of discovery	1990s	1939	1883	1899	1910	1866	1960s
Year production commenced	1990s	1940s	1890	1911	Exact year unknown	1901	1960s
NOC/ Year of establishment	SONSNGOL 1976	PETROBRAS 1953	PERTAMINA 1968	KazMunayGas 2002	PETRONAS 1974	PETROTRIN 1993	STATOIL 1972
Exploration activities	Onshore and Offshore	Onshore and Offshore	Onshore and Offshore	Onshore and Offshore	Onshore and Offshore	Offshore	Offshore
Daily prod (million barrels)	1.8	2.2	1.5	1.7	1.4	0.7	3.4
Oil reserves (billion reserves)	15.1	13.5	4.0	0.78	0.36	0.8	6.9
Local content indices	The LC is based on several laws for LCP. These include Petroleum Act 2004. Petroleum law 1978 Decree 20/82 and decree 127/03. In addition, it engages in JVs and PSAs with other companies.	LC is brazil is premised on the 1997 Petroleum Law. The level of LC is between 80-90 percent	The LC in Indonesia is based upon Oil and Gas Law No. 22/2001 segregating regulatory role and commercial operations; Presidential Regulation No. 54/2010 on procurement of domestic goods and services; Regulation No. 258/PMK.011/2011 on caps applicable to expatriate costs; and Supply Chain Management Manual PTK 007/2009 as revised in 2011.	The LC in Kazakhstan is based on the Law 291-IV/2010 on subsoil and subsoil users; Decree 1139/2007 on the rules for the procurement of goods, works, and services for subsoil users; and PSAs, which contain LC obligations specific to the project/area of operation.	The LC in Malaysia is based on the Petroleum Mining Act 1966; Petroleum Development Act 1974; Petroleum sharing contracts; Companies Act 1965; and Economic Transformation Program 2010.	T&Ts LC is based upon a LCP which highlights fiscal and non-fiscal measures to develop indigenous content. This policy is regulated by the Permanent Local Content Committee (PLCC). In addition, it operates JVs, PSCs.	The LC in Norway is based on the Royal Decree of 1972. It established the Government Supplies Office (GSO) which is similar to OSO to promote Norwegian nationals.
Main local content objectives	Promoting Angolan employment and domestic sourcing of goods and services	Development of local suppliers and technology, employment and income	Knowledge transfer to enhance competitiveness at national, regional and international levels	Increase the number of national workers, promote nationals' skill development and restrict foreign workers	Strengthen value-creating activities across the oil and gas value chain; encourage contractors to maximise the employment of nationals and transform the Malaysia into a hub for oil field services and equipment	Increase the level of participation of nationals, technology and capital and country's value through the development and the increase of local goods and services, businesses, people and financing within and outside T&T	Enhance Norwegian presences in all facets of the oil and gas industry through capacity development
Local content strategy	Mandating operators to contribute financially to training of nationals; engagement of an NGO to provide linkage between global supply chains and local enterprise	"Delayed gratification" and in –house capacity and capability development	Increase share of spend on Indonesian personnel	Support the economic diversification. Reduce economic dependency on the petroleum sector	Train Malaysian workforce with the objective to replace expatriate workforce	Maximisation of indigenous workforce to generate backward linkages to increase value addition and capacity development	Local content policy; establishment of GSO
Impact of local content policy	Increase in local employment	Active participation of Brazilian national both in the upstream and downstream sector.	Development of indigenous capabilities that has enabled Indonesian citizens to engage in technical development exchange.	Created opportunities for local human and industrial capacity in a wide range of activities that provides input and output in the oil and gas sector	Improved the performance and competitiveness of indigenous businesses and strengthen local skills	Development of indigenous capacities and establishment of partnerships	Indigenous involvement in all areas of the oil and gas business as well as active participation I both the upstream and downstream of the oil and gas industry

Source: Tordo et al. 2013; Lagoke 2014

2.7 LCP experiences of oil and gas producing countries

From the analysis in Table 2.1, it is evident that all countries have the same goal, which is to maximise the benefit generated from oil exploration for the citizens of their country. To do this, they all established a national oil company that is responsible for creating policies and managing the petroleum resources of their various countries. One such policy created by these countries is the LCP. These countries have established different frameworks to implement the LCP, some of which are through skills development, indigenous participation and promotion of employment. Furthermore, these policy frameworks vary according to the various countries' legislations (LCP, laws, regulations, decrees) and the kind of special considerations stipulated in contracts (Faro 2015; 2017).

When creating the LCP, many oil producing countries have employed different approaches – depending on their needs and reasons for the LCP, thus reinforcing the fact that the LCP cannot be applied in the same way in every country because of the challenges faced by these countries and the diversity of their economy. Therefore, the LCP is not a manual or book that can be replicated by every country (Faro 2015; 2017). Despite these differences, there are some similarities between the frameworks of these countries in the implementation of the LCP. For instance, agreements and contracts are common tools used by countries; they include requirements and clauses in their agreements and contracts that will help promote the LCP in their business. Laws are also common but are usually applied with a different focus. For example, Kazakhstan and Angola have specific legislation in place for the employment and training of their citizens and laws to promote public procurements. While Malaysia, Brazil, Indonesia and Trinidad and Tobago created different LCP principles in their petroleum law (Warner et al. 2013). Moreover, decrees are used by different countries to enforce their requirements; Kazakhstan has instituted several decrees for the regulation of monitoring and procurement processes (Ospanova 2010). They also have a decree protecting against discrimination in employment, similar to the Angolan government's Decree (13/10) (Olcott 2009; Faro 2015; 2017).

Furthermore, Norway has been identified as a good example of LCP implementation in the oil and gas industry. By developing its workforce and industrial base, Norway has made its LCP competitive abroad (Faro 2015; 2017). Furthermore, Norway has a developed institution and stable economy that enabled the design and implementation of a successful LCP, which had a positive spin-off effect on other sectors of its economy (Heum et al. 2007). It is important to note that the oil producing countries mentioned in this study were established producers before Norway began its oil production (Faro 2015; 2017). This is a different scenario for countries like Nigeria, Indonesia and Malaysia, as they needed to establish enabling institutions and to develop key sectors of the economy (Faro 2015; 2017). According to Huem et al. (2007) and Faro (2015; 2017), this is the reason why Norway did not experience the challenges faced by other oil producing countries in the adoption of the LCP. For instance; Nigeria and Angola have had to contend with bureaucracy and corruption in the implementation of the LCP. With regard to indigenous participation, foreign companies face challenges in integrating with indigenous firms due to the latter's lack of experience (Warner et al. 2013).

2.8 History of the LCP in Nigeria

The need to capture the benefits of extractive resource development is driving resource-rich countries to implement policies, most notably local content policy, geared at maximising revenue generated from the extractive industry (Nwapi 2010). LCP increases the utilisation of domestic human and material resources in the extractive sector. In the case of the oil and gas industry, LCP domiciles oil and gas activities in the country that was previously done abroad (Ovadia 2016) it promotes indigenous participation, encourages the development of manufacturing geared towards linkages to other sectors of the economy (Ovadia 2014).

In Nigeria, the Obasanjo administration initiated the Nigerian Local Content Policy in 2000, to drive the increase of indigenous participation in the industry (Ovadia 2013; Okafor and Aniche 2014; Monday 2015). Before the passage of the policy, several attempts were made to address the issue of training and employment of Nigerians in the industry (Atsegbua 2012). One of these attempts was the Petroleum Regulation of 1969 which mandated holders of operating licences to train and employ Nigerians in the industry within ten years of the lease and to ensure that 75% of the total number of employees on the project were Nigerian (Atsegbua 2012; Akinrele 2014 and Anyadike 2014). However, the regulation and training provisions provided in the act failed to produce the desired impact on indigenous participation in the oil and gas industry (Atsegbua 2012). Thus, in 2001, the National Committee on Local Content Development (NCLCD) was established by NAPIMS to identify ways to improve the LCP and indigenous participation in the oil and gas industry (Ovadia 2013). The NCLCD produced a report in 2002 highlighting that the level of LC in the upstream sector of the industry was at 5%. This shows that 95% of the annual expenditure had left the country (Huem et al. 2003; Ovadia 2013).

The NCLCD proposed an LC level of 40% in the oil and gas industry by 2005 and 60% by 2010 and recommended that a Nigerian Content Development Bill be drafted. The same year the DPR established a Nigeria Content Unit with the sole aim of producing research on the LCP in Nigeria. The Norwegian Agency for Development Cooperation (NORAD) commissioned the research under Heum et al. (2003) in collaboration with Norway and Nigeria (Nwaokoro 2011 and Ovadia 2013). Although the bill was not passed by the end of President Obasanjo's tenure, some of the recommendations from the research were implemented. For instance, in 2005 the Nigerian Content Division (NCD) was established by the NNPC to work with the MNC to develop strategies for the implementation and compliance of directives by oil and gas companies (Nwaokoro 2011). The NCD was charged with monitoring compliance, indigenous capacity building and planning (Nwanolue and Iwuoha 2012). One of the strategies was to change the original Nigerian content target to 45% in 2005 and 70% by 2010 (Ovadia 2013; Okafor and Aniche 2014).

To enhance the contribution of the NCD, the NNPC with the support of some key stakeholders, some of which were MNCs in the industry, set up the Nigerian Content Consultative Forum (NCCF) (Nwanolue and Iwuoha 2012). The forum was created for these stakeholders to brainstorm and find ways of improving the LCP in the industry. The NCCF was divided into eight divisions covering banking, fabrication, manufacturing, insurance, shipping, engineering, logistics, petroleum engineering and subsurface (Nwanolue and Iwuoha 2012). Furthermore, through the NCD and NCCF, the NNPC ordered all IOCs in Nigeria to establish an NCD in their various companies with a general manager heading the division (Nwanolue and Iwuoha 2012 and Ovadia 2013). However, this had little success in improving the LCP in the industry as there was resistance from IOCs to implement the LCP in their activities (Ovadia 2014).

In addition to these changes, in 2010 the Nigerian Oil and Gas Industry Content Development Act (NOGICD) was passed into law by President Goodluck Jonathan (Nwaokoro 2011).

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)

The NOGICD Act has 106 clauses and is divided into three parts and a schedule. Figure 2.1 below illustrates the structure of the NOGICD Act.

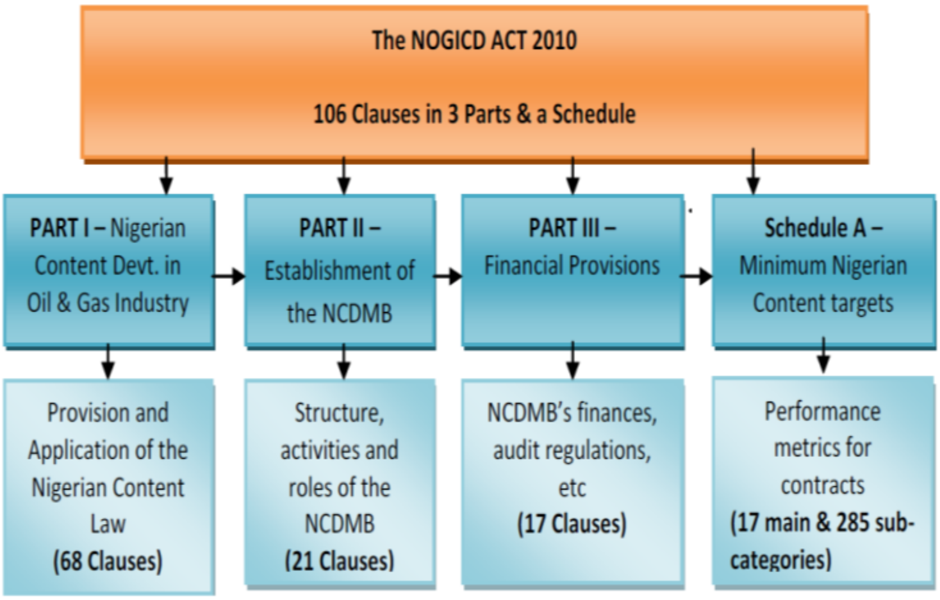

Figure 2.2 *Structure of the NOGICD Act (Ado 2016 pg. 78)*

The NOGICD Act gave preference to indigenous companies in the award of oil licences and oil blocks in the Nigerian oil and gas industry (Nwaokoro 2011; Ovadia 2013; Okafor and Anchie 2014). To enforce the NOGICD Act, the Nigerian Content Monitoring and Development Board (NCDMB) was created to ensure compliance and build the capacity of indigenous companies in the industry (Ovadia 2013). In addition, as stated in S. 69 of the NOGICD Act:

"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."

Furthermore, the Act extensively states that the function of the NCDMB is to include administering, coordinating, monitoring, supervising, appraising and managing LCP implementation (Ado 2010). The NCDMB is also responsible for the development of indigenous companies' capabilities, making guidelines for LCP implementation and administering the joint qualification system (JQS) (Ihua 2010; Ado 2016). According to Okusami (2010) the key responsibilities of the NCDMB include, employment and training of locals, integration of local suppliers, promotion of indigenous companies and the establishment of essential infrastructures.

Additionally, the Nigerian Content Development Fund was established to implement the LCP in the industry. The fund was financed by a mandatory 1% of every contract awarded in the Nigerian upstream oil and gas industry (Nwaokoro 2011). This fund was meant to assist indigenous companies to participate in the activities of the petroleum industry. As well as complying with the policy, IOCs were to act as enforcers by ensuring that their partners, contractors and subcontractors reported their Nigerian content information and vice versa. In this way, this would ensure compliance with the policies (Nwaokoro 2011).

In addition to this, all operators are mandated to submit a Nigerian content plan as part of the conditions for bidding on all tenders and licence permits. They also needed to comply with a range of regulations designed for the domiciliation of activities relating to the Nigerian oil and gas industry (Nwaokoro

2011; Ovadia 2013). The NOGICD Act further stipulates there should be a maximum of 5% foreign workforce management positions and a minimum level of Nigerian content in any project, including fabrication, manufacturing, engineering, research and development, procurement services, shipping and logistics (Ovaida 2013). The NOGICD Act gave the NCDMB the authority to impose a fine of 5% of the project value, or to cancel the project for any breach or non-compliance (Nwaokoro 2011; Ovadia 2013). An additional measure is that every operator is required to submit a Nigerian Content Performance Report of all the year's activities to ensure compliance (Nwaokoro 2011; Ovadia 2013).

From the discussion above, it is clear that the Nigerian oil and gas industry intended to improve the LCP in the industry and to help indigenous companies participate in the petroleum industry by building the capacity of Nigerians through local capacity development. However, the policy has had little impact on the Nigerian oil and gas industry. Thus, the challenges facing the implementation of the LCP are outlined in section 2.8.1

2.8.1 Challenges facing the Nigerian local content policy

Olsen (2008) stated that the LCP is a means to an end. The purpose of the LCP is to create more employment for locals and increase national wealth through economic growth (Ovadia 2013). The LCP in Nigeria also represents an attempt to move beyond the indigenisation policies of the 1970s. The main aim of the Nigerian local content policy is the "domiciliation" of economic activities in Nigeria. The emphasis on domiciliation is to undertake work in Nigeria that was previously conducted abroad (Ovadia 2013). This would ensure that the percentage of locally produced materials, personnel, goods and services rendered to the industry was increased, thereby generating more employment and economic empowerment (Omenikolo and Amadi 2010). This was also supported by Ihua (2010), who stated that the LCP was aimed at transforming the industry into an economic hub for promoting SMEs participation, job creation and a base for industrial growth, as well as slowing capital flight from the country. In addition, the fundamental need for this policy was reemphasised when the speaker of Nigeria’s House of Representatives was quoted in the media as saying:

> *“It is important to note that while the oil and gas industry clearly dominates the Nigerian economy, a successful local content policy must be a part of a comprehensive industrial and economic growth strategy for Nigeria as a whole”* (Ihua 2010 pg. 2).

This should include both a plan for the development of infrastructure and a proposal for capacity building initiatives that will help broaden Nigeria’s industrial base (Ihua 2010).

Nigeria is reputed to be among the world’s leading countries in hydrocarbon production, currently ranked among the first ten leading producers of oil and gas. Indeed, the country exports about 2.0 million barrels per day with a daily production of about 2.4 million.

Table 2.2 illustrates how the price of crude oil has risen since the 1980s; however, the revenue from the Nigerian oil and gas industry has not been truly translated into meaningful development, due primarily to poor leadership and corruption. This may be because in Nigeria corruption remains an endemic challenge, with accountability and transparency being inhibited by corruption. This has resulted in economic subversion (Erhun 2015). Rampant corruption has created significant impediments to the enforcement of the LCP (Erhun 2015); one of which is the IOCs’ resistance to comply with the policy while operating in the country (Bakare 2011). This resistance has led to conditions such as bribery that have distorted the policy objectives and consequently hindered the policy’s objectives (Adedeji et al. 2014).

Table 2.2. Average prices of Nigerian Bonny Light (2000 - 2016)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2000	25.64	28.40	29.58	25.46	25.86	31.22	31.19	31.91	32.86	32.90	33.46	31.12
2001	30.76	28.84	27.16	28.81	29.92	28.14	27.63	28.10	29.59	23.49	22.23	20.42
2002	21.47	21.17	25.74	27.17	25.61	25.78	27.47	26.00	30.79	30.71	27.73	29.82
2003	32.73	37.02	34.18	28.85	29.34	30.09	30.36	31.09	29.99	30.79	31.57	32.67
2004	33.09	34.65	36.38	36.91	38.33	37.71	41.02	44.92	46.16	52.66	46.75	44.72
2005	46.11	48.96	55.61	54.44	52.46	58.27	60.23	66.99	67.25	64.56	61.70	61.80
2006	68.86	66.61	66.27	69.53	72.37	72.71	76.7	75.16	67.03	60.96	63.92	62.46
2007	59.87	61.78	66.32	69.87	74.03	69.15	81.61	77.15	82.87	90.44	95.14	96.63
2008	99.18	97.66	110.74	117.59	124.53	138.51	138.95	126.26	98.23	81.31	58.31	47.77
2009	48.61	43.18	48.97	50.65	58.81	72.69	73.55	73.68	72.48	81.03	79.55	81.55
2010	82.74	80.04	81.26	81.45	86.19	78.45	79.45	82.52	77.85	87.74	87.41	94.04
2011	103.58	106.28	109.68	126.85	103.39	123.11	122.36	113.50	90.21	93.96	102.59	101.29
2012	103.22	108.49	108.09	103.2	106.17	84.03	96.89	97.03	92.44	92.24	87.05	91.85
2013	97.98	97.48	97.24	97.23	96.29	98.46	106.41	107.93	108.67	104.15	94.74	99.94
2014	98.25	103.46	101.73	104.33	105.01	107.95	106.06	97.86	83.26	82.96	77.85	56.91
2015	52.22	53.56	51.41	56.25	57.59	61.51	50.59	42.45	45.55	47.3	46.12	37.13
2016	36.61	26.17	36.67	40.88	48.16	50.52	45.55	42.78	43.85	50.3	44.62	53.75

Source: Adapted from Energy Information Administration (EIA) 2017

Furthermore, there are a number of vulnerable aspects of the policy, including the statement that the NCDMB, which is responsible for implementing the policy, can accept gifts from members of the public if the provisions attached to the gifts are not contrary to the function of the NCDMB under the policy (Nwapi 2015).

The level of infrastructure has also been a challenge in the implementation of the LCP in the industry, due to the weak industrial base, lack of water, power and other necessary infrastructures required to support an expanding manufacturing base and growing SMEs in the country. Compared to other emerging resource-rich countries, Nigeria is behind in almost all metrics, from GDP to indigenous participation in the industry (Bakare 2011). There is also the challenge of funding from financial institutions, which has limited the exposure of indigenous companies to complex projects, thus making them less competitive in the industry (Otombosoba and Dosunmu 2016). Moreover, there is also the IOCs' resistance to partner with indigenous companies as they often believe that indigenous companies lack the capability to operate in the capital-intensive industry (Nwosu et al. 2006; Okafor and Aniche 2014).

In addition, Nwosu et al. (2006) stated that the Nigerian oil and gas industry has side-lined the interests of local contractors to participate in the industry, which has led to insincerity and the corruption of local stakeholders. He also claims that local financial investment in the oil sector is at a very low level and has resulted in an almost complete foreign monopoly. This has added to the frustration of local entrepreneurs attempting to participate in the industry. In Nigeria, the general perception is that the activities in the oil and gas sector are too capital intensive and technology oriented to involve local contractors (Nwosu et al. 2006). Other reasons include the alleged poor reliability and inferior technical capability of the local workforce. This has resulted in fewer opportunities for local entrepreneurs, underemployment of Nigerians and job gain for foreign companies with cash flow haemorrhaging from Nigeria (Nwosu et al. 2006).

A further complication, which has been another source of concern, is the lack of adequate training facilities in the country, (Bakare 2011). Additionally, the lack of funding from the federal government has compromised research and technical initiatives (Erhun 2015). The capacity building capabilities in Nigerian universities has also been unsustainable because of the dynamics of the universities' economic and political situation (Ozigbo 2008). The reason for this is that when there are insufficient skills in a production system it results in poor quality output which hinders capacity building and the country's sustainable development. Thus, it is challenging to produce the indigenous workforce required to satisfy the LCP in the industry (Erhun 2015). Another challenge to the implementation of the LCP is the deficient performance of the NCDMB, the board responsible for the implementation and enforcement of the LCP in the industry.

According to Nwanolue and Iwuoha (2012), the NCDMB lacks the institutional alertness to monitor oil and gas companies' compliance in implementing the LCP. Consequently, NCDMB officials can distort the instruments of the policy for their own interest (Adedeji et al. 2014). The lack of monitoring has created instances where IOCs have merged with indigenous companies. However, these companies often act as a mere front, allowing foreign oil companies to operate as Nigerian companies to satisfy the LCP guidelines. (Nwanolue and Iwuoha 2012; Ovadia 2013). Although the board uses the Joint Qualification System (JQS) for awarding contracts, they lack the impetus to deploy officers for site visits to monitor compliance at the implementation phase of the project to curtail sharp practices (Nwanolue and Iwuoha 2012). Amanze-Nwachukwu (2007) stated that poor implementation was due to the unwillingness of multinational companies to adhere to the Nigerian LCP initiatives. The non-adherence of multinationals and the inefficiency of the NNPC to enforce compliance is due, primarily, to the lack of legal backup which forces the NNPC to depend on the existing laws which are insufficient to ensure effective enforcement (Aniche 2014).

Further, Nwanolue and Iwuoha (2012) stated that the NCDMB only subjects itself to the mere appraisal of the contract awarding process and neglects to monitor the LCP at the implementation phase of the project. This incipient process, where the NCDMB fails to carry out their monitoring responsibility beyond the preliminary state of pre-qualification, significantly evades the essential task of checkmating violations of the policy. Omo and Hector (2008) also noted that most MNCs, while ready to comply with the directives at the contracting stage, default at the implementation stage. As stated earlier, to fulfil the requirements of the contracting stage many MNCs form joint ventures with Nigerian oil companies, but default at the implementation stage by outsourcing to foreign companies (Nwanolue and Iwuoha 2012). Also, Nigeria as a rent seeking state, which means it relies on the oil revenue gained from the royalties paid by multinationals from their oil and gas activities (Nwanolue and Iwuoha 2012; Okafor and Aniche 2014). This shows that the country does not depend on taxing its citizens for revenue generation, but rather it derives revenue from royalties gained from its oil and gas activities (Okafor and Aniche 2014). Hence, the public sector dominates the private sector, thereby making the government a major labour employer which creates a situation whereby the administration is ineffective and lacks efficiency (Okafor and Aniche 2014).

The reasons stated above contextualise the poor implementation of the Nigerian LCP; namely that the NNPC and NCDMB lack the institutional and administrative capacity to monitor and enforce compliance of the Nigerian content policy (Okafor and Aniche 2014). Nwanolue and Iwuoha (2012) further observed that Nigeria's rentier class mentality is the cause of this institutional laxity. In the same way, Nigeria's heavy reliance on external rent from oil and gas activities, as opposed to other ways of generating revenue, means that the Nigerian state inadvertently reduces its administrative capacity (Okafor and Aniche 2014). This rentier class also predisposes the technical weakness of indigenous companies, subjects the NCDMB to operate a weak monitoring system, which then creates opportunities for foreign companies to largely contravene and challenge the LCP (Nwanolue and Iwuoha 2012). In a societal context, the rentier state of Nigeria has created a rentier class whereby a group of government functionaries colludes with foreign companies to disrupt the Nigerian content policy by making way for them to operate under their local business name to win contracts, in return for an agreed proportion of the proceeds (Okafor and Aniche 2014). Besides acting as a front for their foreign counterparts, the rentier class also appears to be more preoccupied with the consumption of national wealth rather than generating it.

The BGL study highlights the argument made by some industry stakeholders that over 70% of the contracts awarded to Nigerian companies are executed overseas. This defeats the primary objective of Nigerian content development which is to develop the country's capacity by executing contracts in Nigeria using Nigerian local resources (Balouga 2012). Also, the problems of local companies revolve around executive capabilities and critical mass with technical and financial wherewithal (Emielu 2005). Usually most local companies are small, fragmented and not capable of packaging or attracting loans (Emielu 2005). Few companies can deliver turnkey projects without giving into some form of partnership agreement for equipment, expertise or technical support (Balouga 2012). At present very few indigenous companies can execute or provide services that require sophisticated expertise or technology. Thus, this policy inadvertently creates a class of middlemen, with indigenous companies gaining contracts and outsourcing to IOCs to implement while retaining some margin as profit.

Several issues continue to plague the implementation of the LCP in the Nigerian context. Firstly, the NCDMB, which is responsible for setting the policies and guidelines while in the pursuit of its ambitious programme to improve the Nigerian content, is still mandated to issue and fine or cancel projects. However, the enforcement of the Nigerian content is still quite informal (Ovadia 2013). Another area of concern for the LCP in Nigeria is the approach taken by the NCDMB in providing targets for the Nigerian content that are challenging to achieve. This has resulted in a system of granting ministerial waivers that are vulnerable to abuse (Ovadia 2013). There is also concern regarding the value of the information available to the public. Although Nigeria is much more open about its LCP programme than other oil producing countries, there is still much room for improvement. For example, a review conducted by Tandice-B solutions (2011) in Ovadia (2013) revealed a number of the key challenges faced by the Nigerian oil and gas industry (Ovadia 2013). These challenges include: lack of transparency in the bidding process for indigenous companies; accountability in the award of oil blocks leases and contracts; the absence of a standard operating framework for monitoring the effectiveness of LCP implementation and accountability; and inadequate compliance reporting (Ovadia 2013). This reinforces the need for the current research as it invites the question whether Nigerians are earning adequate social, environmental and economic rewards from LCP implementation in the Nigerian oil and gas industry.

2.9 Chapter conclusion

This chapter has outlined the history of the Nigerian oil and gas industry and presented that despite all the benefits and income generated from oil and gas production, ordinary Nigerian citizens have not been benefiting from the wealth created. Hence, the Nigerian government formulated and subsequently implemented a LCP. In attempting to provide some conceptual clarification the chapter introduced LCP by reviewing various definitions, its characteristics, and arguments for and against LCP.

The chapter has also reviewed the LCP of other oil producing countries. It revealed that these countries have established different frameworks for LCP implementation. These countries employ different approaches when creating LCP, depending on the need and reasons for the LCP. Hence, the LCP of one country cannot be directly applied in the same way in another, as different countries have different challenges and economic conditions. But while there are some differences there are also a number of similarities the countries' LCP implementation frameworks. For instance, agreements and contracts are common tools, with these including requirements and clauses that help promote the LCP. Furthermore, Norway was recognised as being a good example of LCP implementation. Norway has developed its workforce and industrial base, thereby making it more competitive overseas (Faro 2015; 2017). Moreover, Norway has seen its institutions evolve and with a stable economy LCP has been implemented successfully. As a by-product there have also been positive spin-off effects on other sectors of the economy.

The chapter concluded by reviewing the history of LCP in Nigeria and the challenges of policy implementation. It has been outlined that the main purpose of the Nigerian LCP was the domiciliation of economic activities in the country, thereby, creating jobs and utilising local resources and generating economic empowerment. However, there have been a number of challenges to the implementation of the policy.

The chapter has identified the level of infrastructure as a hindrance to LCP implementation. Also, the difficulty of obtaining funding from financial institutions has limited the exposure of indigenous companies to complex projects, making them less competitive in the industry. As a consequence, this has led indigenous companies to collaborate with foreign companies in an attempt to evade LCP rules. Furthermore, the chapter showed that the NCDMB, in charge of enforcing the policy, lacks the institutional alertness to monitor oil and gas companies' compliance in implementing LCP.

It is against the backdrop, that this study aims to improve LCP implementation in the Nigerian oil and gas industry by critically evaluating the effectiveness of the LCP and the transparency practices associated with its implementation. The next chapter now focuses on the theoretical framework employed to inform the data collection process for this research.

Chapter Three

Institutional Theory and Accountability Framework

3.1 Introduction

This chapter presents the theoretical framework employed for this study. The chapter developed a conceptual framework based on accountability which will be helpful when designing the research instrument. After the review of various theories (growth, stakeholder and legitimacy theories), the accountability framework was underpinned by institutional theory to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation.

3.2 Growth theory

Various theories exist which would have been used to underpin this research. For instance, Growth theory developed in the 1960s by economic theorists Solow, Stigitz and Uzawa (Lagoke 2014). There are three main factors that determine growth: (i) the growth of individual skills, (ii) the progress of science and productive knowledge, and (iii) incentives. LCP can be classified within the first two categories (the growth of individual skills and the progress of science and productive knowledge). For instance, literature abounds on capacity building and skills development (Klueh et al. 2007; Tordo et al. 2013); and progress of science and productive knowledge (Jegede et al. 2013, Heum 2008). Authors on growth theory (such as Martina and Sunley 2008) argued that the growth and productivity in recent times compared to pre-industrial era indicates that growth was developed and sustained from within the country, and not as a consequence of external results. However, in developing countries such as Nigeria, the constraint on growth comes from the lack of capacity to absorb opportunities and to put existing ideas into practice, hence, creating a skills gap. Furthermore, technology can be transferred across different countries, although these technologies will be manned by external manpower as a result of the above-mentioned skills gap. Sustaining the growth rate of any economy is dependent on the technology advances in the form of new skills, capacity building, and infrastructural development (Lagoke 2014). This aligns with Solow (1956) neo classical model of endogenous growth which argues that growth of per capita is as a result of capital accumulation and technological advancement.

It can be argued that growth theory supports competitiveness in any industry which can stimulate competitive advantage that can lead to opportunities in developing skills in a specific area.

3.3 Stakeholder theory

Freeman (1984, p.31) defined stakeholder as "any group or individual without whose support, an organisation ceases to exist". The concept of stakeholders in organisations has become common in management literature (Donaldson and Preston 1995). Stakeholder's theory has attracted considerable attention through the publication of books, articles and papers (see Freeman 1984, Alkhafaji 1989 and Clarkson 1991). Stakeholders in organisations comprises of customers, creditors, employees, and government bodies. These groups play a fundamental role in ensuring the existence of an organisation. Hence, stakeholders are groups or individuals whose actions can either affect or is affected by the organisation's objectives or achievement (Freeman 1984). Donaldson and Preston (1995) provided a perspective to stakeholder theory by dividing it into three different approaches namely: descriptive, instrumental and normative. The descriptive approach describes what the corporation is (Donaldson and Preston 1995; Lagoke 2015). It defines how organisations manage or interact with stakeholders (Freeman 1999). However, descriptive approach is rarely utilised because it has no purpose beyond the description of the relationship between a particular phenomenon and its stakeholders (Donaldson and Preston 1995; Reed et. al 2009).

The instrumental approach establishes a framework for examining the relationship/connections between the practice of stakeholder management and the achievement of various corporate performance targets (Donaldson and Preston 1995). The instrumental approach is more pragmatic because the approach is aimed at understanding the ways policy makers in organisations identify and manage stakeholders' behaviour (Reed et al. 2009). Natural resource management literature has used the stakeholder instrumental approach to overcome barriers to the adoption of novel technologies, adapt technologies to relevant user groups or transfer technologies to different groups (Johnson et al. 2004). Hence it can be argued that stakeholders' analysis is instrumental in enabling information to be sought from a wide range of sources, providing a broad knowledge base to develop natural resource management initiative.

The normative approach describes how organisations ought to treat their stakeholders. It attempts to offer guidance and interpret the functions of corporations/organisations on the basis of some philosophical principles or underlying morals (Donaldson and Preston 1995). According to Lagoke (2015), the normative approach is grounded in business ethics and corporate social responsibility. It places emphasise on the legitimisation of stakeholders' empowerment and involvement in a decision-making process, where stakeholders are employed to legitimise the decisions that are made through the involvement key figures (Donaldson and Preston 1995).

These three stakeholder approaches have their perspective value. For instance, the descriptive approach reflects and explains the past, presents and future state of an organisation and their stakeholders (Donaldson and Preston 1995). Instrumental approach utilises stakeholder theory to connect stakeholders approach and the desired organisational outcome such as profitability and organisational performance (Donaldson and Preston 1995). While the normative approach offers guidance to organisations on the basis of philosophical principles (Donaldson and Preston 1995). The normative and instrumental approaches share a common view, they express more or less the choices of the decision makers although they rest entirely on different bases (Donaldson and Preston 1995). For instance, instrumental approach is essentially hypothetical as it tells the path to take to achieve the desired outcome, while the normative is categorical as it reflects on how stakeholders should be treated based on the principles of fairness and common good (Philips 1997 and Lagoke 2015).

3.4 Legitimacy Theory

Legitimacy as defined by Lindblom (1994, p.2) "is a condition or status when an entity's value system is congruent with the value system of the larger social system of which the entity is a part". Suchman (1995, p.574) states that "legitimacy is a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially construct system or norms, value, beliefs, and definitions". The above definitions have several distinctions between them which Suchman describes as legitimacy dynamics (Mobus 2006). What might be considered as legitimate at a time might be seen as illegitimate in the future as a result of changing community attitudes (Hoque 2006). In addition, legitimacy is also "place dependent", as what might be considered as good business practice in one country might be unacceptable in another. As a result of the dynamic nature of legitimacy, it can be studied from both a strategic and institutional perspective (Suchman 1995 and Mobus 2006). The strategic view adopts a managerial perspective and underscores the way in which organisations manipulate and deploy symbolic gestures to gather societal support or an effort to obtain legitimacy status from a relevant audience (Suchman 1995 and Mobus 2006). While the institutional perspective provides insight on norms and audiences; it perceives legitimacy as a set of constitutive beliefs held by a relevant audience (Mobus 2006). Suchman (1995) divided legitimacy into three types (Pragmatic, moral, and cognitive). Pragmatic legitimacy rests on the evaluation of an organisation's immediate audience (Suchman 1995). It focuses on incorporating constituents into policy making which also constitutes a measure of performance (Mobus 2006). Moral legitimacy lies on the positive attributes of organisations, and their activities (Suchman 1995). Cognitive legitimacy shows the world as a chaotic environment, where participants much struggle to arrange their experiences into logical and coherent accounts. It comes from the availability of cultural models that provide a reasonable explanation for organisations and their activities (Suchman 1995).

Legitimacy theory has been embraced by researchers, especially researchers within the area of environmental and social accounting (Hoque 2006). Legitimacy theory is centred on the idea that a social contract exists between society and business (Branco and Rodrigues 2006). Hence, it overlaps with several other theories, notably institutional theory and stakeholder theory (Hoque 2006). Under legitimacy theory, organisations are expected by the society to exist and have rights, and in turn, these organisations are required to fulfil their expectations about how their operations should be conducted (Branco and Rodrigues 2006). As the expectation of the society changes organisations must adapt to the changes or their survival will be threatened (Hoque 2006). An organisation must ensure that their activities agree with the values and norms of the society because if the society values and expectations are not met or fulfilled, a breach of contract exists and a legitimacy gap is developed (Branco and Rodrigues 2006 and Hoque 2006). Thus, Legitimacy theory studies propose that companies in industries with a high visibility are expected to exhibit greater concern to improve the corporate image as this is inclined to influencing sales and may be considered more likely to make social responsibility disclosure (Branco and Rodrigues 2006). With organisations that have greater public exposure disclosing more information than its counterparts. Since legitimacy theory is based on perception, any response by an organisation must be complemented by disclosure, for actions which are not publicised will not be effective in changing external parties' views of the organisation (Cormier and Gordon, 2001).

In summary, legitimacy theory argues that organisations use disclosure to shape stakeholder impression of the role and responsibility of the organisation and the degree to which the organisation is satisfying those responsibilities (Magness 2006).

3.5 Institutional theory

Research and theories on institutionalisation have created valuable insights into the processes that define and explain institutionalisation in organisational environments and their influence on organisational conformity to the environment (Oliver 1991). Previous scholars of institutional theory, for instance, Selznick (1949, 1957) and Berger & Luckmann (1967) place specific emphasis on the lack of concern for institutional myths, rules and beliefs, as a shared social reality, and on the processes by which organisations tend to become instilled with value and social meaning. Institutionalism, as stated by Diermeier and Krehbiel (2003) is particularly suited for comparative research, between either constitutions and committees, or institutional comparisons. Oliver (1992) identified three main sources of pressure on institutional practises or norms: social, functional and political sources. With regard to pressure, institutional change and deinstitutionalisation are influenced by social pressures associated with the differentiation of groups, for example, increasing workforce diversity, the existence of discordant beliefs and practices and changes in laws that may hinder the continuation of practice (Dacin et al. 2002). Functional pressures on institutionalisation are those that arise from perceived problems in performance levels. These pressures may be linked to broad environmental changes, such as intensified competition for resources (Dacin et al. 2002). Political pressure results from shifts in interests and underlying power distributions that have supported and legitimated institutional arrangements. These types of shifts can occur in response to performance crises and other factors that compel organisations to question the legitimacy of a given practice (Dacin et al. 2002). Furthermore, Hall and Taylor (1996) identified three schools of thought regarding institutionalisation: namely, the rational choice approach, the historical approach and the sociological approach.

Historical institutionalisation defines the term institution as the formal or informal procedures, norms, routines and conventions embedded in the organisational structure of the polity or political economy (Hall and Taylor 1996; Alexander 2005; Otitoju 2010). This can range from the rule of constitutional order to conventions governing trade union behaviour (Hall and Taylor 1996). Alexander (2005) further claims that historical institutionalism focuses on path dependency and a heightened awareness of unintended consequences. While rational choice institutionalism is associated with institutional economic, it is also greatly influenced by the work of North and Williamson (Alexander 2005). According to Hall and Taylor (1996), it draws analytical tools from the new economics of organisation, which emphasises the importance of rent seeking, property rights and the transaction costs of the operation and development of institutions. This was supported by Breukers (2005) who defined the term institution as the structure of incentives that make up the constraints and opportunities for rational actors.

Moreover, rational choice institutionalism has three notable features (Hall and Taylor 1996). First, it adopts a behaviour assumption character. This suggests that rational actors have a fixed set of tastes or preferences, which strives to maximise the attainment of these preferences, employing a strategic manner that presumes extensive calculation. Secondly, rational actors have a unique impression of politics. They see politics as a series of collective action dilemmas. These rational actors work in a way to maximise the attainment of their preference, which is likely to produce an outcome that is collectively sub-optimal (Hall and Taylor 1996). Finally, another feature of rational actors is strategic interaction, which implies that the behaviour of rational actors is more likely to be driven by a strategic calculus rather than impersonal historical forces.

The sociological institutional approach began as a subfield of organisation theory and focuses mainly on institutional forms and procedures in the organisation (Alexander 2005). This approach argues that institutionalisation was not due to a strategic search for maximum efficiency; instead, the procedures and forms should be culturally specific practices, such as the ceremonies and myths devised by societies and integrated into organisations. This is not necessarily done to enhance their formal means-ends efficiency, but due to the type of processes associated with the transmission of cultural practices (Hall and Taylor 1996). According to Alexander (2005), this approach broadly defines the term institution, as it includes symbolic systems, societal norms and moral values. It blurs the distinction between institutions and culture, and regards culture as an institution itself/in its own right (Alexander 2005).

3.6 Theoretical conceptualisation

To construct a framework for this research, it is necessary to establish a relationship between institutional theory and accountability. Powell and DiMaggio (1983) defined the organisational field as being a set of organisations that in the collective, constitute an area of organisational life, resources, key suppliers, regulatory agencies, product customers and other organisations that produce similar products or services. The purpose of this definition is to signify the organisational field as a site for common purpose and an arena of strategy and conflict.

Scott (2001) argued that the emergence of the concept of an organisational field provides a new level of analysis suited for the study of the institutional process, allowing an investigation into the mesolevel system that mediates between societal structures and private organisation. The discourse of accountability offers a critical perspective on the potential sources of tension between a local understanding of accountability and the pressure for global legitimisation, for instance emphasising notions of efficiency and effectiveness (Ezzamel et al. 2007).

The first process links accountability discourse to regulatory institutions where organisations in a field are pressured to seek legitimacy through socially and culturally sanctioned administrative routines intended to render accountability (Scott 1995; Ezzamel et al. 2007). The second process refers to the more tacit, private organisational dialogue in which, when relating the actions of organisational members to themselves, the motives and rules that justify such actions are also embedded (Ezzamel et al. 2007). Therefore, the concept of accountability, which is to give an account of action, links to the notions of folk norms of accountability and the tradition of ethnomethodology (Ezzamel et al. 2007). Furthermore, neo-institutional theory suggests that a rationalised form of accountability, accounting requirements for instance, in institutionalised fields are imposed upon organisations by external constituencies such as interest groups, public opinion, the State and professional associations (Ezzamel et al. 2007). Hence, compliance with the demand of accountability, as well as voluntary accountability by an organisation is assumed to be rewarded in the form of increased social lawfulness and the avoidance of the charge of irrational behaviour in the eyes of society (Scott 1995; Meyer and Rowan 1997).

3.7 Definition of accountability

Accountability is often considered as a vague value-laden concept, which makes it difficult to define. This is evidenced in Bovens (2007) who indicated that this apparent lack of clarity might occur due to the different meanings attached to various people or organisations. However, the term accountability is often used as a synonym for many loosely defined political requirements such as transparency, good governance, equity, democracy, responsiveness, efficiency, responsibility and integrity (Mulgan 2000; Behn 2001; Dubnick 2007; Bovens 2007). Blind (2011) corroborates that accountability is abstract and value-laden as it is associated with the notion of responsibility, fairness, justice, integrity and democracy. He further states that the first step to accountability is broad and refers to the state of being answerable. However, Kohler (1975) and Black (2009) suggest that the second phase is narrower and is given to obligations that evidence management or performance imposed by government, law, regulation or agreement. The World Bank's view is different from Blind's (2011) claim and states that accountability has two distinct stages: answerability and enforcement. Adding to this concept, Dubnick (2003) views accountability as an action taken in response to social expectation. This expectation is relevant to providing an explanation for human behaviour and can be considered in two dimensions. First, in relation to the specific action of an actor (i.e. answerability). Second, in relation to the expectation of an environment or a setting (i.e. imposed by law).

Reflecting on the overarching definition of accountability, Mulgan (2000) indicates that it is a complex and chameleon-like term that has become commonplace in literature on public administration. Mulgan (2000) went further to state that accountability has lost its former candour and has come to involve consistent interpretation and increasingly sophisticated categorisation. This is because a word that was rarely used a few decades ago has now become prominent in literature, performing all forms of rhetorical and methodical tasks and bearing most of the responsibility for democratic governance (Dubnick 1998, cited in Mulgan 2000). However, one aspect of accountability that is agreed upon by most authors is that it is associated with the process of an individual being called to account by an authority for their actions (Jones 1992).

Thus, accountability is a broad concept, which allows knowledge of one person's actions to be gained by someone else, who in turn demands reasons for this conduct. The reason for such action is then justified by the first person (Garfinkel 1967). Broadbent and Laughlin (2003) also proffer a definition of accountability as the willingness and capacity to explain conduct, explaining how an individual has carried out their responsibilities. It is also the process of holding organisations, or people, responsible for their performance as accurately as possible (Wit and Akinyode 2008).

Day and Klein (1987), Mulgan (2003), and Bovens (2007) regard accountability as a social mechanism, a formal relation or arrangement in which an actor can be held to account by a forum. Mulgan (2000) draws attention to what he calls the "core sense" accountability. In this sense, he defines accountability as being answerable to an authority for one's actions', or the process of giving an account (Mulgan 2000; Dubnick 2005). Finally, Grisard (2012) defines accountability as a means involving two entities defined at a specific level. These two entities exchange information to clarify their actions (Roberts 1991; Scweiker 1993; Willmott 1996) and adjust their behaviour to co-exist in the same environment. Furthermore, Boven (2007) distinguishes two main concepts of accountability, namely accountability as a virtue and accountability as a mechanism. This model of classification is normally adopted as it separates the human component (virtue) of accountability from the system component of accountability (mechanism) (Akpanuko and Asogwa 2013).

3.8 Accountability as a virtue

Accountability is also used as a normative concept, a set of standards for the evaluation of the behaviour of public actors (Bovens 2007; Akpanuko and Asogwa 2013). Dialogically, 'accountable' is used as an adjective, describing how government, public actors or officials should behave in a responsible manner. From the above usage, it is evident that accountability is recognised as a virtue, a positive feature of civil servants or organisations (Boven 2007). Thus, from a broad perspective, accountability is used positively to qualify the performance of an actor or a state of affairs. This comes close to a sense of responsibility and a willingness to act in a transparent, fair and equitable way

(Boven 2007). However, accountability is substantively difficult to define. Thus, accountability as a virtue is easily challenged, given that there is no general agreement about the standards for accountable behaviour, as standards differ, depending on institutional context, role, and political perspective (Boven 2007; Akpanuko and Asogwa 2013).

Due to the multiplicity of the usage of the concept, Koppell (2005) sub-categorised accountability into five different dimensions: liability, transparency, controllability, responsiveness and responsibility. However, these dimensions are ideographic concepts, as they need extensive operationalisation to be enacted. It is therefore, difficult to be evaluated and these dimensions are not often measurable along the same scale (Boven 2007). Thus, it is challenging to offer a single definition or standard for public accountability as a virtue, because standards will differ across the range of political systems, public organisations and perspectives (Bovens 2007). However, the Global Accountability Framework developed (GAF) (Blagescu et al. 2005) and made a successful attempt to operationalise accountability as a virtue by using a broad, active notion of accountability and applied it to large transnational organisations. GAF surmise that accountability constitutes being responsive and engaging with stakeholders whilst considering their concerns and needs. In this framework, accountability is more of a learning process than a mechanism of control (Blagesu et al. 2005).

Blagescu (2011) also created some standards for the behaviour of transnational actors, which included: the ability to connect with their stakeholders, to engage and provide explanations, and the willingness to learn. The Global Accountability Framework established guidance for organisations on how to operationalise this understanding of accountability by identifying four dimensions to make organisations more accountable to its stakeholders (Boven 2007; Blagescu 2011; Akpanuko and Asogwa 2013). These dimensions include participation, transparency, evaluation, and complaint and response mechanisms. These four dimensions were created as a standard for accountable behaviour. Thus, to be accountable, an organisation must integrate these four dimensions into its policies, practice and procedures at all stages and levels of decision making and implementation, in relation to both internal and external stakeholders (Boven 2007; Blagescu 2011; Akpanuko and Asogwa 2013). Although these standards were developed for transnational actors, they can be adapted to fit specific local, national, political and institutional variations (Akpanuko and Asogwa 2013).

3.9 Accountability as a mechanism or social relation

The real notion of being held to account points to a more traditional concept of accountability, whereby the relationship between the actor, principle and agents is the defining element. Tracing its historical and etymological roots, accountability can be approached as a specific social relation or mechanism that involves an obligation to explain and justify conducts (Bovens 2007). According to Akpanuko and Asgowa (2013), it is perceived as an institutional relation or arrangement whereby an actor is held to account by a forum. This implies a relationship between an actor, accountor, and a forum, the accountee or the account holder (Boven 2007; Akpanuko and Asogwa 2013).

This pertains not only to the provision of information regarding performance but also opens up the possibility of debate, questions from the forum requiring answers from the actor and finally the forum passing judgement on the actor (Boven 2007). Moreover, the judgement here may imply the imposition of formal, or informal sanctions, on the actor in the event of underperformance or even a reward in the case of adequate performance. This is regarded as passive accountability as the actor’s conduct is held to account by the forum. Furthermore, Bovens (2007) then defines accountability in a passive sense as the relationship between an actor and a forum, whereby the actor is obligated to explain and justify his conduct. Here the forum poses questions and passes judgement and the actor may face the consequences (Boven 2007). Therefore, accountability is a relationship of power, which entails a specific variation of power, the power to demand justification for one’s behaviour and the capacity or ability to impose a penalty for underperformance (Akpanuko and Asogwa 2013). In the realm of governance, this is known as answerability for one’s action and behaviour, defined by the relationship of responsibility (Akpanuko and Asogwa 2013). Therefore, intuitively accountability exists only if the public officer or actor anticipates questions within, and after, their stewardship to the society (Asechemie 1995).

Furthermore, regarding the relationship between the actor or steward and the public or forum, the actual account given consists of at least three stages (Boven 2007). Firstly, the obligation of the actor to inform the forum about his or her conduct is undertaken by providing various data about the task performance, outcome and procedures (often in the case of incidents or failures). This also demands the provision of explanations and justifications (Akpanuko and Asogwa 2013). Secondly, there is the possibility for the forum, or public, to cross-examine the actor, or the steward, and to question the accuracy of the information or the legality of the conduct. This buttresses the connection between accountability and answerability (Akpanuko and Asogwa 2013). Finally, judgement may be passed on the behaviour of the actor or steward by the forum. It may denounce a policy, or publicly condemn the behaviour of an agency or official. When passing an adverse judgement on the conduct of the steward or actor, the forum may impose a sanction on the actor or steward. Consequently, accountability as a mechanism exists where it is the responsibility of the government, its agencies, public officials and employees to provide information about their decisions and actions (Akpanuko and Asogwa 2013). The following section outlines the various types of accountability and their functions.

3.10 Types of accountability

As stated earlier, accountability's dualistic nature makes it difficult to define (Blind 2011). From one perspective, accountability is abstract and value-laden and on the other hand, highly concrete and value free (Blind 2011). This dualism, combined with the need for frugality in social science, has predominantly caused accountability to be analysed dichotomously in the literature. This dichotomy can be said to emerge along longitudinal operational, descriptive and prescriptive dimensions (Blind 2011).

3.10.1 Prescriptive dichotomies

Lloyd (2008, in Blind (2011) Pg. 3) in writing on the challenges of including accountability into the culture of an organisation, referred to the "hardware" versus "software" of accountability. The software encompasses the cultural precepts, for example the behaviour, attitudes, perceptions and mind-set, whereas the hardware, or the structures of accountability, are the procedures, processes or mechanisms. Boven (2007) distinguishes two main concepts of accountability, namely accountability as a "virtue" and accountability as a mechanism. This model of classification is adopted as it separates the human component (virtue) of accountability from the system component of accountability (mechanism) (Akpanuko and Asogwa 2013). Accountability is then a positive quality in an organisation whose actual behaviour is the focus of attention (Blind 2010), whereas, the latter is an institutional arrangement where an accountee is held to account by a forum (Pollitt 2003; Akpanuko and Asogwa 2013).

Furthermore, while the virtue perspective encompasses a discussion on good governance and trust in government, the mechanism view of accountability leads to public management discourse. Ackerman (2005) talks about two variants of accountability: accountability as "honesty" and accountability as "performance". The first variant is associated with the rule concerning bureaucrats who restrain from being non-procedural, and the second variant, with proactive decision makers who are expected to perform efficiently and effectively. Ackerman (2005) indicates that the first "honesty" version is "process-oriented" and associated with "negative" accountability because public servants are evaluated based on the extent to which they comply with the standard operating principles. The second "performance" is associated with "result-driven" and "positive" accountability where accountability is perceived as the ability to produce effective policies, which are evaluated at the end of the project (Blind 2010). Other scholars such as Martin and Webb (2009) employed a similar dichotomous approach to accountability. Their comparison consists of the "user-choice" versus the "social justice" dimensions of accountability.

3.10.2 Descriptive dichotomies

The counterpart of prescriptive dichotomies is the descriptive domain, which at the risk of oversimplification includes political versus legal accountability, market-based versus administrative accountability and social versus institutional accountability (Blind 2010). However, Jabbra and Dwivedi (1980), Smith (1991) and Romzek (2000) stated that to some extent, these related categories subsume the more enumerative and less analytical categorisations such as professional, organisational, managerial, fiscal and moral accountability.

3.10.2.1 Market-based versus administrative accountability

Market-based accountability regards citizens as consumers who must be accounted to regarding the services they receive. Market-based accountability also relates to performance accountability (Erkkila 2007), which refers to output oriented responsiveness, or performance as a means of accountability. Compared to market-based accountability, administrative or organisation accountability refers to rules, regulations and the norms of hierarchical obligation to answer to one's superior (Blind 2010). Administrative accountability is also referred to as professional accountability (Rand 2008); this focuses on conforming to standards and codes of conduct for professional behaviour, which is checked by peers through their professional institutions. Both Rand (2008) and Blind (2010) agree that professionals are bound by codes of conduct and are answerable to their professional association in respect for the public interest.

3.10.2.2 Political versus legal/judicial accountability

The concept of political accountability is tied to the concept of democracy and legitimacy (Mulgan 2003; Erkkila 2007). It can be defined as the obligation of the elected officials to answer to the public and for the public officer to be answerable to the elected officials. Those who govern are answerable to the public for their actions, either directly when politically elected or appointed, or indirectly as aides of politically elected bodies (Erkkila 2007; Rand 2008 and Blind 2010). According to Levitt et al (2008) the mechanism of political accountability is implemented in three dimensions. Firstly, the election of political representatives or parties. Secondly, ministerial appointments, where accountability is applied indirectly through ministers who are held accountable for the affairs of their ministry. Finally, through legislation stated in constitutional or other equivalent documents. Legal accountability is assured by the judiciary that checks whether politicians and officials are acting within the boundaries of their prescribed jurisdictions (Goetz and Gaventas 2001). Courts and quasi-judicial accountability systems play a central role in legal accountability as it is mostly concerned with checking the integrity of organisational and individual behaviour (Levitt, Janta and Wegrich 2008). Bovens (2005) also argues that the importance of legal accountability is increasing because of the formalisation of social relations and the shift of trust from parliaments to courts. The public reserves the right to address any violation of law through the designated authorities that are legally conferred with specific responsibilities (Levitt, Janta and Wegrich 2008).

3.10.2.3 Institutional versus social accountability

This is also referred to as supply driven versus demand led, or top down versus bottom-up accountability. Institutional accountability has been enumerated by researchers as being the electoral system, parliament, the judiciary and the myriad audit organisations, thus narrowing institutional accountability largely to legal and political realms (Ackerman 2005). On the other hand, social accountability has been described as social relations, largely made up of ad hoc initiatives of direct and indirect civil society and citizen engagement in public affairs aiming to exact accountability (Ackerman 2005).

Social accountability is an approach used to build accountability that depends on civic engagement; that is situations whereby civil society organisation and citizens participate directly or indirectly in exacting accountability, for instance, holding government officials to account for their actions whilst in office (Ackerman 2005). This kind of accountability is also sometimes referred to as society driven horizontal accountability. Moreover, it has also been largely linked to the drive to guarantee effective, sustainable, and more importantly, pro-poor development (Ackerman 2004 and 2005; Malena et al. 2004). In addition, some researchers have divided social accountability into two sub-components, namely the voice-led social accountability and the control-oriented social accountability. The former is defined by citizen participation in policy-making, advocacy and deliberation processes (Arroyo 2004, Malena et al. 2004), hereas, the latter is defined by the citizens' watchdog role, often in cooperation with other societal actors, such as the media and professional associations (Peruzzotti and Smulovitz 2006, Orlansky and Chucho 2010). From the literature above, social accountability is related to personal and moral or ethical accountability as they deal with internal and shared values, ethics and beliefs (Blind 2010). Examples of social accountability practices include advocacy, protests, investigative journalism, campaigns, participatory budgeting, public interest lawsuits, participatory data collection and analysis tools, public expenditure tracking, citizen report cards, social audits, community scorecards and other forms of citizen monitoring and evaluation in public policy-making and service delivery (Blind 2010).

3.11 Operational dichotomy

All forms of accountability, either in prescriptive or descriptive terms, operate through "horizontal" or "vertical" channels. On the one hand, answerability can be referred to as within state or internal accountability (Blind 2010). Horizontal accountability is the capacity of a network of relatively autonomous power or institutions that can call into question and ultimately punish inappropriate ways of discharging the responsibilities of a given official (Stapenhurst 2008). According to Blind (2010), horizontal accountability is where public servants are held accountable to their peers and public administrators are held accountable to relevant ministers. Horizontal accountability is also linked to political, institutional administrative and market-based accountability.

On the other hand, vertical accountability is the medium by which citizens, civil society and mass media seek to enforce standards of good performance on officials (Stapenhurst 2008). Blind (2010) also refers to vertical or external accountability as the oversight provided by citizens, groups, civil society, mass media and the private sector. This oversight includes communities, citizens and independent media (Malena et al. 2003), as well as the citizens' electoral choice organisation (Goertz and Jenkins 2001). Additionally, Blind (2010) also divided vertical accountability into: (i) the informal mechanism of vertical accountability, which includes positive or negative press releases, public pressure, media coverage, protest movements, interface meetings between civil servants and citizens, (ii) the formal medium of vertical accountability, which includes citizens' appeals to the institutions of horizontal accountability, for instance, by presenting evidence to a corruption control agency or filing a claim through a court system (Blind 2010). Another form of operational accountability has emerged in literature, - diagonal accountability. Diagonal accountability refers to the direct participation of citizens in the state-owned internal mechanism of accountability (Blind 2010). According to Stapenhurst (2008), diagonal accountability seeks to engage citizens directly in the working of horizontal accountability institutions. Ackerman (2005) also states that diagonal accountability aims to invite society into the inner chambers of the states rather than sending sections of the state to the society. This results in ending the state's monopoly over the responsibility for official executive oversights.

3.12 Economic criteria and framework to foster local content policies

Internal and external factors have been influential on the local authorities' stance on the LCP, for example, Nigeria's interest in taking control of its oil and gas industry that is dominated by foreign companies (Klueh et al. 2007); T&T's proactive engagement with the business community in the capacity building and technology development in small businesses in the gas industry; and following the first oil shock the UK government's realisation that British firms were not capturing a significant amount of business in the supply of goods and services in the North Sea oil industry. Therefore, after reviewing oil and gas producing countries' experiences of fostering local content in their various oil and gas industries, Klueh et al. (2007) developed the following principles to improve LCP implementation:

3.12.1 Accountability

The creation of an independent government authority responsible for monitoring LCP in the oil and gas industry and securing guarantees for which local vendors can apply and compete for contracts. Examples include Norway's Goods and Service Office (GSO) and the UK's Offshore Supplies Office (OSO), with their qualified accounting personnel knowledgeable in industry practices (Klueh et al. 2007).

3.12.2 Adequate metric/ efficiency consideration

The development of a clear-cut definition of what constitutes local content. Monitoring employment, value-added gains and project expenditure have a direct impact on the local economy and are good proxies for assessing the LCP during the different stages of the projects (Klueh et al. 2007). Efficiency consideration entails the assessment of the LCP and target needed, for example by considering technological considerations and capacity constraints that affect the level of economic benefits that can be captured at a specific point in time. Therefore, efficiency consideration is a means of assessing the impact of LC on a particular sector/industry.

3.12.3 Information dissemination

The establishment of a public outreach and analysis office is also integral to ensuring accountability. Firstly, it creates a registry of competent and qualified local vendors. Secondly, it offers advice to locals on potentials for joint ventures and other mechanisms of co-operation with foreign companies. Finally, it supports plans for local capacity building, training, research and development (Klueh et al. 2007).

Acknowledgement of spin-off benefits is also important. Monitoring and public dissemination of complementarities between the oil industry and the rest of the economy, for instance, the spill-over effect from the oil to the hospitality or agriculture industry might be a suitable method of ensuring accountability. The above criteria, or principles, according to Klueh et al. (2007) illustrate a framework that can be used to foster the LCP in the oil and gas industry, as illustrated in Figure 3.1 below.

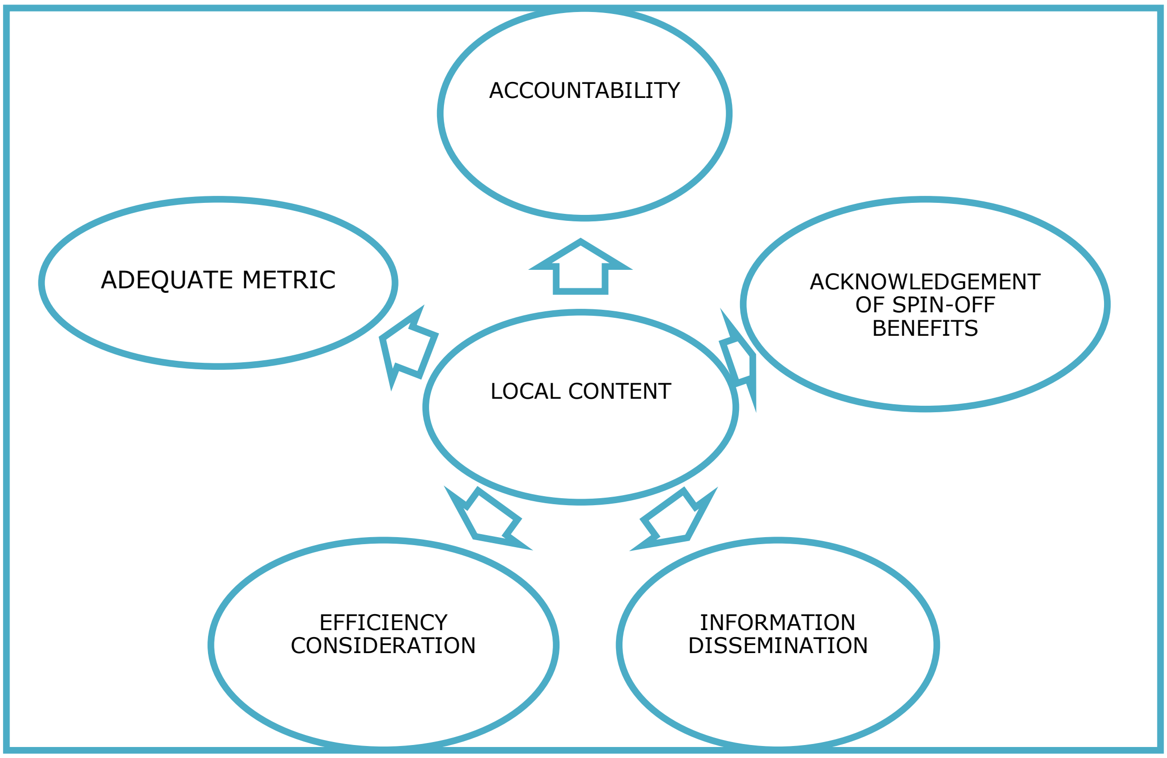

Figure 3.1 Diagram of framework for local content (Adapted from Klueh et al. 2007 pg.12)

3.13 Conceptual model for accountability and local content principles

3.13.1 Accountability and local content principles

To create a theoretical framework for this research, the criteria or principles to foster the implementation of the LCP: adequate metric/definition, efficiency consideration, information dissemination and acknowledgement of spin-off benefit were included. Furthermore, it will be argued that these criteria are all related to the different types of accountability. According to Bovens (2010), the Global Accountability Framework identified four core dimensions that make organisations more accountable to their stakeholders: participation, transparency, evaluation and complaint and response mechanisms.

3.13.2 Information dissemination/acknowledgement of spin-off benefits

Transparency entails the provision of accessible and timely information to stakeholders (Bovens 2010). According to Corrigan (2013), the recent trend of promoting accountability and transparency to reduce the adverse effects of natural resources has emerged. These initiatives include “Publish What You Pay”, The Kimberly Process and the Extractive Industries Transparency Initiative. Additionally, these initiatives, in general, seek firstly to improve the process through which actors and institutions can effectively bring the government to account and also contribute effectively to enhanced development outcomes such as equal distribution of wealth and better socio-economic condition (Acosta 2013). This is because transparency opens up the channels of communication and permits scrutiny of the revenues gathered from resources, as well as identifying how these resources are generated and extracted.

In theory, the freedom of information law was intended to increase governmental transparency and to advance accountability (Relly and Sabharwal 2009). Informing citizens of the decision-making process allows them to understand the norms and processes involved. Transparency ensures that the government remains committed to the needs of their people and not only to the revenue generated, which ensures they stay in power. Stiglizt (1999) states that the adverse effects of secrecy by the government, oil companies and entrenched incumbents discourages public participation in the domestic process and reduces the ability of the press to efficiently check whether there has been government abuse. Further, non-openness or secrecy weakens the quality of decision-making and increases corruption, which has adverse economic consequences (Stiglizt 1999). From the literature, the above information dissemination is related to the descriptive and operational dichotomies of accountability. Administrative and horizontal accountability plays a major role in information dissemination as it deals with the regulation and norms of the hierarchical obligation to answer to stakeholders. In addition, political accountability also ensures that the needs of the people remain central to the government. Moreover, investigative journalism and citizen watchdogs also play a role in social and vertical accountability as it is concerned with information dissemination. According to Bovens (2010) participation is a key feature of accountability as it requires the engagement of all stakeholders in the decision-making process and in activities that affect them. Furthermore, the acknowledgement of spin-off benefits, which is relevant to monitoring and public dissemination, is closely related to political, social, institutional and administrative accountability.

3.13.3 Efficiency consideration and adequate metric/definition

Evaluation requires that the organisation monitors and reviews whether its progress is in line with the stated goals and objectives, it then takes into account the findings in future planning, and reports on the results of the process (Bovens 2010). Efficiency consideration is associated with performance accountability and market-based accountability, which perceives citizens as consumers who hold the seller or provider of a service accountable for the services they receive or purchase. It is also a way for the consumer to assess the performance of services rendered by the seller. This is based on the New Public Management Theory (NPM) of the 1990's, which emphasises the transferability of market forces to the public sector in order to improve the efficiency, accountability and competitiveness of government institutions (Bartley 1999). According to Mulgan (2000), performance accountability is closely related to market-based accountability due to its market and client oriented nature and market-type mechanisms. Public bureaus are now controlled by results rather than rules and regulations (Jorgensen 1993). Furthermore, there has been a shift in the citizen's role, as they are now increasingly seen as clients or customers, instead of active participants in policy progress (Jorgensen 1993; Mulgan 2000). This shows there is a clear relationship between the NPM theory and enhanced performance as a perceived type of accountability. Market-based and performance accountability are associated with regulatory bodies in the oil and gas industry who supervise the implementation of policies in the oil and gas industry. Finally, this also relates to the complaints and response mechanisms developed by organisations, whereby stakeholders can file complaints on issues of non-compliance, which are then reviewed and acted upon (Bovens 2010). Thus, the complaint and response mechanism is associated with institutional, administrative, legal and social accountability.

Figure 3.2 is a modified version of Klueh et al.'s (2007) model used to represent a conceptual model for the LCP in relation to accountability. This framework was instrumental in designing the research instrument.

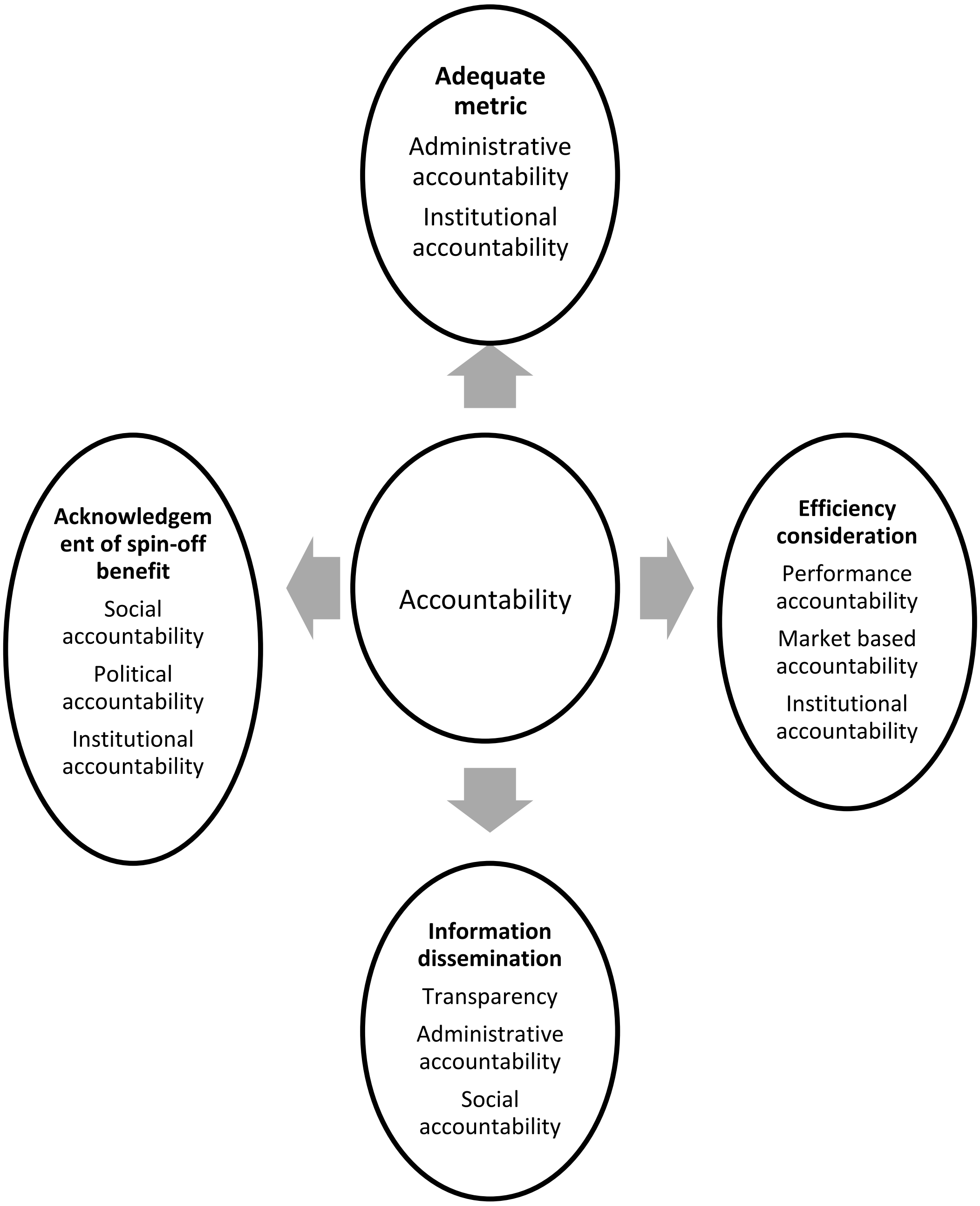

Figure 3.2 Accountability framework for local content policy (Adapted from Klueh et al. 2007 pg.12)

3.14 Relationship between accountability and local content

As indicated in section 3.10.1, this section seeks to establish a relationship between accountability and local content.

3.14.1 Adequate metric

The quest to expand the economic benefits of the oil and gas industry to other non-oil producing sectors in oil producing nations is not a new concept. It can be traced back to the exploration of the North Sea in Scotland and the establishment of state-owned companies in many countries around the world (Klueh et al. 2008). This includes the UK's 1970s model for monitoring the LCP by the Offshore Supplies Office, which is related to institutional accountability, as it deals with political organisations, market institutions and independent regulatory bodies (Klueh et al. 2008). As well as the UK's 1970s model, reporting and auditing procedures were also introduced to monitor purchases made by oil companies. This is linked to social, administrative, institutional and performance accountability as it deals with information dissemination and transparency (Klueh et al. 2008). According to Mireftekhari (2013), LCP has become a strategic issue in global projects. For example, it was a requirement of national oil companies and the government that international oil companies (IOCs) must have a plan to include LC in their project. The Nigerian government, for instance, required a 70% increase in LC by the end of 2010. In addition, the government required every international oil company in Nigeria to deposit a minimum of 10% of their annual profit into Nigerian banks (Mireftekhari 2013). Furthermore, at least 50 percent of the assets of any oil company seeking to execute oil and gas projects in Nigeria must be domiciled in Nigeria (Menas 2008). LCP, therefore, has become part of an obligation that the government requires IOCs to adhere to when executing their projects. As a result, oil and gas companies have become more accountable to the National oil companies and government. The requirements listed above are consistent with the elements, which fall under political, administrative, performance and institutional accountabilities.

3.14.2 Efficiency consideration

Research has also shown that internal and external factors have played a catalytic role on the local authorities' stance regarding the LCP (Klueh et al. 2008). For instance, the engagement of the UK government with international oil companies in the 1970s was caused by the first oil shock, and by the realisation that British firms were not capturing a significant amount of work by supplying goods and services to an expanding North Sea (Klueh et al. 2008). These factors are related to market-based accountability as the citizens hold the British government accountable for proactively engaging local business communities in training, technology development and capacity building to actively take part in the oil and gas industry (Klueh et al. 2008).

3.14.3 Acknowledgement of spin-off benefit

Currently, LCP is considered a facet of corporate social responsibility (CSR) in most emerging countries. For example, TOTAL refers to CSR as improving the LC aspect of projects in such a way as to enhance capacity building and skill development in host nations and in turn stimulates social and economic growth (Mireftekhari 2013). This shows that the LCP can have a positive impact on both country and company. In addition, the LCP includes wider economic diversification; for instance, in Norway, the baseline for the success of the LCP development is remaining dedicated to the fundamental tasks. One of the baselines according to Heum (2008) include enhancement of the domestic knowledge base through an agreement that allows for industrial and technological development that expands domestic competencies and capabilities to a competitive level. The main aim here is to ensure the local industry is protected in such a way that local companies can compete both within and outside the oil and gas industry. Hence, it is evident that social, political and institutional accountability plays a major role in the acknowledgement of spin-off benefits.

3.14.4 Information dissemination

The oil and gas industry recognises the vital role it plays around the world in fuelling economic development and social progress. It also identifies the need to be mindful of stakeholders' concerns, including those related to sustainability, which is of ever-growing significance. Oil and gas companies have begun to communicate how these concerns are being addressed by issuing sustainability reports (Boyle et al. 2006). As a consequence of organisational diversity and the complexity and scale of many oil and gas companies, producing appropriate, accurate and complete report content is a difficult challenge; as is choosing performance indicators (adequate metric), which allows for the consistent and transparent presentation of information (Boyle et al. 2006). Stakeholders are increasingly demanding consistent and clear disclosure from the oil and gas industry on how significant issues and risks are managed (Boyle et al. 2006). However, the oil and gas industry is not alone in facing this challenge; other sectors ranging from retail to finance also face the same pressure. Though different sectors acknowledge these drivers for sustainability reporting, it is felt more in the oil and gas industry due to the economic importance of its products and services, its links to the government, its activities in developing nations and its environmental and safety obligations (Boyle et al. 2006). Thus, factors such as those listed above make transparency a particularly important strategic consideration for the industry.

Furthermore, the emergence of voluntary reporting is an important tool in the way companies respond in order to meet its demand. It should be argued that sustainability reporting can improve business value by demonstrating risk management and building investor confidence. Thus, improving internal operations by increasing understanding of organisational issues as well as facilitating decision-making (Boyle et al. 2006). Finally, from an external perspective, reporting also helps to strengthen the relationship with stakeholders and acts as a useful accountability mechanism for communicating performance and disclosing commitments (Boyle et al. 2006).

From the analysis above, the four pillars of accountability, adequate metric, information dissemination, efficiency consideration, acknowledgement of spin-off benefit as seen in fig 3.2, all seem to be interrelated. On the one hand, adequate metric deals with the monitoring of the LCP in the oil and gas industry, while, efficiency consideration is concerned with resources available and performance assessment. Furthermore, information dissemination involves publishing reports from information contained within the performance evaluation report. Hence, the revenue generated from oil and gas activities is evaluated in order to assess the benefit of these activities in non-oil producing sectors, which is associated with the acknowledgement of spin-off benefits.

3.15 Chapter conclusion

This chapter explored conceptual linkage to make a theoretical argument for this study. The framework was underpinned by the institutional theory which links accountability discourse to regulatory institutions, where organisations within a particular field are subject to pressure to exhibit legitimacy through socially and culturally authorised administrative routines that are intended to render accountability. The discourse of accountability highlighted the potential sources of tension between the local understanding of accountability and the pressure for global legitimisation, for instance, the emphasis on concepts of efficiency and effectiveness.

The chapter was used to establish a connection to an existing theory and for enhancing the critical analysis of the phenomenon under study. This can then lead to an in-depth understanding of the phenomenon under consideration. Thus, the study chose an accountability framework, underpinned by institutional theory, to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation.

Following the presentation of the theoretical framework employed for this research, the next chapter presents the methodology and method used for this research.

Chapter Four

Research Methodology

4.1 Introduction

This chapter outlines a critical evaluation of the methodological approach adopted for this research. It also illustrates the strategy utilised for the literature search and literature review. The preceding chapter will present the methods selected for the data collection and justifies why this method was employed. Furthermore, the process of data analysis and management is also presented in this chapter.

A systematic means of solving problems is known as research methodology (Kothari 2004). Kothari (2004) indicates that it is important for a researcher to understand not only the research methods and techniques but also the research methodology. According to Cobuild (1987), methodology is a system of principles and methods of doing something. This definition is echoed by Jonker and Pennik (2010) who defined methodology as the route, or path, a researcher needs to take to achieve, or obtain a specific result, knowledge, insight or solution. In addition, Kothari (2004) also defined methodology as the necessary steps taken by a researcher in studying or analysing researcher problems along with the reasons or logic behind them.

A difficult step in the research process is the choice of research methodology. This has long been a problematic area for researchers (Walker and Myrick 1996), and they usually search existing literature for ideas on how other researchers have tackled similar problems. There are various ways for selecting and justifying research methods. According to Agarwal (2011), this could be based on the philosophical issues surrounding the research design, the research methods used in the past in similar studies and in choosing the most appropriate method to achieve the research aims and objectives.

4.2 Philosophical considerations around research design/research strategy

The research philosophy a researcher chooses to adopt will contain important assumptions of how the researcher views the world. Johnson and Clark (2006) state that in management and business research, it is not important how philosophically informed a researcher is, but rather how the research reflects the researcher's philosophical stance against any alternatives the researcher could have adopted.

Most researchers agree that ignoring the philosophical aspect during the research design process can seriously affect the research process (Easterby-Smith et al. 2012). The philosopher's toolkit of ontology and epistemology (Burrell and Morgan 1979) dissected social science based on an assumption concerning the nature of social science and the nature of society (Hassard 1991). To analyse social science, they suggest it is useful to conceptualise four sets of assumptions, which are related to human nature, epistemology, methodology and ontology (Hassard 1991). These assumptions are concerned with the essence of phenomena (ontology), the nature of knowledge (epistemology), the relationships between human beings (human nature) and the systematic investigation of the world (methodology) (Burrel and Morgan 1979; Hassard 1991).

The assumptions discussed above are important aspects that influence a researcher's worldview or research paradigm. Saunders et al. (2009) claimed that paradigm is a term that is frequently used in social sciences but has the tendency to lead to confusion because of its multiple meanings. According to Gummesson (1999), paradigm can be defined as the underpinning rule and value that govern the behaviour and thinking of researchers (Jonker and Pennink 2010). In addition, paradigm is defined as "a term which is meant to stress the commonality of perspective, which holds together the work of a group of researchers or theorists in a way that will be usefully regarded as approaching social theory within the boundary of the same problem" (Jonker and Pennink 2010 pg. 157). In other words, a paradigm according to Guba and Lincoln (1994) is a belief system or worldviews that guide researchers

(Tashakkori and Teddlie 1998). Many models have been developed to define the term paradigm. However, the model that has attracted considerable attention was developed by Burrell and Morgan (1979) (cited in, Hassard 1991). Through the intersection of subject-object debates in the theory of social science with consensus-conflict discussions in the theory of society, Burrell and Morgan (1979) defined the four paradigms for organisational analysis. These four paradigms, produced by Burrell and Morgan (1979), are the interpretive, humanist, functionalist and radical structuralist perspectives (Hassard 1991 and Saunders et al. 2009). Functionalist paradigm is typified by an objective view of the organisational world with a focus towards the maintenance of the status quo (Gioia and Pitre 1990). The humanist paradigm has a subjective view, with an orientated ideology towards changing constructed realities. Radical structuralist takes an objectivist stance, with an ideological concern for the radical change of structural realities (Gioia and Pitre 1990). The interpretive is the direct opposite of functionalist paradigm, interpretive is characterised by a subjective view with a specific concern with regulation or lack of concern with changing the status quo (Gioia and Pitre 1990). This study adopts the philosophical perspective of interpretivism. Interpretivists believe that the world is experienced, constructed and interpreted by people during interaction with each other and their environment (Ulin et al. 2005). They believe that people develop an understanding of events as a result of their beliefs, expectations, understanding and experience. Hence, they are placed to comprehend the meaning and circumstances that affect, or influence, the meaning associated with persons or a group. Under this paradigm, it is important to have access to the way people think, feel, and communicate, as well as being able to observe their body movements (Flower 2009).

As one of the objectives of this research is to examine the transparency practices in the implementation of the LCP in the Nigerian oil and gas industry, this requires the philosophical view of interpretivism, as interpretivism argues that social studies objectives should be to explain how the research participants understand/view their actions (Russell 2010). In addition, interpretivism allows the opportunity to develop and test a theory. To justify the selection of this approach, a brief description of deductive and inductive theories is provided in Sections 4.2.1 and 4.2.2.

4.2.1Deductive theory

The deductive theory represents a simple view of the nature of the relationship between social research and theory (Bryman 2008) and involves the development of a principle that is exposed to rigorous tests. In natural sciences, the deductive theory tends to be the dominant approach whereby laws present the basis of the explanation, which permits the anticipation of phenomena, predicates their outcome and allows them to be controlled (Saunders et al. 2009). In addition, the deductive theory possesses several vital characteristics. Firstly, it is the search to explain the casual relationships between variables. Secondly, it ensures that concepts are operationalised in a way that enables facts to be measured quantitatively. Here, the researcher must skilfully deduce a hypothesis and translate it into operational terms. This implies that the researcher must explain how data can be gathered in relation to the concept that makes up the hypothesis (Bryman 2008). Therefore, deductive analysis refers to data analysis that sets out to test whether data are consistent with previous theories, assumptions, or hypotheses constructed or identified by a researcher (Thomas 2006).

4.2.2 Inductive theory

The inductive approach is concerned with the relationship between research and theory in which theory is generated from research (Bryman 2008). Here, the research makes sense of the data collected by analysing the findings. The results from the data analysis will then be used for the formulation of a theory (Saunders et al. 2009). Inductive theory is achieved via a systematic approach to analysing qualitative data whereby specific evaluation objectives guide the analysis. It makes use of raw data to develop themes and identify concepts through interpretations made from the data by the researcher (Thomas 2006). The researcher starts with a field of study and allows the theory to develop from the data. The primary purpose of the inductive theory is to permit research findings to develop from the significant theme essential in raw data, without the constraints enforced by structured methodologies (Thomas 2006). As identified in the previous chapters, a gap in the literature exists in terms of deriving a qualitative understanding of the phenomena under study. This study adopts an inductive approach. It gives the researcher the chance to collect data pertaining to the research (Russell 2010; Bryman 2015) and progress to analysing the data using inductive logic in interpretative research (Russell 2010). It also allows the researcher to change the research approach as new information emerges from the data collection. Since this study is exploratory in nature, it is important to move back and forth as new issues and ideas emerge. This fits with the epistemological approach of inductive research where the researcher does not make assumptions arising from the data collected prior to making observations, but discovers and analyses the data as part of the research process (Russell 2010).

4.3 Literature search strategy

LCP is a growing area of research, as oil and gas producing countries continue to seek ways to maximise the benefit from their petroleum resources. Although there are no dedicated journals for LCP, much has been written on LCP by different scholars (see for example: Grossman 1981; Lahiri and Ono 2003; Heum 2008; Klueh 2009). From the Nigerian perspective, research on LCP has been published by Nwosu et al. (2006), Ihua (2009) and Ovadia (2013; 2014). Likewise, governments and different organisations such as The World Bank (Tordo et al. 2011) have published books on the subject of the LCP.

The interdisciplinary nature of LCP means that researchers can study it from a number of perspectives including policy development, LCP enhancement, a country's perspective on local content, and corruption vulnerabilities in LCP. Although this research has been focused on evaluating the effectiveness of LCP and the transparency practices in the implementation of LCP, the literature review during this research incorporated works from other fields to present the main argument.

The primary method of literature searches for this study focused on using bibliographic databases. Journal databases such as OnePetro, ScienceDirect, Emerald, Business Source Complete, OGEL, Google Scholar, British ethos, Web of Science and RGU OpenAir were consulted. In addition, various books and articles were discovered by citation chaining and by examining the references of relevant articles found during the initial literature search. With the help of the librarians at Robert Gordon University (RGU), various keywords were created for the literature search, which were then used to create citation alerts using Google (alert) in order to keep up to date with the literature. The search process was repeated at various points during the research to obtain the latest information on the subject.

4.4 Research methods

Qualitative research is an approach used to explore and understand the meaning that individuals, or groups, ascribe to human or social problems (Creswell 2014). Devine (2002: p197) viewed qualitative methods as being a:

"generic term that refers to a range of techniques including; individual interviews and focus groups interviews which seek to understand the experiences and practice of key informants and to locate them firmly in context".

The procedures of qualitative methodology are considered as emerging, inductive and formed by the researcher's knowledge of collecting and analysing data (Creswell 2014). Whereas in quantitative research, interpretation of the data entails the researcher setting the horizon of expectations for the study by pre-selecting the variables that will be explored and then drawing conclusions from the results of statistical tests, which are based on assumptions (Sandelowski 2000). This leaves the researcher less scope for the unanticipated. In qualitative research, the research strategy constructed emphasises quality rather than quantification in the collection and analysis of data, such that it represents the different ideas of the world and the nature of experiences. Indeed, this sometimes portrays competing and conflicting views about social reality (Flick 1998). Additionally, it overrules the practices and norms of the natural scientific model and of positivism, in particular, and emphasises the ways in which individuals deduce their social world. Moreover, it mostly displays an inductive approach to the relationship between theory and research, whereby emphasis is placed on the generation of data (Bryman 2008).

Quantitative research emphasises the measurement and analysis of causal relationships between variables and not processes (Denzin and Lincoln 2003). It is an approach for testing objective theories by examining the relationship among variables (Creswell 2014). In addition, it is a method whereby the researcher principally uses post-positivist claims in developing knowledge (e.g., use of measurement and observation, test of theories). It employs strategies of investigation such as experiments and surveys, and collects data on predetermined instruments that yield statistical data (Creswell 2003). Therefore, quantitative research may be constructed as a research strategy that accentuates quantification in the gathering and analysis of data which represents a view of social reality as an external, objective reality. Moreover, it takes a deductive approach to the relationship between research and theory, where importance is placed on the testing of theories.

This research employs a qualitative research approach, as it offers a wide range of technique/methods that can be employed to understand the experiences and practices of oil and gas companies in the implementation of LCP in the Nigerian oil and gas industry.

4.5 Data collection techniques

An in-depth review of the LCP literature indicated a range of data collection methods had been used in previous research. They included primary research methods such as interviews and field research; and secondary methods such as documentary research (Grossman 1981; Davidson et al. 1985; Hollander 1987; Krishna and Itoh, 1988; Richardson, 1991, 1993; Chao and Yu 1993; Lopez-de-Silanes et al. 1996; Lahiri and Ono 1998; Qiu and Tao 2001). They also included both small and large scale questionnaires (Heum et al. 2003; Neff 2005; Nwosu et al. 2006; Ovadia 2008; Ozigbo 2008; Ihua 2010; Bakare 2011; Ihua, Olabowale and Eloji 2011; Adewuyi and Oyejide 2012) which are then quantitatively analysed. While some of these studies provided the researcher with knowledge of the LCP, they also had their inadequacies, as quantitative studies have been found to provide a "less than accurate identification of boundaries" (Suzuki 1980, p.65). Furthermore, the use of questionnaires does not capture the thoughts and views of the participants which would have been possible during a face to face interview (Ghauri and Gronhaug 2002). In addition the logistics, including the resources in terms of the cost and time involved in administering a questionnaire survey (postal or online) in Nigeria, suggested that a qualitative interview was most appropriate for this research. Most importantly, it is empirically reasonable to adopt qualitative exploratory research considering the dearth of research on local contents in Nigeria. As a result, it was determined that the purpose of this research, including its objectives, could be better addressed using the qualitative method.

The approach employed in this research gave the researcher the opportunity to validate the accountability framework developed for this study. Qualitative research provides the study with a mixture of the explorative, rational and intuitive, where the researcher’s skills and experience play a major role in the analysis of the data (Ghauri and Gronhaug 2002). Thus, the researcher needs to think abstractly and critically to analyse situations, recognise and avoid any bias, and obtain valid and reliable information.

Additionally, the study focused on events or social processes that were often difficult to analyse using the quantitative approach, as such, qualitative research was deemed more suitable for this process as it provides intricate details and understanding. It is also suitable for studying groups, organisations and individuals, as it tries to explain different areas of the research problem. Qualitative research complements this study as the aim of this study demands in-depth research into the effectiveness of the LCP and the transparency practices associated with its implementation.

This study utilised two qualitative research tools, interviews and secondary sources. Interviews encourage the respondent to provide a rich description of phenomena while leaving the analysis to the researcher. In addition, the use of secondary sources provides access to online information (for example journals, government papers, articles, company information sites and white papers) and the opportunity to gain insights and information on the best practices associated with LCP in various oil producing countries whose LCP were reviewed.

4.5.1 Interviews

Interviews are amongst the simplest strategies employed in qualitative research (DiCiccio-Bloom and Crabtree 2006; Bryman 2012). An interview is a verbal interaction or exchange between the researcher and the research participants, for collecting reliable and valid data to answer a specific research question (Parahoo 2006). It is a tool widely used to assess the experiences of people and their personal attitudes and perception of reality (Zhang and Wildemuth 2009). Interviews are used to obtain greater information about the interviewee or a particular subject; however, this knowledge differs according to the researcher's area of discipline. For example, some studies are created to test a hypothesis, and usually employ a very structured interview format whereby the questions and approach to analysis are standardised. On the other hand, other researchers seek to explore meaning and perceptions to gain a better understanding or generate hypotheses. The second option requires some form of qualitative interview, as it encourages the respondent to offer a rich description of phenomena while leaving the analysis to the researcher. The main aim of the qualitative interview is to contribute to the body of knowledge that is theoretical and conceptual and is based on the meaning of the participants' experiences (Bryman 2012).

This research employed a qualitative interview method. This allowed the participants to be free and flexible in answering the interviewer's questions. Additionally, qualitative interviewing can be either unstructured or semi-structured. Unstructured interviews are where the researcher has no predefined theoretical framework and as such no hypothesis or questions about the social realities being investigated. On the other hand, semi-structured interviews is a verbal exchange where a person, the interviewer, attempts to draw information from the respondent by asking questions (Clifford et al. 2010). In a semi-structured interview, interviews have a loose structure comprising of predetermined open-ended questions on the area to be explored. Moreover, when an interview is conducted in a conversational manner, it allows the respondent room to discuss any issues they believe to be important. This type of interview may take place with an individual or a group of people. In addition, to execute a semi-structured interview, the researcher must be fully prepared, both mentally and confident in their skills (Wengraf 2001). Compared to the structured interview, semi-structured interviews tend to be more efficient as they require considerable preparation before the session. It also entails discipline and creativity during the session, and additional time for interpretation and analysis after the session. This research employed qualitative data collection techniques, which included mainly face-to-face interviews and telephone interviews in order to obtain data to adequately answer the research questions.

From the analysis above, it was concluded that the form of interview that would best suit this research would be the semi-structured interview, as it gives the participants, who are all experts in the field of this study, means of expressing their feelings and experience about local content. Moreover, as a semi-structured interview is normally conducted using open-ended questions, it offers the researcher greater scope to pursue an idea in more detail. This was supported by Carruthers (1990), who states that semi-structured interviews must have a degree of structure in their implementation. This can be achieved by creating an interview schedule where all participants receive the same questions. This gives the researcher, or interviewer, the flexibility to maximise the opportunity to enrich the data. As each interview is carried out the interviewer gains more experience and a better understanding of the question, thereby acquiring a skill that helps him/her to identify and further explore the ideas arising from the participants' answers (Bryman 2012).

The flexibility of interviews makes it an attractive data collection method (Bryman 2016). The main data collection technique employed for this research gave the interviewer the opportunity to probe the participants for answers or build on their responses (Saunders et al. 2009). Additionally, the researcher could modify the questions when necessary, clarify doubts, and ensure that the responses were clearly understood (Uma and Bougie 2014). During the interviews the nature and significance of the study were stated at the start. The researcher also quantified how their involvement would contribute to the study. Most of the participants were sceptical initially, as the nature of the research suggested that they would be discussing sensitive topics that would expose their companies. As stated by Davis (2007) in Agarwal (2010), the researcher must consider their presentation when meeting with their participants as some participants might be uncomfortable. Thus, to control this situation, efforts must be made to put the participants at ease. Hence, the participants were assured their identity would not be disclosed during this study. Further, when presenting the findings in Chapters five and six, a code was used to identify the participants and ensure their confidentiality. Additionally, the participants were assured that the information from the interviews would only be available to the researcher. This assurance had a significant impact on the interview process as the participants felt more relaxed, which encouraged them to speak freely during the interview. The interview started with the participants stating their background and their job description within their companies. The participants then shared their knowledge of LCP and discussed how their companies have implemented the policy. Consequently, this enabled the exploration into the meaning of LCP, its implementation and its success from their point of view. Most of the interviews were conducted at the participants' place of work or at a venue suggested by the participants; the environment was often conducive for discussion as it provided a quiet and familiar space for the interview.

All the interviews were recorded to preserve the original format and content. Recordings of the interviews are essential and ensure that the interviewer is not distracted by note taking. Moreover, for analysis purposes, it is also necessary to have a complete account of the interview available (Bryman 2015). Bryman (2015) further stated that, currently, qualitative researchers are not just interested in what the participants say, but also the way in which the information is delivered. Thus, recording the interviews allowed a full observation of participants and helped to identify other 'telling signs' such as facial expressions and gestures.

After the interviews, the researcher tried to transcribe the interviews as quickly as possible in order to capture the originality, expression and interpretations as best as possible. As stated by Bryman (2015), transcribing interviews is time-consuming, and Gibbs (2007) and Saunders et al. (2009) further stress that the researcher should not only reproduce the exact words of the interviewee, but also the tone. Moreover, they should capture the interviewee's non-verbal communication as well. Furthermore, a second check of the transcript against the recording was undertaken. According to Saunders et al. (2009), this method is known as data cleaning and as previously stated, all interviews were anonymised. All this was done to ensure the reliability of the data and to maintain the confidentiality guarantee made to the participants. The next step was primarily reading, classifying and interpreting the transcripts, then forming categories, themes, and codes using a method called data reduction (Uma and Bougie 2014). A detailed explanation of the analysis approach is provided in Section 4.6.

4.5.2 Sampling

There are two main types of sampling; purposive (non-probability or non-random) and random (probability) sampling (Ghauri and Gronhaug 2002; Saunders et al. 2007; Easterby-Smith et al. 2012). The research proposed a purposive type of sampling, which is described by Easterby-Smith et al. (2012) as where the entity or character being part of the sample is known. Here the sample is confined to a specific group of people, who can provide the information desired for this research (Uma and Bougie 2014).

For this research, specific people and organisations were identified using purposive sampling employing the stratified sample method (Easterby-Smith et al. 2012). This method allows the population to be divided into homogeneous groups called the strata. The main idea of the strata is to ensure that every section of the population is adequately represented (Ghauri and Gronhaug 2002). Thus, for this research, participants were identified from different sample groups according to their influence and characteristics in the Nigerian oil and gas industry. Each respondent was responsible for LCP operations in their various organisations. Hence, each was well equipped to provide the necessary information required for this research. During the interviews, a research participant invited the researcher to attend an oil and gas conference in Abuja with various oil and gas industry stakeholders (IOCs, indigenous companies and regulatory bodies). Subsequent introductions resulted in contacts being established within these companies and more interviews were scheduled as a result. Other potential participants were recommended by these contacts in alternative locations in Nigeria.

Saunders et al. (2009) and Bryman (2016) highlight that snowball sampling is beneficial when it is difficult to gain access to members of a specific population, in this case, oil and gas companies. Bryman (2016) further identified that both purposive and snowball sampling often complement each other. The process involves sampling the initial participants without the use of snowball sampling and then using these participants to broaden the sample population through the snowballing approach (Bryman 2016). This process of broadening out gives the researcher the opportunity to compare units of analysis and assess the adequacy of a sample to the point of data saturation (Bryman 2016; Bernard and Ryan 2010).

4.5.3 Sample groups

Sample groups were categorised from the research sample population, according to their relevance in relation to the LCP in the Nigerian oil and gas industry. The research divided the population into two sample groups. Group one included government organisations and agencies. These agencies and organisations implement policies and oversee the country's oil and gas industry's activities as well as perform revenue management functions. They also undertake oil exploration and production of contractual agreements for the government; and manage crude oil sales and oil and gas investments. A number of these government organisations perform regulatory functions, including the monitoring and assess of oil and gas companies' activities and receiving oil and gas revenues. They also distribute oil and gas revenues and manage financial activities in the oil and gas industry. These government organisations include the: Nigerian National Petroleum Corporation (NNPC); Nigerian Content Development and Monitoring Board (NCDMB); Directorate of Petroleum Resources (DPR); The National Petroleum Investment Management Services (NAPIMS); Petroleum Technology Development Fund (PTDF); and, the Nigerian Petroleum Exchange (NIPEX). Table 4.1 below presents a summary of group one participants.

Table 4.1. Summary of group one participants

Research Participants' code	Position in Organisation	Type of Organisation
NB1	Director	Auditor
RB1	Managerial	Regulator
RB2	Civil Servant	Investment
RB3	Managerial	Investment
RB4	Managerial	Investment
RB5	Managerial	Regulator
RB6	Managerial	Regulator
RB7	Managerial	Capacity Development

Source: Author

Group two comprised of IOCs and employees of indigenous oil and gas companies operating in the Nigerian oil and gas industry. These companies carry out exploration and production activities and are compelled to implement the LCP in their activities. Table 4.2 presents a summary of group two participants.

Table 4.2. Summary of group two participants

Research Participants' code	Position in Organisation	Type of Organisation
IOC1	Policy Advisor	International oil and gas company
IOC2	Executive	International oil and gas company
IOC3	Policy Advisor	International oil and gas company
IOC4	Senior Executive	International oil and gas company
IOC5	Executive	International oil and gas company
IOC6	Policy Advisor	International oil and gas company
LOC1	Executive	Indigenous oil and gas company
LOC2	Executive	Indigenous oil and gas company
LOC3	Executive	Indigenous oil and gas company
LOC4	Executive	Indigenous oil and gas company
LOC5	Executive	Indigenous oil and gas company
LOC6	Executive	Indigenous oil and gas company
LOC7	Executive	Indigenous oil and gas company

Source: Author

4.6 Data management and analysis

4.6.1 Data management

The data analysis software NVivo was used to manage the data. It provides the opportunity to transcribe interviews into NVivo. This software keeps track of information and organises complex and disorganized data, including interviews, audio, video, images and diagrams for qualitative projects (Bazeley and Jackson

2013). It also organises and provides access to theoretical and conceptual knowledge generated during the research, as well as the data that supports it, while at the same time allowing access to the context from which the data originated (Bazeley and Jackson 2013).

4.6.2 Data analysis

There are various approaches for qualitative data analysis, namely content analysis and thematic analysis. Content analysis involves creating categories and counting the number of occurrences in which they are used in a text (Joffe and Yardley 2004). On the other hand, thematic analysis pays greater attention to the qualitative aspects of the data analysed. Thematic and content analysis share many procedures and principles (Joffe and Yardley 2004). For instance, the conceptualisation of theme and code are used interchangeably. However, content analysis researchers have been accused of removing meaning from its context. For example, the coding of the word 'participation' may occur frequently in discussions with a person or group of individuals for many reasons. The number of occurrences of the word 'participation' might mean involvement. However, it might also mean a 'greater disposition' to talk at length about the topic. Content analysis and thematic analysis share the same characteristics, but thematic analysis allows the researcher to combine the frequency of codes with the analysis of their meaning in context. Hence, creating the advantages of finesse and complexity of qualitative analysis (Joffe and Yardley 2004)

Therefore, this study employs the thematic analysis, as the study was concerned with interpreting and understanding the meaning of the research participants' experiences. Also, it was in line with the phenomenological and interpretative stand adopted for this study. Furthermore, thematic analysis is flexible and is one of the most commonly used analytical tools in qualitative analysis, including the top-down theory-driven and the bottom-up data-driven methods. Moreover, it can be used to answer most of the research questions (Braun and Clarke 2013).

The first step in qualitative data analysis is data reduction, which refers to the process of selecting, coding and categorisation of the data from the transcripts (Sander, Lewis and Thornhill 2009; Creswell 2013 and Uma and Bougie 2014;

Bryman 2016). These transcripts were read and re-read to ensure that the researcher was familiar with the data. The researcher also approached the data with no theoretical or any other assumptions in mind. Thus, the first step in the data analysis process was to read the first five transcripts and to manually code the transcripts. Coding is an analytical process whereby the qualitative data is reduced and integrated to form a theory (Uma and Bougie 2014). It defines the data and involves identifying one or more text or sentences that show the same descriptive or theoretical idea (Gibbs 2007). It is also a means of categorising or breaking down texts to its component parts that appear to be either of potential theoretical importance or prominent within the social world of the subject studied (Gibbs 2007; Creswell 2013). After reading the first five transcripts, about 300 codes were recorded; these codes were then grouped into categories/themes, which were used to recode the five transcripts. This is known as pattern coding where codes are assigned to collected data in terms of paragraphs, lines or keywords and then grouped into themes/ categories (Bernard and Ryan 2010).

This process then produced new codes, and a number of the categories/ themes had to be regrouped. This new code sheet was then used to code four new transcripts scripts. During the process, new codes emerged and had to be grouped within the existing themes. Again, the process was repeated with some transcripts, but no new additional themes that could be grouped with the themes already identified emerged This confirms the principle of data saturation (Uma and Bougie 2014) and allows the researcher to develop the final code sheet covering all the categories, themes, sub-themes arising from the transcripts. Notwithstanding, a final coding of all the transcripts was carried out with the new code sheet to ensure that nothing was omitted. This resulted in a few new ideas that led to the rearrangement of the code sheet. The themes, sub-themes and other subcategories were then arranged in such a way as to make it easy for the researcher when reporting the findings in Chapter 5. A copy of the code sheet is presented in Appendix 3. Once the coding process was concluded on paper, a coding system was then set up using NVivo to bring together and link all quotations to their relevant categories, themes and sub-themes. This process made it relatively straightforward when writing up the research findings.

4.7 Ethical issues

In the field of research, qualitative researchers face many ethical issues during the process of data collection, analysis and writing up of qualitative reports (Creswell 2013). Lipon (2004, in Creswell 2013) categorised the ethical issues into: confidentiality towards colleagues, participants and sponsors; informed consent procedures; participants' requests; the benefit of research to participants compared to the risks; deceptive activities; and originality of transcript (Gibb 2007). Each organisation that participated in this research w informed of the consent process, which they freely gave to become subjects in this research. A copy of the consent form is presented in Appendix 4. Furthermore, the participants were provided with the necessary information regarding the purpose of the research, what was involved in the research, and assurance that any data obtained would be reported anonymously. Creswell (2013) stated that this was necessary to avoid any deception surrounding the purpose of the study. Mason (1996, in Gibb 2007) indicated that the richness and detailed nature of qualitative data makes it difficult to maintain the confidentiality and privacy of the participants. Hence, this research used a unique code of identification for each participant. To adhere to the confidentiality agreement, all the interviews were transcribed by the researcher, with no external transcriber employed to undertake the work.

4.8 Chapter conclusion

This chapter discussed the research methodology employed for this research. An overview of the various research designs (deductive and inductive theories) was discussed and led to the researcher choosing the inductive theory. The various research approaches utilised in the field of LCP were reviewed and analysed. As a result of the discussion, this work adopted a qualitative research approach and justification for the use of a qualitative research approach was given.

The chapter presented the sample and sampling design suitable for this study. It also discussed various types of data analysis and provided justification for the use of thematic analysis. The chapter concluded with an overview of the ethical considerations. The next chapter presents the actual findings from the data analysis of the research.

Chapter Five

Research findings

5.1 Introduction

As stated in Chapter 2, this research aims to critically evaluate the effectiveness of the Local Content Policy and the transparency practices associated with its implementation in the Nigerian oil and gas industry. To achieve this aim, the research sought to determine the research participants' level of knowledge of the LCP; their views on the impact of the policy on the Nigerian oil and gas industry; and the resources available to the industry for the implementation of the LCP. Furthermore, the research sought to determine the research participants' perspectives on the level of transparency and the procedures in place for ensuring transparency in the implementation of the policy. Moreover, the research analysed the barriers to LCP implementation and proposed strategies to improve the LCP in the Nigerian oil and gas industry. The findings of this research are reported in this chapter.

5.2 Background of the Nigerian local content policy

5.2.1 Reflection on the knowledge of the Nigerian local content policy

Research participants displayed different levels of understanding/knowledge of the Nigerian LCP. Data arising from the interviews conducted suggested that LCP means different things to the research participants. A summary of the participants' responses regarding their views/knowledge of the Nigerian LCP is listed in Table 5.1.

Table 5.1. Knowledge of the Nigerian local content policy

Participants	Knowledge of the Nigerian local content policy	Quotations
RB2	Active participation	*"It is all about increasing Nigerians' participation in the oil and gas with the sole purpose of in-country value retention"*
LOC6	Active participation	*"More involvement of Nigerians in the exploration and production or the extraction of oil from our own reserves"*
IOC5	Active participation	*"There is more focus in trying to get Nigerians all over the world to some positions that ordinarily expatriates would have been utilized"*
IOC6	Active participation	*"Making sure that Nigerians participate and they actually get good economic benefit from the different value chains in the oil and gas industry"*
LOC7	Utilization of local resources and personnel	*"Yes, it is used to Nigerian Content Directive before a directive where the IOCs are encouraged to have a depth of the Nigeria content where they try to domicile majority of their purchases in Nigeria it later turned into a bill called Nigeria oil and gas content act or something"*
IOC5	Utilization of local resources and personnel	*"Utilization of Nigerian made materials in the oil and gas industry"*
RB4	Utilization of local resources and personnel	*"We are beginning to see a situation where a lot of our local goods and services are being patronized as compared to what it used to be before"*
IOC2	Role of company	*"Local content in our perspective means a lot of things it could be in terms of who performs the jobs and role in the company"*
NB1	Deliberate policy	*"The local content policy is a deliberate policy that was put in place to encourage Nigerian participation in the industry"*
IOC4	Value retention	*"You have increased capacity and also add value and export and earn a lot for your country"*
RB3	Value retention	*"Local content as a policy has really helped in rendering local participation and value retention in the country"*
IOC5	Value retention	*"Retain more value that is generated in the industry in country"*
RB7	Beyond human capital development	*"The implementation of the policy goes beyond, it's not all about human capital development; human capital development is just one aspect"*
LOC1	Technology transfer	*"If you permit me to use that word technology transfer, that is essentially what it means, teach locals, get them involved in the business to a greater extent not just as suppliers, but as actual participants."*
IOC3	Technology transfer	*"I think governments' purpose is to develop local skills and knowledge in various aspects of the oil and gas industry"*
LOC4	Technology transfer	*"It is the process of building our local capacity, transferring technology, from the MNC to keep it in house so that we can run these business ourselves to a large extent "*
RB4	Technology transfer	*"I see it as an instrument of building capacity in Nigeria and an instrument of enhancing our development*
RB3	Misconception	*"This is the misunderstanding, and that is why what we have now when you go they have Nigeria content and Niger Delta content. It is a different layers, one first you have to have the job in the country, if you have it in country, then how you share it."*

Source: Author

All the participants regarded the Nigerian LCP as the adequate participation of Nigerians, utilisation of local resources and personnel, and a deliberate policy established by the Nigerian government. Furthermore, the LCP was also perceived to concern the role of the company, value retention, and technological transfer and beyond human capital development. However, some participants voiced strong views that the LCP is more concerned with the adequate participation of Nigerians:

> *"It is all about increasing Nigerian participation in the oil and gas with the sole purpose of in-country value retention"* ***RB3***

> *"It is all about enhancing participation of Nigerians"* ***IOC4.***

Similarly, some of the research participants firmly believed that the Nigerian local content policy was about the utilisation of local materials and personnel. The executive of an IOC stated:

> *"From input to raw material perspective and from even output perspectives, in that when you put the raw materials, and you are able to apply the Nigerian local content to it, you would have been able to create a lot of jobs"* ***IOC4***

More so, a LC advisor from one of the regulatory bodies stated:

> *"We are beginning to see a situation where a lot of our local goods and services are being patronised as compared to what it used to be before"* ***RB4***

In addition, some of the research participants had strong reasons to believe that the LCP is concerned with the role of the company. The head of an indigenous company indicated that:

> *"Given the fact that we have been in existence before then, some of our antecedents, experiences were actually brought into play in drafting the act that eventually became the law, so they interviewed me and sought my opinion but as far as the local content policy is concerned we basically have been local content before the local content law, all our staff here are Nigerians, all our work are being done by Nigerians there is nothing sent abroad at all"* ***LOC3***

While, the LC advsior of an IOC believed that:

> *"Local content in our perspective means a lot of things it could be in terms of who performs the jobs and role in the company "* ***IOC2***

Likewise, from the quotation below, it is evident that a number of participants were of the opinion that the LCP is a deliberate policy. For instance, an auditor from one of the NGO stated that:

> *"The local content policy is a deliberate policy that was put in place to encourage Nigerian participation in the industry"* ***NB1***

While the CEO of an indigenous company believed that:

> *"I think the foreign workforce has dropped because I feel there is a deliberate policy to make Nigerians take over some of the…. I think I don't know what Shell calls their chief executive. Sumolu is a Nigerian he just left and another Nigerian has taken over recently so if at that level this is happening I am sure within the middle cadre a lot of movement in favour of the local content"* ***LOC1***

Although the participants had varying levels of knowledge regarding the Nigerian local content policy, there was also consensus among the research participants. They all maintained that the LCP is concerned with technological transfer, enhancing the capacity of Nigerians and involving them in oil and gas industry activities. For example:

> *"Well that is if you permit me to use that word technology transfer, that is essentially what it means, teach locals, get them involved in the business to a greater extent not just as suppliers, but as actual participants"* ***LOC1***

While some participants agreed that the LCP is concerned with technology transfer, **LOC2** felt that it was the responsibility of the IOCs operating in the industry to train Nigerians in the oil and gas industry:

> *"I feel Nigeria content policy to me is all about transfer of information and technology, from the foreign companies that have been predominately actively involved in oil and gas services over the years"*

Furthermore, a number of the research participants asserted that when the IOCs train Nigerians, the industry retains the value in Nigeria, which could benefit the country's economy. This view aligns with the perception of the LCP as a deliberate policy to retain value in-country in order to improve the Nigerian economy. For instance, the head of an IOC indicated that:

> *"Nigeria content policy is one of those things that came with this outgoing administration, part of the democracy that we are practising in Nigeria whereby we say to ourselves as a country we need to transfer knowledge and know how to Nigerians from the human capacity perspectives"* ***IOC4***
>
> *"Local content to me means the process of building our local capacity, transferring technology, from the MNC to keep it in-house so that we can run this business ourselves to a large extent"* ***LOC4***

In support of the statement that the LCP is concerned with technological transfer, some of the indigenous companies went further by stating that the policy also encourages value retention in Nigeria:

> *"Local content to me means is the process of building our local capacity, transferring technology from the MNC to keep it in-house so that we can run this business ourselves to a large extent"* ***LOC4***

IOC4 also stated that:

> *"You have increased capacity and also increased your capacity to be able to add value and export and earn a lot for your country."*

In addition, a local content advisor of one of the regulatory bodies **(RB3)** agreed with the idea that the LCP had value retention and indicated that:

> *"It is all about increasing Nigerian participation in the oil and gas with the sole purpose of in-country value retention."*

However, a LC manger from one of the regulatory bodies (**RB1)** indicated that:

> *"On the contrary**,** policy is there to ensure that value addition is made to the oil and gas industry internally in Nigeria by Nigerians and companies that are not Nigeria to be domiciled in a way that adds value to oil and gas activities*

IOC5, a LC manager added that the LCP was geared to:

"Retain more value that is generated in the industry in the country."

In addition to what has already been stated about the LCP in regard to adequate participation, value retention, and technological transfer, one of the participants (**RB7**) as stated in table 5.1, claimed that the LCP goes beyond human capacity development:

However, a local content advisor from one of the regulatory bodies believed that there was a misconception regarding the nature of Nigerian local content policy:

> *"That is the misunderstanding, and that is why what we have now when you go they have Nigeria content and Niger delta content, it is different layers one first you have to have the job in the country, if you have it in country, then how you share it, is another breaking it down"* ***RB3***

It is clear that the opinions voiced by the research participants suggest that they have a detailed and appropriate understanding of what the LCP implies. The majority of the research participants argued in favour of the LCP as a means of technological transfer leading to the adequate participation of Nigerians in the oil and industry. Thus, it could be concluded that the opinions of the research participants suggest that they have a detailed and appropriate understanding of what the implications of the LCP.

5.2.2 Impact of the Nigerian local content policy

One of the fundamental aspects identified during the interviews was the impact the LCP has had since its implementation. While some of the IOCs claimed, the policy has been beneficial, others commented on some of the negative aspects of the policy. Further, the CEO of an IOC stated that:

> *"It has led to delays, inefficiency, increased cost and in some cases, it has also led to efficiency gain so it is mixed"* **IOC2***.*

IOC5 further highlighted the challenging nature of the policy and claimed:

"Well for me, the policy is a mixed feeling [producing] both positive and negative [outcomes]".

However, despite these responses, a number of positive impacts were also identified by the participants. For instance:

5.2.2.1 Investment

The majority of the research participants argued in favour of retained investment as one of the main positive impacts the LCP has on the Nigeria oil and gas industry. This is because revenue generated within the economy is encouraged to be spent in Nigeria

> *"what I can say to that is that since the policy came to play, I would say that it has attracted a lot of foreign direct investment"* **RB7**.

In addition, these investments have helped develop infrastructure in Nigeria, and supported local suppliers participating in the industry. For instance, the local content manager of a regulatory body stated:

> *"Now when we established the pack we identified the operators of the pack, we are also going to invest in the physical infrastructure development of the packs, so what that does for the local supplier that is complaining of high-cost goods, is that we are reducing his start-up investment outlay okay"* ***RB5***

Furthermore, a local content advisor in support of retained investment as a major positive impact argued that the government is also making an effort by ensuring that the foreign direct investments coming into the country are regulated and retained:

> *"Yes we do, RB4 that I work for, RB4, by the way, is a corporate service unit of NNPC who is charged with the responsibility of managing government investment in the oil and gas upstream, we also call ourselves investment managers, to that extent we ensure that in whatever activities we are engaged in, the Nigeria content requirement is taken into account, so we are active players as far as the implementation act is concerned"* ***RB4***

As a result of the policies, the CEO of one of the indigenous companies indicated that the revenue generated is spent in Nigeria, and this has benefitted the state of the economy:

> *"But the local content initiative is a very laudable one, and it has really provided a shift in the revenue allocation and its usage between foreign companies and Nigerian companies, so we have seen a lot of domestication of the financials from activities in that sector, and that has helped the economy of Nigeria"* ***LOC3***

5.2.2.2 Advantage to local oil and gas companies

The research participants asserted that as a result of LCP implementation, indigenous companies have been able to enter into the oil and gas business. For instance, most of the onshore locations have been allocated to national companies

> *"with the Nigerian local content policy most of the land locations and swamp locations are being reassigned to indigenous companies"* **IOC1**

Consequently, more indigenous oil and gas companies have entered the industry, as **LOC3** states:

> *"We have seen number of newly start-up companies are growing and they have improved."*

Furthermore, the policy has helped develop indigenous companies into international brands that can compete on the same level as the IOCs.

> *"Oh! It has tremendously, it has aided us. We are considered as one of Nigerians leading independent energy services provider, so in most projects, it gives us that edge, we are a recognised brand, and of course the brand is recognised with everything Nigeria, it gives us an advantage to pursue projects and opportunities"* **LOC6**

5.2.2.3 Employment

Employment was also a positive impact resulting from LCP implementation and this fact was remarked upon by the research participants. This is supported by the excerpt below:

> *"It has affected it positively, in a way that, it has created a lot of jobs for people so I think the Nigerian content policy has affected the employment rate positively by making sure that people are being employed and gain useful employment"* **LOC2**

In addition, the head of one of the IOCs stated that as a result of the policy, more Nigerians had attained managerial positions in the industry:

> ***"****In my specific industry, Nigerians to be employed is given up to a certain level but at the more managerial level i.e. if you look at the way we are structured we have 60% Exxon Mobil and we have 40% Nigerians"* **IOC4**

Furthermore, an NOC member of staff also added that the policy has had an impact on employment;

> *"Yes because I do not have the actual figures, but I strongly believe that the figures will not be the same from where it was before"* ***RB6***

5.2.2.4 Skill acquisition

The majority of the participants argued that LCP implementation led to the emergence of skill acquisition in Nigerians. The following quotations are examples of what they meant when referring to the term skills acquisition, based on the figures taken from the NCDMB. One regulatory agency employee stated:

> *"Most of these questions will be better answered in a qualitative manner by NCDMB, but I think that since the time that this policy was made if you are going by the NCDMB figures, there has been a substantial improvement especially in training of Nigeria locals"* ***RB1***

In addition, an advisor of one of the regulatory bodies indicated that:

> *"It's not only aided employment but skills acquisition, through this medium many Nigerians have gone into vessels"* **RB2**

A few of the research participants argued that the IOCs are making effort to train Nigerians and invest in Nigerian universities as a means of building local capacity in the industry:

> *"the restriction in bringing in expatriates have compelled these companies to start investing and liaising with some*

universities so that skills gap will be covered so Nigerians are having better chances now because of local content" ***RB3***

However, a number of the interviewees argued and concluded that training is included in the policies, therefore, companies must comply. For instance, a LC manager of one of the regulatory bodies believed that:

> *"There are three ways of looking at it, the Nigerian content implementation model that we are practising has a provision for skilled development, capacity building".* ***RB5***

Furthermore, the CEO of one of the indigenous companies stated that:

> *"We have been able to train them, develop them, empower them and now they have taken up those roles that expatriates once used to take".* ***LOC6***

5.2.2.5 Domestication

A few of the research participants asserted that there had been domestication of activities in the Nigerian oil and gas industry due to LCP implementation. This is because some of the IOCs transferred ownership of the equipment to indigenous companies and thereafter provided assembling and maintenance support when necessary. As stated by one of the LC advisor of one of the IOCs:

> *"sometimes, we transfer ownership of some of our tools to them, there are tools that are manufactured by us, we now see the ownership of those tools, but we still provide assembly and maintenance support to the local content companies such that they are able to continue to run these tools while we do the maintenance"* ***IOC1***

In addition, the policy has resulted in all vessels being manned by Nigerians, which has created opportunities for locals to own vessels in the industry.

> *"…. for instance which is the prerequisite of foreign companies, we don't have vessels of our own before now we lease vessels but the local content act said you must own a vessel made it you must own vessels, it must be flagged Nigerian vessels, that has made Nigerians to be owning and running their vessels"* ***RB2***

Some of the research participants identified the benefit of the domestication of activities to the Nigerian economy as the reduction in capital flight. As stated by one of the local advisor:

> *"I think it has positively contributed in the sense that it has tremendously reduced capital flights"* ***RB4***

Furthermore, the CEO of one of the indigenous companies indicated that:

> ***"....****and also to prevent capital flight because every time it's sent out there we are paying extra fee for it to be sent out there, even the clearing agent, but here the local company whoever, is going to it is in Nigeria, bound here, the transport, he's employed on that job, the money made remains here, that's one of the ways we have done that even for our partners and we are still looking forward to do that for some other products"* ***LOC7***

In addition, one of the regulatory bodies stated that the domestication of activities has created more employment opportunities for Nigerian people:

> *"…the ripple effect is that employment opportunities are being made available to citizens of other countries so when you domicile those activities in country you reduce capital flight, and when capital flight is reduced then it has a positive impact on the GDP……."* ***RB7***

However, some of the research participants commented on some of the negative impact of the policy:

5.2.2.6 Lack of capacity for enforcement

One negative aspect of the policy, according to the participants, was the the lack of capacity available in the industry to enforce the law. As stated that the LC advisor of one of the IOCs:

> *"It's not advisable to sign a law that will impact negatively in the long term on the actual vibrancy of the Nigerian oil and gas industry because if you sign a bill into law and then it limits the capacity of the Nigeria oil and gas industry simply because we want to encourage the indigenous companies. It*

> *will impact in the long run on the level development of the Nigeria oil and gas industry"* ***IOC1***

This was supported by another LC advisor:

> *"On the negative side in terms of how successful it's been, its impact, I would say sometimes the law, people are sometimes pursuing it irrespective of the capacity that is available"* ***IOC2***

Some participants also believed that the policy had no discernible target, as it tries to achieve too much at the same time:

> *"However, for me this has been my opinion on the implementation of the Nigerian content, I tend to think that we try to do so many things at the same time, for me our starting area would have been to pick a particular area and focus our attention build on it, we started it well with engineering"* ***RB4***

Furthermore, one indigenous company believes national companies lack the capacity to operate in the industry:

> *"What were these issues, they never had spares as in spare parts, I was on board this rig, they had issues on one of the equipment, okay get this thing changed and continued the job, they do not have spares. So, in that area the company actually had challenges because of the law, a Nigerian firm was patronised"* ***LOC5***

Arguably, LCP implementation had both positive and negative impacts on the Nigerian oil and gas industry and the Nigerian economy. However, the data gathered suggested that the positive impacts outweigh the negative effects. Table 5.2 further summarises the impacts of LCP implementation.

Table 5.2. Impact of the Nigerian local content policy

Interviewee	Impact of the Nigerian local content policy	Quotations
RB7	Investment	*"What I can say to that is that since the policy came to play, I would say that it has attracted a lot of foreign direct investment"*
IOC1	Advantage to local companies	*"With the Nigerian local content policy, most of the land locations and swamp locations are being reassigned to indigenous companies"*
LOC3	Advantage to local companies	*"We have seen number of newly start-up companies and growing and they have improved"*
RB3	Advantage to local companies	*"Yes like I said we have more Nigerian companies participating in the country, it has greatly enhanced the subcontracting process"*
RB1	Skills acquisition and capacity development	*"There has been a substantial improvement especially in training of Nigerians"*
RB2	Skills acquisition and capacity development	*"It not only aided employment but skills acquisition, through this medium any Nigerians have gone into vessels"*
LOC7	Skills acquisition and capacity development	*"We have been able to train them, develop them, empower them and now they have taken up those roles that expatriates once to took"*
IOC2	Enforcing the law irrespective of the capacity available	*"people are sometimes pursuing it irrespective of the capacity that is available"*
IOC4	Enforcing the law irrespective of the capacity available	*"Can we do these things honestly without compromise and without cutting corners"*

Source: Author

5.2.3 Resources available for implementation of policy

This section reviews the research participants' views regarding the resources available for the implementation of the LCP. Resources provide the necessary assistance to enable oil and gas companies to carry out the policy as required by law. Therefore, there is a need to explore the resources available for the implementation of this policy. Inevitably, employees from various oil and gas companies had different of opinion on the assistance available for implementing this policy.

> *"It is a bit of a struggle, if you read a bit more about the development of local content across the globe. For instance, in Japan local content has been successful. But in some countries, it has taken them much longer to implement, however, I think we have had a bit of an aggressive work plan for Nigeria"* ***IOC2***

However, some indigenous companies argued they do have the resources to participate in the industry:

> *"Yea depending on our operations, we have got the capacity to carry out our job, we have got the tools, we have the human resources, we have got the material resources, the capital is there to execute whatever we do, as I speak with you LOC5 as a company is leading inspection and training company in Nigeria because we have got the capacity for that"* ***LOC5***

5.2.3.1 Training

Much was said on the subject of the resources available for implementing the policy. One such aspect mentioned by the participants was training.one of the CEO of an indigenous companies indicated:

> *"Well I want to believe that the basic will entail training because when you train someone to the extent, he is good at it then he becomes a sellable commodity anywhere not necessarily within the local environment so training and retraining is a major tool in this direction"* ***LOC1***

The LC advisor of one of the IOCs believed that training was an important aspect, enabling Nigerians to become involved in the industry and indicated that:

> *"Training, training, more and more training, the plan as I understand it, is that with time as we move forward more Nigerians will take over"* **IOC4**.

Moreover, the research participants also stated that training is included in the LCP:

> *"Two, they also have it as a requirement now if you win a contract you must train people in that contract, so those kind of training that they are doing are actually making more Nigerians more employable in the oil and gas and also that requirement by law"* ***RB3***

As a result, on the whole oil and gas companies train their staff and have established training centres. For instance, the CEO of an indigenous company stated:

> *"So what they now do is to employ Nigerians and put them to understudy the experts, so within, we call it (OJT) on the job training, so most of them are now growing in the field"* ***LOC5***
>
> *"We have trained over a dozen staff this year alone already abroad"* ***LOC5***

Some indigenous companies have established training centres in Nigeria, where companies train their employees and the government sends Nigerians for capacity building development:

> *"For training, we have got a simulator which is used for well intervention and rotatory drilling. Also, look at this, as a requirement of the local content law, we had this, when they had the amnesty program, disarmament and the integration of the ex-militants when the federal government audited our company and deem us fit to develop their competency, they gave us a hundred of them, that we taught……..."* ***LOC5***

In addition, an advisor of one of the regulatory bodies indicated:

> *"Now, the way we frame that is to identify skill gaps, and come up with a training program post university training program, now our model has three phases; we train, we attach on projects then you certify"* ***RB5***

While a CEO of an indigenous company indicated:

> *"And we will certainly be training more; there are a lot of retraining as well that goes on……"* ***LOC3***

According to one of the regulatory bodies, in order to implement the law, regulatory agencies have opened training centres and devised strategies to empower Nigerians; however, he remarked:

> *"…., have you heard of any training centre that is owned by NCDMB?"* **RB4**

One of the objectives is to empower Nigerians to start up their businesses: as indicated by a LC advisor:

> *"so the welders we've trained we are not just leaving them to walk on the streets, we also have other programs like the EDTP Entrepreneurship development training program so that we can empower them to start up something while we are waiting for the industry to pick up"* ***RB7***

Some of the research participants also discussed the training institutes and scholarship programmes available to Nigerians:

> *"Well, we have training institutes that are providing skills, like the petroleum training institute they are available, the PTDF that are providing scholarship, the ETF that are providing scholarship for people to study aboard and acquire those required skill".* ***RB6***

However, an advisor of one of the regulatory bodies specified that these training institutions are just theory based and do not teach practical work.

> *"PTI if you ask me, is still too much theory, we need hands on, we need an engineering company that has training facility, like in NEPCO they have executed so many projects in the past, all they will do bring the projects, we call it the dummy projects, but for these guys you are training them, they look at it like this is a brand new project, so they are redesigning that project as if its brand new that's the type of training I want"* ***RB4***

5.2.3.2 Funding

The research participants also raised the challenging issue of accessing funds when implementing the LCP, especially with regard to the 1% remittance to the Nigerian Content Development Fund (NCDF):

> *"There is a Nigerian content fund which local companies can access to help them to prequalify and qualify during the joint qualification system that will help them to compete favourably with their foreign counterparts so that they can win jobs"* ***RB7***

Regarding the NCDF, none of the research participants were aware whether the funds have been utilised in the industry:

"Okay, I cannot really talk much whether they are able to access this fund or not, I cannot say" ***IOC1***

"The bank doesn't have the necessary fund, that is part of our problem, but like I said there is an NCDMB fund which is normally deductible from invoice whenever we submit. These funds readily available, but those funds can only be release to you when you have a true and clear intention of you want to set up a manufacturing plant that is when that fund can be released. Am not talking for NCDMB, but that is what they said, I don't know who have gone and tried and it worked but that is what I have heard, and I believe it is working" ***LOC2***

Similarly, a number of the local content advisors from the regulatory agencies stated that there is no information about companies that have utilised the NCDF funds:

"So I don't know how far the money has helped in furthering the business of contractors" ***RB1***

"That is being collected, I don't know if they have started, for every company we award a contract we collect the 1% and give it to NCDMB and the whole idea is that the money will be used to create a more competitive breath that everybody can access whether they have started implementing it or not, I am not aware" ***RB3***

When discussing the implementation of the policy, the research participants also highlighted the level of existing infrastructure. Some of the participants stated that it is the companies themselves that provide most of the resources:

"When it comes to, infrastructure is there, but then most of the things you provide for yourself, if the light is not there, you run your generator to run your business, the roads are not there, some of the roads where the warehouses are located, you still have to maintain them. So, you are paying huge taxes, but you are not getting the benefits. That is the issue, if most trailers and most trucks are going and they get there and fall, they damage the equipment. So, the infrastructures are not to the level to which we expect" ***LOC4***

"If you wait for infrastructure or finance to be there before you say you are running a successful policy you will never

start especially a situation of a developing country like Nigeria" ***RB1***

"*Well maybe why I don't know so much about the finance we use our own equity in terms of infrastructure a lot of people complain"* ***LOC7***

In summary, most of the research participants argued that resources are not readily available to facilitate LCP implementation. In regard to the NCDF funds, most of the research participants were unsure that the funds are readily accessible to indigenous companies. It is also important to note that oil and gas companies provide most of the equipment and materials used in the various activities of the Nigerian oil and gas industry.

5.2.4 Barriers to the successful implementation of the Nigerian local content policy

Having considered the resources available for LCP implementation, it is also important to obtain the participants' perception on the barriers to the successful implementation of the policy.

" It still boils down to getting the requisite microeconomic indicators which is infrastructure, access to fund, ready funds because a constraint of local contractors is how they can readily get the funds at a reasonable rate that they can effectively render the service, and make some money, to grow, so funding the microeconomic environment can allow you to set up a business" ***RB3***

Research participants are of the view that the effective implementation of the LCP has been obstructed by many factors, some of which include:

5.2.4.1 Lack of infrastructure

One participant stated that the implementation of the LCP in Nigeria is hindered by the fact that the country is a developing nation. Furthermore, Nigeria lacks the necessary funds and infrastructure required to manage the oil and gas industry, as stated by the LC advisor of one the IOCs:

"In terms of infrastructure, yes to some extent it is still a far cry from what it is supposed to be for example there is meant to have regular power supply and good roads so that they can move the tools from their location to customer locations" ***IOC1***

"As more local companies are coming they need the requisite infrastructure to be able to thrive" ***RB3***

The LC advisor in one of the IOCs highlighted the standard of educational institutions as a hindrance. They argued that the level of education available is not suitable for the activities undertaken in the oil and gas industry due to the amount of technology involved in running the industry:

"so that comes with its challenges because you need to prepare the universities, the various levels of institutions or ways of preparing the workforce and local resource persons to meet those needs cos you are implementing something that requires immediate replacement so you don't want to establish a gap which was the primary reason why we ended up with of expatriates" ***IOC3***

Furthermore, sufficient power supply was also stated as one of the barriers to LCP implementation. Power generators produce the majority of electricity used in manufacturing activities in Nigeria. Thus, the cost of running the generators is factored into the sales of equipment and materials, which this is a major headache for indigenous companies:

"The PIB, and local content thing, power genration is one major headache" ***LOC6***

5.2.4.2 Lack of capacity

Some of the participants stated that indigenous oil and gas companies have limited resources and capacity compared to other IOCs in the industry:

"Maybe more of a question would be local company who want to now play in our industry who find their resources limited" ***IOC2***

"Nigerians do not necessarily have the technical capacity and know-how and technology to get deeply involved in these

issues, and this is the natural resource this is the mainstay of the economy" ***NB1***

"*We have recognised that one of the challenges of a developing economy like ours, and you know I told you that our mandate is in respect to developing positively"* ***RB5***

One of the LC advisors spoke specifically about the lack of capacity in the area of welding:

"That is one of the biggest challenge that the local companies are facing because let's be honest with ourselves for example when we talk about welding I am not sure we have the number of skilled welders in quantity and quality as we want to have" ***RB4***

The same LC advisor also commented on the lack of capacity in the field of engineering:

"It's not cheap to train engineers, the challenge is the skilled ones are in short supply" ***RB4***

One of the research participants, also contend that due to the lack of capacity most of the projects are reserved for the IOCs:

"there are some highly technical jobs that are still exclusively reserved for foreign companies" ***RB3***

5.2.4.3 Insufficient capital

As already stated above, necessary funds are not available to indigenous companies. Thus, when asked about the barriers to implementing the policy the issue of funds was raised:

"Another thing is that they also need capital, the level of capital the local content entrepreneurs they are able to generate is barely enough to keep them in the onshore location they are not able to go to deep offshore locations" ***IOC1***

"*Funding is also a major challenge because all those things I mentioned require money, so when we recognised that"* ***RB5***

"It does not change the reality that there is a funding issue for the industry, so it does not change all that reality" ***I0C5***

"The policy is just evolving, and I believe because of the constrains, particularly the capital, is a severe constraint, because without that, even if you have the expertise to provide services, sometimes it becomes difficult for you to be able to participate or compete with these multinational companies?" ***RB6***

5.2.4.4 Ambitious policy

A LC advisor of one of the IOCs pointed out that the LCP is too ambitious and the oil and gas companies cannot everything stated in the policy.

"What we can learn from them is just having a less ambiguous act". ***IOC6***

"Yea again, in law your A is A, and your B is B, you are not supposed to start for this person you will start amending do you understand. It defeats the purpose of the act itself. So, let have a, not like it should not be ambitious but let it be clear, let it be achievable and let it be measurable, but what you have now, like the case of that waiver, it is not achievable" ***IOC6***

Another LC manager declared the LCP to be ambitious and cannot be measured:

"Most people say that the Nigerian local content policy is ambitious. Also, that local content is a broad subject when NNPC said they achieved 35% local content in the industry, they should have explained where because local content is divided into management, procurement, fabrication even catering, you have to specify what exactly you are talking about. What are the resources available for these local companies to carry out the local content requirement?" ***RB4***

However, one of the regulatory bodies stated that it is better to have an aggressive policy than not have a policy at all. The policy must be able to be tweaked to achieve the purpose for which it was created:

"Will it be better to have an ambitious percentage or not at all. It is just pointing to the way you want to do so you know

whether at al also you will be able to know if you are performing against your percentage" ***RB1***

"but the real policy itself is locally grown that is why they have issues with that policy because we should have legislation that can be tweaked as we go on to tweak to achieve different thresholds rather having a big document that is cast in stone……..." ***RB1***

Security was also mentioned as an obstacle to the implementation of the policy, as companies are looking for an enabling environment in which to operate:

"Then security sometimes when deployments are made we have to provide escorts for tools and personnel's which you know is additional cost this is the challenge" ***IOC1***

On the other hand, the CEO of an indigenous company cited the current fall in oil price as a barrier to implementing the policy:

"It is a phase it will pass; it has happened before. It happened in 2007, and they say the oil price has crashed, yea the circumstances are different sort of and for us here in Nigeria, it's only more difficult because of the uncertainties about the election and everything thing, but it is a cyclical thing it happens every now and then in the oil industry" ***LOC6.***

In summary, most of the research participants believed that the barriers to implementing the policy lie with the lack of infrastructure and insufficient capital which makes it a challenge for companies to abide by the policy. Furthermore, the lack of capacity was also regarded as a barrier, as indigenous companies lack the necessary manpower to operate in the industry.

5.2.5 Incentives

When asked if there are any incentives in place to encourage companies to implement the LCP, one of the regulatory bodies stated:

"Sure, sure, the incentives can be seen from different perspectives, the first incentive is for you to have that satisfaction that you are complying with the law, so nobody is after you. Your shareholders are happy with you; the community is happy that at least that the first incentive….." ***RB5***

After agreeing that there are incentives for implementing the policy, some of the participants then categorised these incentives under the following subheadings.

5.2.5.1 Local sourcing

Some of the research participants suggested purchasing from local manufacturers as the materials should be available and cheap:

> *"So while there may be incentive from a cost perspective to say let's use more locals"* ***IOC2***
>
> *"Well, when you say incentives, is it incentives coming from the regulatory body, from what I can say I will talk about it from the economic side, getting anything from outside the country is very expensive, if I can source for it locally, why not, it will be cheaper"* ***LOC6***

One of the indigenous companies believed the implementation of the policy alone is an incentive:

> *"Well, that is surely a far-reaching thing the way I see it. Are you going to give them tax holiday because you want local content? No, I think the way I see it if they implement local content it will reduce even their cost of operation because if you were to ship an expatriate here the attendant cost on one expatriate will cover two, three local so that itself is enough incentive for them"* ***LOC1***

In addition, the CEO of an indigenous company referred to the support given by the government as an incentive. For instance, governmental support given to indigenous companies attempting to participate in the industry:

> *"Yea, there are some initiatives and incentives, but I don't really have the full data, but I know there are some incentives that if you want to set up a plant and in company plant NCDMB will throw their weight on you, they can write to all the IOCs to patronise you, there are some kind of grant that can be given to you by the NCDMB in conjunction with PETAN…….."* ***LOC2***

Moreover, some of the research participants mentioned the incentive offered to operators trying to establish businesses in the country:

> *"The third incentive is that once you are implementing the law, there is a section in the act, I think section seven that allows you to, that allows the honourable minister of petroleum resources to provide incentives to operators that want to establish facilities, infrastructure to domicile certain activities in the country. So, you see the incentive of okay am putting this in Nigerian environment, government is recognising it, government is supporting my investment, you know that is an additional plus"* ***RB5***

> *"There is a clear incentive clause, clause 48 talks about incentives which say that for companies that invest to build capacity in country, the minister and the executive secretary should discuss with other government agencies to give them tax incentives and other fiscal incentives"* ***IOC5***

5.2.6. Sub-standard product and no incentives

However, one of the IOCs believed that there is a negative aspect to offering incentives for implementing the policy, as it leads to the production of sub-standard goods:

> *"The negative aspect of it is, of course, do they meet the standard specs so if they do not meet the standard specs, and so what do we do. So, we still depend heavily on imports, we even the things we are supposed to be doing by snap of your fingers should be given"* ***IOC4***

While some of the participants spoke of incentives to encourage the implementation of the policy, one of the participants mentioned that inducements are not widespread.

Those that benefit from the incentives are the companies which have a close relationship with the Nigerian government:

> *"to be honest, I will not say there are incentives at the moment because there are companies that have benefitted, especially indigenous companies, but I cannot say its widespread, sometimes it looks like the same people in the industry, the same people, I do not want to it cabal…….."* ***IOC6***

In addition, an LC advisor of one of the IOCs asserted that there were no incentives or encouragement to implement the policy:

> *"We have been promised incentives, and they actually even told us that if you put in the Nigerian content in a lot of the raw materials we are going to l get a bit of waivers into some of your input of raw materials, I don't have a problem with that, we don't even get this incentive that they are talking about"* ***IOC4***

The NCDF was again mentioned when the companies were questioned about the incentives provided. They stated that the fund had not been utilised:

> *"Incentive, we have not, we know that they keep on deducting some percentage from every job we do and remit to NCDMB, 1% we have applied to NCDMB, to develop all the things you are seeing here is self-funding, and insurance and the rates are so high when we borrow money from the bank, NCDMB have not supported"* ***LOC4***
>
> *"There's no incentive on that, however, there's even more or less a burden in which when the NCD directive became a law your money even become deducted, since the law came into force, any whether service or purchase order you do will take away 1% NCDF and it's a lot"* ***LOC7***
>
> *"So I have told you what the incentive is, as far as I know, the question is that incentive being given or not. So far, as far as I know, no company has benefited from it, but that is the incentive the people who made that law, envisaged and put in the act and I think it is an incentive that can really help to attract investment and help us achieve how objective and something that can be measured"* ***IOC7***

Table 5.3 below summarises the incentives for implementing the LCP in the Nigerian oil and gas industry.

Table 5.3. Incentives for implementing the Nigerian local content policy

Participants	Incentives for implementing the policy	Quotation
IOC2	Local Sourcing	*"There may be incentives from a cost perspective to say let's use more locals"*
LOC6	Local sourcing	*"I will talk about if from the economic side, getting anything from outside the country is very expensive if I can source it locally, why not, it will be cheaper"*
LOC7	No benefit	*"There is no incentive on that. However, there is even more or less a burden in which when the NCD directive became a law your money even become deducted"*
IOC5	No benefit	*"So I told you what the incentive is, as far as I know, the question is that incentive being given or not. So far, as far as I know, no company has benefitted from it"*

Source: Author

As depicted in Table 5.3, a number of the research participants stated that incentives came in the form of government support and local sourcing. However, one of the IOC's commented that incentives were awarded to those companies that had a close relationship with the government. Other research participants argued that the government did not offer incentives or support. Indeed a few of the incentives put forward by the government have resulted in the production of sub-standard goods.

5.2.7 IOC's role in the Nigerian oil and gas industry

To understand the impact of the LCP on the Nigerian oil and gas industry, it is necessary to understand the role of the IOCs' in LCP implementation in the industry. Following are a selection of comments made by the research participants when asked about the IOCs' role in the Nigerian oil and gas industry:

> *"We don't deal directly with them, but we are aware that the oil and gas industry for now is dominated by foreign human capital, foreigners in terms of investment especially the upstream, the upstream part of the industry"* **NB1**
>
> *" they don't plan to leave, they have been here since 1956 and somebody who have been in your country since 1956 till 2015 and has not told you when he will leave, they are here for business, we don't want them to leave either because we*

benefit from them, it's an inflow of investment into our country……..." ***NB1***

5.2.7.1 Role as middlemen

The research participants also gave their opinion regarding the role of indigenous oil and gas companies acting as middlemen for the IOCs, by winning contracts and outsourcing to foreign oil and gas firms:

> *"but having said that we have also seen some companies who are on paper maybe seem to be implementing this local content but in reality they are not, I mean they basically appear to act as commission agents collecting the job and sending out to somebody, not having a concrete plan on how to domesticate the work* **"LOC3**

According to one of the indigenous companies, the IOCs employ a Nigerian to manage their business:

> **"***It actually affected a lot of them going back, so what they now do is get somebody, Nigerian who can manage the business, but they supervise from where ever they are"* **LOC4**

Nevertheless, regulatory bodies are aware of this situation:

> *"It is also happening, we are also having companies that don't have anything, but they go into technical partnership with foreign companies then bring them in so they come like an agent they have a Nigerian face, but the entire structure and body of the company is foreign"* **RB3**

> **"***They just bring in people to front for the company and at the end of the day the desired results will not be achieved. Because the multinationals will just come in and present middlemen, these are the Nigerians; you will say ok and deal with them, but everything happens behind that does not promote the development of the local content policy"* **RB6**

5.2.7.2 Partnership and collaboration with local companies

However, partnership/collaboration still exists between the IOCs and indigenous oil and gas companies. Indeed, one of the LC representative of the IOC, on the subject of partnership and collaboration, mentioned that:

> *"So we aid in the implementation of this policy by making sure we have local content partners when we execute projects"* **IOC1**

The research participants also commented that indigenous companies do not possess the necessary technical know-how. As a result, they must partner up with the IOCs to carry out a project with a view of gaining knowledge:

> **"***We have seen in the last few years there is a bigger eagerness, international companies the world players are more interested in signing up local partners, in truly going into joint ventures that have road map to actually transferring, deploying knowledge and technology to the local market"* **IOC3**

> ***"is*** *just simply, for instance, one of the time we have done is if you noticed when you came here we have Devon, we have a joint venture with a Nigerian company, so it is called wood group/Devon, we currently finalising all the necessary work for the joint venture. So, we are currently in a joint venture with a Nigerian company. So, that way we are able to achieve"* **IOC6**

> *"That has been happening, and it will still be happening It boils down to the fact we don't have the technology and technical knowhow we still depend on them that's why we have the JV, the partnership with them in such a way that"* **LOC7**

As stated earlier, some of the research participants argued that indigenous companies and IOCs engage in a joint venture partnership for the wrong reasons:

> **"***However, someone can go and bid for a project and doesn't have the technical know how he now invites someone else who has the technical know who is actually ready to do the project and benefit Nigerians, employ more Nigerians, generate revenue then it makes sense in the long run but if someone who doesn't have the technical know-how has access to funds, diverts the funds for the wrong purposes then at the end of the day it doesn't really benefit anybody"* **IOC1**

An auditor of one of the NGO asserted that partnership/collaboration only exists in order to secure projects as IOCs are obliged to partner up with indigenous companies to gain contracts in the industry:

> *"It is still this IOCs and some interested parties in the industry who understand that if this law is passed, they will lose some grounds that are now working in collaboration with some Nigerians who also benefit from the opaque system not to allow the law to go on"* **NB1**

5.2.7.3 Training and human capacity development

Considering the aim of the Nigerian local content policy, which includes the training and human capital development of Nigerians, when asked about the IOC's role in respect to training and human capital development, a member of the IOC stated:

> *"training is mostly done by multinationals like Baker Hughes, Baker Hughes as a company trained the personnel of our local content partners"* **IOC1**

In addition, the majority of the research participants asserted that:

> ***"**Upstream they have done all these various apprenticeship schemes in to train people in welding etc."* **IOC2**
>
> ***"**I think they will be in a better position to answer that because from my own point of view, apart from one or two we work with, that always usually have workshops, so we learn from there"* **LOC4**
>
> *"So for us it's key, you can build infrastructure and all that but you need the manpower, we have started the global Nigerian program so all these are aimed at enhancing the human capital in the industry"* **IOC5**

Furthermore, research participants added that a few IOCs have internship programs for training and human capital development:

> *"but certainly we do a lot of internship for university students that are trained that any point on time we have up to 30-40 people from universities, polytechnics, doing their internship with us"* **IOC2**
>
> ***"**We have implemented as much as our business can carry, we have focused so much in it, for us training is key, we are running a lot of schemes, we have postgraduates training in the UK, for young Nigerians in key technical skill areas, we have Shell PETAN internship where every year we take 40 young graduates and place them in PETAN companies for one year to gain industry experience, we have the field engineer training"* **IOC5**
>
> However, a research participant perceived human capacity to be an act of mentoring:
>
> *"But there is always what they call handholding, whereby your handholding somebody and pull him up and make him to mature, stand and grow"* **LOC3**

"Well, firstly, in the recruitment of their people and ensuring that there is transfer of expertise" **RB6**

5.2.8 IOC's perception of local companies

With regard to the IOC's view of indigenous companies' capabilities, a number of the research participants discussed the IOCs' reluctance to subcontract jobs to indigenous companies:

> *"the challenge is to get Nigerian involved, but you could see corporate resistance from the companies because a lot of the companies are making lots of fortunes, but that same benefit as its done in other countries like Norway and places with natural resources are not available here"* **NB1**

One of the indigenous companies commented on the resistance of insurance companies to work with indigenous companies, as they believe that indigenous companies do not have the capacity to carry out projects in a technology driven industry such as the Nigerian oil and gas industry:

> *"IOC, I will start by saying that they have tried, to a large extent some of them have tried. However, also have a handicap; there are some major projects that they could have some confidence to allow some Nigerian companies to bid. However, sometimes, the insurance companies, because, most of these projects are major projects, insurance companies, who are MNC, may not have or may not accept the Nigerian companies to take up such projects, they look at, it's a high risk, if there is any failure"* **LOC4**

An LC advisor of one of the indigenous companies highlighted that the IOCs are reluctant to work with indigenous companies as they are used to working with well-known names such as Halliburton:

> *"That is one thing we are struggling with if you are dealing with a company like Total, Chevron or ExxonMobil. For them they are used to working with the big names like Schlumberger, Halliburton, Baker, GE but when you come as a local company they are reluctant"* **LOC6**

> **"***I will like to call that strategic partnership because going back to my other illustration when I go into an office and nobody gives me a listening ear because I am black person from a different part of the world……"* **LOC6**

5.2.8.1 Locals ability to withstand pressure

The research participants spoke of the social pressures faced by Nigerians and how it has affected the level of confidence the IOCs have regarding the indigenous companies' ability to operate in the industry:

> *"they are not always sure that the locals are able to withstand the pressure by that I mean the pressure that I will get as a Nigerian on this job, I am sure an expatriate will not get half of them because he doesn't have relatives, brothers, old school mate pressurizing him to give them give them a job or a contract"* **IOC2**

5.2.8.2 Lack of experience

There were also a number of comments made by the participants on the IOCs' perception regarding Nigerians' lack of experience:

> *"You see if you do not expose somebody, he would not stay in the house and have experience, the day they first employed him what experience did he have? He is now an expert, when he started was he an expert, no, he has to learn on the job will he stay in the house to become an expert? He has to learn on the job there is nothing you do theoretically in the university, the research lab when it comes to implementation you have to learn on the job"* **LOC1**

> **"***there reasons will always be that we haven't been able to find a fully competent person"* **LOC3**

> **"***No am not satisfied, because there are lot of other areas, there a lot of jobs we could do but they are there to push it, the IOC then to bend their hands, like the deep offshore they say the Nigerian companies don't have the capacity to work at the deep offshore, but the Nigerian companies we have the capacity to work deep offshore. They say in the FPSO we cannot work; there are people who can work in the FPSO"* **LOC4**

5.2.8.3 Opinion of indigenous companies' performance

Regarding the performance of indigenous companies, the participants believe that the IOCs perceive indigenous companies as not having the necessary knowledge and capability to compete in the oil and gas industry:

> *"those multinational try to say a bit unlike what the local content law says, if we are going to put a Nigerian, that Nigerians had better perform*

at the same level like an expatriate but it is not always possible that law to deliver at the same level as an expatriate would have and secondly the preparation that you need to play certain roles is a long term thing" **IOC2**

"How do you ascertain whether somebody has the technical capability if you do not give him the opportunity, we have to give him the chance, look this our company, before this company was formed, inspection and training were exclusively reserved for this IOCs we are talking about" **LOC5**

5.2.8.4 Lack of Trust

Considering the competitiveness of the oil and gas industry, some of the participants believe that there is a lack of trust between the IOCs and the indigenous oil and gas companies:

"I go for a business meeting in a client's office, and because I am Nigerian, they feel that I lack the competence to address the particular subject matter. However, hence I show up with a white guy who doesn't have the kind of education I have or the level of education I have and because he opens his mouth and the first two statements they all nod their heads and say yes, yes, yes, this is what they are looking for, that bias is already there. Moreover, it is something we are really working hard to change." **LOC4**

In addition, in support of this assertion research participant **LOC7** stated that:

"You are trying to learn from them they to want to make money they want their annual turnover to increase once they know that learning from them will make their revenue dwindle, you cannot take it away" **LOC7**

However, the data gathered suggested that the IOCs still train Nigerians, however, one of the research participants noted that IOCs find it difficult to empower Nigerians once the training is completed.

> *"in terms of training, they are actually doing that, except that sometimes, it is difficult for them to relinquish those positions for the Nigerian people to take over"* **RB6**

Nevertheless, a few of the IOCs argued that:

> *"They were sceptical because they did not want to transfer the technology but we do not allow them to transfer the technology we steal the technology, like the Japanese and the Chinese, do. So, as an IOC how do you sell your product and remain competitive is to destroy the other person"* **IOC4**
>
> *"Now does it now mean every CEO or whatever is going to now be Nigerian going forward? No, that I do not see that as the case even if it is from the perspective of I am a South Korean or American company even if I am going to trade in Nigeria why should, must I put a Nigerian there when it is my own company. So, it is a bit like somebody from Aba coming to set up a company Lagos, and you say he must put somebody who is a Lagosian there he may say well he will prefer to have somebody he can trust"* **IOC2**

Arguably, the role played by the IOCs is essential to the development and implementation of the LCP. However, the collected data suggested that when indigenous companies attempt to act as an intermediary, by selling contracts to the IOCs, effective implementation of the LCP is hindered. However, few indigenous companies still partner with IOCs to gain knowledge and experience in order to compete in the industry. Table 5.4 summarises the interviewee's responses on the IOC's role in the Nigerian oil and gas industry.

Table 5.4. The IOC's role in the Nigerian oil and gas industry

Interviewee	**IOC's role**	**Quotations**
RB3	Middlemen	*"……bring them in so they come like an agent they have a Nigerian face, but the entire structure and body of the company is foreign"*
RB6	Middlemen	*"They just bring in people to front for the company and at the end of the day the desired results will not be achieved…"*
NB1	Partnership/Collaboration	*"It is still this IOCs and some interested parties in the industry who understand that if this law is passed, they loose some grounds that are now working in collaboration with some Nigerians who also benefit from the opaque system not allow the law to go on"*
LOC7	Partnership/Collaboration	*"……we don't have the technology and technical know-how we still depend on them that is why we have the JV, the partnership with them in such a way that..."*
LOC6	Perception of indigenous oil and gas companies	*"That is one thing we are struggling with if you are dealing with a company like Total, Chevron or ExxonMobil. For them they are used to working with big names like Halliburton….but when they come as a local company they are reluctant"*
LOC3	Perception of indigenous oil and gas companies	*"There reasons will always be that we haven't been able to find a fully competent person"*
IOC1	Training/Human capacity development	*"Training is mostly done by multinational companies like IOC1, IOC1 as a company train the personnel of our local content partners"*
IOC2	Training/Human capacity development	*"We have always been focused on developing local people"*

Source: Author

5.2.9 Subcontracting

Many activities take place in the oil and gas industry, one of which is the subcontracting of oil and gas projects to different companies. When asked about the procedures of subcontracting in the industry, the participants showed adequate knowledge of the sub-contracting process.

> *" Yea, there are some, I don't know what area you mean, but sub-contracting from my own understanding, you mean is when we have a job that we cannot execute, then we get a foreign company to partner with us, or when a foreign company has an equipment that it wants to send down to Nigeria, because of the laws and act, it cannot fully implement or cannot fully send it down without coming to partner with a Nigerian company"* ***LOC2***

" Basically it's mostly based on knowledge of what those companies are doing, a number of them that we are aware of that have strengths in some of those areas that we don't have strength at all, and because we have been around for a while, we have seen the emergence of most of these companies, so we have been able to know that company x is very strong in this area and company y is strong in that area……..." ***LOC3***

"Now for instance, when you want to, it is just about standard as a company. If we want to do something and we shortlist, we have to shortlist up to 10, and we look at different criteria's if they meet all the criteria's…" ***IOC6***

Furthermore, one of the IOCs argued and concluded that the process of sub-contracting has led to different business relationships, such as joint venture partnerships.

"We put out some of our legacy tools for sale and acquisition when we do this we have companies that show interest, and they are usually our local content partners in Nigeria so we have a working alliance with them such that they acquire the tools but we still ensure that we provide assembly and maintenance services throughout the entire life of those tools so we maintain the assets and we make sure that we follow procedure to give them value throughout the lifetime of these assets" ***IOC1***

In support of these excerpts, research participants **LOC2** and **IOC2** respectively argued that IOCs have to partner with indigenous companies in order to operate effectively in the Nigerian oil and gas industry:

"They know there are some law they have to abide by, if they have a vessel, they will not say, they will put, may just one foreigner to take care of the boat, the rest will be Nigerians………"

"In our own industry, most of our contractors are locals by definition. Also, when we want to transport we use local contractors"

Furthermore, research participants stated that a number of indigenous companies partner with IOCs to allow them to buy equipment that is unavailable in Nigeria:

"Yes, subcontract like a mentioned, the instrumentation, look at the back here, we have all this instrumentation, so certification, like those with lifting certification we sub-contract it to some Nigerian companies. In the foreign side, we don't have the technology to build these kind of equipment, so we buy them overseas, in the West, in the UK, in European" ***LOC4***

Similarly, when indigenous companies lack the capability to operate in the industry they form alliances or partnerships with IOCs by outsourcing the projects to them.

"*The Nigerian LNG project, when we looked at it, the project was managed by the main contractors the TSKJ. Those were the main contractors, those people have expatriates, LNG itself has expatriates. This TSKJ is a consortium of four companies, apart from the consortium that have expatriates. All the individual companies have expatriates working, and they have sub-contractors; DAEWOO and others"* ***RB6***

"*Even before the law was passed we have always felt even for complex and highly technical jobs that as at the time of award we don't have Nigeria that can handle completely, we always encourage the international contracting companies that get such jobs to subcontract packages to Nigerians that can help them to build capacity"* ***IOC5***

"*That is what we do basically, everything oil and gas that this company does is contracting out, we literally contract out everything"* ***RB3***

In addition, some of the joint ventures between indigenous companies and IOCs are created to facilitate capacity building and technology transfer as argued by some of the research participants:

"That is where the implementation we are talking about comes in, the whole idea is if you enter technical partnership with a foreign company, it is assumed you are learning, so by the time you finish a cycle of contract, if for example your experience is 10%, then you are leaning on 90%, its assumed the second phase of your contract will be 20%, so it continues like that. We have a success story in aviation, in helicopter rotary wings we have local companies like Kempton, and they are doing wonderfully well" ***RB3***

"So subcontracting is one key tool you can use to enhance in-country capacity" ***IOC5***

"*The way it works is that it helps technology transfer and training; so, they become more experienced and able to provide it helps"* ***IOC2***

" *I also was coming to that, but the first thing to us as a company, we just want somebody who has the same ideals as us, you just don't come here and make money, because they may just come here to make money and not pass on that knowledge that you require sustain that business, once they leave"* ***LOC6***

However, two of the research participants concluded that subcontracting is not just a matter of outsourcing services, but also concerns the quality and standard of services received:

"so the incentive could be a matter of cost etc. maybe it is easier to source local raw materials, but again the other side of the coin are the local raw materials are they of the grade you want, quality, etc. They always have gone hand in hand if not you will just have a law that is more of cosmetic that won't achieve development of the country" ***IOC2***

"*Slightly, why I said slightly is that because of where we are coming from, and understanding the business, say we are a local company but we must get the right kind of service, quality service, high safety consciousness, if you don't get that, price is still okay, we can look at price its negotiable, but if those two things are not there, we will not. Health and safety, it is something that human lives are involved, because if there is any fatality, okay all these people here are in a vessel on a platform, if there is a fire incident where do you think they will run to****"*** ***LOC4***

5.2.10 Employability

Having considered the impact of the LCP in section 5.2.2, it is also important to evaluate how the policy has helped in the employment of Nigerians. The relevant issues raised were:

5.2.10.1 Partnership and collaboration

Although employment, partnership and collaboration was discussed in sections 5.2.2.3 and 5.2.6.2, a number of participants still highlighted the need to provide employment through partnership and collaboration. For instance, one of the IOCs discussed partnerships in regard to specialised roles:

> *"But there are also specialised roles and services like were we cannot compromise on the level of expertise that is needed in project execution for example when we have deep water wells"* ***IOC1***

Likewise, a CEO of an indigenous company stated that the reason for entering into a partnership was due to the fact that indigenous companies did not have 100% capacity to fulfil the task:

> *"As you probably will know there are quite a lot of companies that really don't have the 100% of the capacity to do the work and they still have to rely on foreign support of some sort"* ***LOC3***

Similarly, research participant **RB3** spoke of partnership and collaboration as a means for start-up companies to build their capacity and empower themselves:

> *"We still have provision, that is why to empower them we don't insist that you must as a company have track record, if you haven't done this job, we assume that you go and have a technical partnership with someone that has done the job, it's not just about you but also your technical partner, that is the only supplement you can get for start-up"*

However, **RB3** highlighted the fact that IOCs invite indigenous companies to work for them, as opposed to the opposite being true:

> *"they can decide on their own they have some key areas of technical deficiencies they can invite these other technical partners to come in, what is happening is the other way round, the international companies are inviting Nigerians to work for them, it should be the other way round"*

5.2.10.2 Succession planning

The majority of the research participants identified succession planning as a means of creating employment for Nigerians. They referred to it as the process whereby indigenous companies are in an opportune situation to take control of projects after having worked with IOCs for a specific number of years. During this period, the indigenous company would have gathered the knowledge and capability to be able to run the project; and compete favourably in the industry:

> *"as a matter of fact, it is becoming a deliberate policy, that for each company, that also happens to be one of the local content requirement is when you are bidding for a job in your technical proposal, you are to demonstrate a succession plan"* ***RB4***

An LC advisor of one of the regulatory bodies cited an example in support of this assertion:

> ***"****So that means a Nigerian that will be working with expatriate, so he is learning for the first two years and another two years. Our expectation is that after four years of understudy they will be able to come to speed……"* ***RB5***

Furthermore, research participants argued and concluded that succession planning also involves training Nigerians to take over jobs undertaken by expatriates:

> ***"****Yes it will reduce the number for instance a major equipment company, its one of the biggest companies in the world the last three times we did it we had to bring in foreign guys to work on this equipment the last time we did it we brought one person from abroad and asked our engineer to join them so it has reduced the number of foreigner coming whereby this person will be trained on the job after which he will be sent out of the country to be trained so over time our long-term goal is to domicile that service here"* ***LOC7***
>
> ***"****So, before you can sign capital projects or any projects whatsoever, any entity that wants to do any project under the Nigerian oil and gas industry. You must show your employment plan, training plan, succession plan, the E and T plan contains all these parameters, so the NCDMB has to approve your E and T plan before the contract is awarded project is approved, so that one way they can monitor the implementation, that is one tool I know that they can use to monitor the implementation"* ***RB7***
>
> ***"****So what we actually do like in one of our project which we actually concluded with the Nigerian LNG, we had 90% Nigerians for the project, so what we try to do is to ensure that we have succession planning. The roles where a foreign*

> *is working, you see Nigerians that understudy them and eventually take over from them. So, these are the things that we try to do*" ***IOC6***

5.2.10.3 Reduction in foreign workforce

Research participants argued that the process of creating employment for Nigerians has had a negative impact on the employability of the foreign workforce i.e. expatriates. Hence, indirect revenue is generated for Nigerians through the oil and gas industry in the form of retained income. This assertion is supported by the following quotes:

> *"Before the Nigerian local content policy was passed into law, there were a lot of expatriate in the industry, however, since the inception of the policy, there has been a decline in the number of expatriates in the industry"* ***RB6***

> *"It has affected the foreign workforce because I can tell you that in 2005 when we conducted the industry-wide skills audit, I don't know if I should put this on record but I have to be plain to you, there has been loads and loads of foreigners coming into this country to do welding activities because it's on tape I'm not going to call the name of company"* ***RB7***

> *"In the early days when I joined the oilfield industry, I could count how many Nigerians that were in my department, but now in Oando, we have like 96% or 98% of our workforce totally indigenous*" ***LOC6***

> *"I will say that cannot be qualitatively measured but if you look at it just back of the envelope you may say yes there has been reduction"* ***RB1***

> *"All these people have expatriate, so if you look at it, almost about 5000 people working for the Nigerian LNG project are expatriates, this was about 12 years ago. However, the Nigerian local content policy, am sure that most of these things have improved"* ***RB6***

> *"If you read the paper I think you will understand there has been a significant reduction in the number of experts in the sector, if I take the three Exxon Mobil companies in Nigeria for instance, the trend has been downward, if you spoke to the upstream people I am sure that they will be confirming that with the NCDMB there have been a reduction in the experts that are actually coming in"* ***IOC3***

However, one of the participants stated that, although there has been a reduction in the number of expatriates in the oil and gas industry, the industry still favours expatriates especially in deep-water exploration:

> *"It is still skilled in favour of the international company especially in the area of offshore"* ***NB1***

Nevertheless, some of the participants concluded that prior to LCP implementation IOCs where used to taking menial jobs in the industry. However, since the introduction of the LCP, the situation has changed in favour of Nigerians:

> *"Because of the law certainly the incidence of expatriates coming to do core jobs lower down the ladder may have reduced because of the law"* ***IOC2***
>
> ***"****……more Local contractors are coming in resulting in expatriate competing for simple jobs as catering jobs"* ***RB3***
>
> ***"****No not the downstream sector, even the upstream sector that includes exploration and production, you have people that do catering, you have a lot of services that are provided there. All these things are not done by the local workforce; all these are outsourced to expatriates, and you know because you have a lot of expatriates coming in to do the job, so somebody is coming to cook food, you have a lot of Chinese, Indonesians, so you will have to bring in a Chinese or Indonesian cook"* ***RB6***

Furthermore, some of the research participants remarked on the reduction of expatriates employed within the oil and gas companies. They argued that as a result of the policy stating that IOCs must transfer knowledge to Nigerians, there have been increasing numbers of indigenous companies taking part in oil and gas activities, thereby reducing the number of IOCs in the industry:

> *"Now companies do not come into Nigeria with foreign workers, they come and take like two foreign people and train like 100 Nigerian people"* ***LOC2***
>
> *"So PTDF took that up, and we trained thousands of welders in that area, so the welders we have trained and certified have reduced the level of foreign influx of foreigners especially in the area of fabrication"* ***RB7***

5.2.10.4 Expatriate quota system

The expatriate quota system indicates the percentage of expatriates allowed into the country. When asked about their view of the expatriate quota system, the participants stated:

> *"Now we have an expatriate quota management system that allows us to recognise area where they are skilled gaps, I have mentioned to you that we have JQS where we have all the individual competencies uploaded, so anytime an expatriate is needed in the industry, there is always a justification, oh we checked your search engine we did not find any qualified Nigerian"* ***RB5***

> ***"****I can only talk for my company, there is a stringent expert quota approval process by the board and by the ministry of interior, and I know that applications are scrutinised heavily"* ***IOC5***

However, one of the regulatory bodies spoke about there not being a database in Nigeria to allow companies to check whether the skills required are available in the country:

> *"The minister of information that said you should issue expatriate quota, you don't issue any expatriate quota to an incoming company when you don't have a database to check if you have those competencies available in country so it's going to be a contradiction when you have those competencies in country and somebody bringing them in you only promoting capital flights"* ***RB7***

In addition, there have been clashes between regulatory bodies responsible for issuing the expatriate quota as stated by the LC advisor of an IOC:

> *"In the case of expatriate quota, they have been effective. however, what you also have again in this immigration are people who are already used to immigration staff who do side runs……..."* ***IOC6***

5.2.10.5 Preference to Nigerian manpower

One of the impacts of the LCP in regard to employability is the preference for Nigerians in the workforce, as IOCs are required to collaborate with indigenous companies to conduct business in the oil and gas industry:

"yes of course to a lot of extents after all am I, not a Nigerian, a greater number of staffing within the company is Nigerian based" ***LOC1***

"*In the sense making them relevant because the Nigerian content policy will assist indigenous companies to get jobs and get first-hand …… they know that without the Nigerian company they would not be able to execute any project in Nigeria"* ***LOC2***

There have also been significant changes in the number of Nigerians taking up managerial positions as stated by LC advisors of some of the IOCs:

"for example, until 2004, the position I occupy has always being occupied by expatriate since the inception of this company, but in 2004 for the first time a Nigerian became the chairman and managing director, I succeeded the person in 2008" ***IOC2***

" *we got to a point where we got local people to get on the affiliates like my CEO who is a local person he is a Nigerian, in the 108th year of existence in Nigeria, he is the second Nigerian, local person employed, who has been appointed chairman and MD of the company, the first person was appointed in 2004"* ***IOC3***

Preference for local manpower has also boosted the activities of indigenous companies in the industry:

"Nigerian local content laws, so this actually has boosted our activities because larger percentages of this industry activities are now given to Nigerians. Not just Nigerians anyway, but Nigerians who are fully qualified, just like as JC International is, JC International travels personally, I had my training in the U.S. We had that capacity, went to the western world got this training and we had the capacity to deliver same services that the western world was delivering in Nigeria" ***LOC5***

In summary, the policy has facilitated skills development and employability of Nigerians. It has also reduced the number of expatriates entering the country, thereby presenting more opportunities to Nigerians. This is because the policy requires IOCs to partner with indigenous companies to conduct business in the country.

5.2.11 Strategies to improve the implementation of the Nigerian LCP

When the participants were asked how the policy could be improved, a number of participants stated that it was too early to discuss what could be done to improve the policy:

> *"It is not a one size fit all, it won't be a copy and paste thing, you have to apply delivery approach that aligns with your own reality, I think that is very important, you can just say Norway did this, and you copy it, it won't work"* ***IOC5***

> *"Like I said earlier before I answer that question, I do not want to answer it directly; I know that the Nigeria content policy is not a sprint if it is a sprint I will just tell you how much we have been able to cover"* ***RB7***

However, most of the participants spoke about a range of strategies that could be implemented to improve the LCP.

5.2.11.1 Enforcement

Some of the participants believed that there was a lack of enforcement of the policy in the industry:

> *"When you have a law, and there's no enforcement, people won't follow it, it is for them to be up and active, the NCDMB is so empowered that they can enforce, monitor and do that if the system can just work things will shape up"* ***LOC7***

> *"yes they submit report, but it is another thing to know if the reports are true or fake, but they are being done, but you know another thing is who verifies these reports"* ***RB6***

One of the regulatory bodies stated that the absence of clear and appropriate law has hindered enforcement.

> *"in Nigeria there is one thing that is interesting about us we have all the laws, our problem is enforcement, and I tell you the enforcement is every easy"* ***RB4***

However, two of the research participants argued that the law is clear and appropriate but lacks a regulatory framework for enforcement.

> *"First of all there is always a starting point if the law is signed then we see how the implementation will go but if there is no regulatory framework it is difficult to predict how the forces in the industry will influence things favourably to make it happen for the Nigerian oil and gas industry"* ***IOC1***

> *"Just, more enforcement, I think a lot of the foreign OEMs are getting away with a lot of things, what most of them do, is come here and form one small company and register it and call it a Nigerian PLC. Moreover, still, it operate like the OEMs outside the country. What changes are needed in the regulatory framework, we need to know first of all who the real drivers for this are, and who is going to enforce the consequences for going outside the law"* ***LOC6***

Furthermore, the participants also emphasised the need to strengthen the monitoring processes by in order to enhance enforcement.

> *"I have not gone through the law, all through, the area where I still have concern, I need to go and read and know what exactly what, is the monitoring, if the monitoring, the monitoring is where the problem is, because if you monitor it, you should be able to track the progress and not people feeding you with information you will believe"* ***LOC4***

> *"I think NCDMB the monitoring board should be the one to appoint GM for oil and gas companies that is one, it will help to eliminate, a company will say after all I am the one that employed you. If NCDMB is given the sole responsibility to appoint the staff to monitor companies' activities, it will help"* ***LOC2***

> *"Maybe on the monitoring and assessment aspect maybe there should be a bit more and for government to stand back"* ***IOC3***

Likewise, some of the research participants supported the need for flexibility in the law:

> *"So flexibility and more of compliance, a lot of things to happen in this country and you put the rules there, and people do not comply, and that leaves room for a lot of shady practices………..."* ***IOC4***

"You see there is no law that is not adequate, it is the implementation that matters, you have the best laws everywhere but all you have to do when you make laws and people begin to contradict them, you have to look at, people look for loopholes to sabotage them………" ***LOC5***

An LC advisor in one of the regulatory bodies highlighted how the monitoring department must be reinforced and organised:

"*But I think mostly what we need to do; we need to strengthen our monitoring department. Largely because I still feel that there is a disconnect, because I feel for you to be able to enforce this law, you must be able to have an agency that will be able to coordinate these things. You understand, like when you have the civil service commission that is able to employ people into the civil service, you must be able to have an agency that is able to correlate all these skills that we have and is able to ensure that they communicate with all the MNC and the local companies that are"* ***RB6***

RB6 concluded that sanction(s) should be imposed for non-compliance.

"I do not think so because I have not heard of anybody persecuted or penalised for not implementing the policy. However, that does not mean that the law is not being implemented. However, if the law is fully implemented the impact would be fully felt, you will not have to be told, you will feel the impact. There should be sanctions should be imposed as and when due for defaulters, then there must be incentive for those that are doing well"

5.2.11.2 Infrastructural Development

The research participants argued and concluded that Nigeria as a country suffers from poor infrastructural development that has hindered the effective implementation of the LCP in the oil and gas industry. Hence, research participants emphasised the need for infrastructure development:

"But as time goes on we discovered that capacity building is not only about education you have to draw a line between education and training. For capacity building to be complete there has to be education, training; there has to be

infrastructural development and institutional development, so this is what makes capacity building to be complete" ***RB7***

"but if you ask me a question is it better now before 2010, I will say yes because now there are conscious effort to reward Nigeria content participation and secondly people know that if they put the infrastructure there, they will be patronised" ***RB1***

However, one of the research participants asserted that the recent fall in oil price has negatively impacted infrastructural development:

"in this era of falling crude oil price, you need to have a sector that will support the economy with the least possible cost so that you can competitive and that can only be achieved if issues like flexibility in terms of access to the industry is allowed with no restriction, then the development of infrastructures which is power, roads, water, we have to have them and all of these will add to the cost bottom line and most importantly environmental stability, if you have it people will have more confidence to invest, they are a lot of people with money that cannot enter into this market, so if they have a stable economy, they are willing to invest into the local capacity and the environment is favourable for investors. So, this are the things I think they need to do increase the local content and make it a success" ***RB3***

5.2.11.3 Transparency

Having discussed the impact of the LCP in the Nigerian oil and gas industry, many of the research participants asserted that the lack of transparency and accountability in the oil and gas industry has hindered the successful implementation of the policy. For instance, an LC advisor from one of the IOCs stated:

"Transparency, they need to be transparent, then corruption we need to reduce the level of corruption in Nigeria because if there is transparency and there is fairness in the distribution of resources they will reduce the level of insecurity I believe that companies will want to come and invest that is they bring in money to come and support the indigenous firm in Nigeria" ***IOC1***

Moreover, a CEO of one of the indigenous companies stressed that there should be sincerity of purpose in the implementation of the policy:

"Sincerity of purpose, the purpose of local content is to develop our technology; there should be no way to change that okay. One thing that is peculiar in this country, for instance, you will see someone will apply for some quota for expatriate, he will not use them, he will go and sell them to other organisations by getting visas and all this one's for them okay, there are certain laws in this country that we need to strengthen" ***LOC5***

"It has to be sincerity of the people that implement it, transparent, carrying along all stakeholders, so that people nobody will be confused, that is at the agency level" ***RB3***

5.2.11.4 Domiciliation of oil and gas activities in country

Domiciliation of oil and gas activities in the country was also one of the strategies suggested by the research participants. They asserted that it reduces capital flight from the country and helps in the capacity building of indigenous companies:

"Well, because the overall objective is yet to be met it's still a long way to what I think is the total objective of the policy is such that we will be able to take full ownership of the industry either part of the industry or the complete set up because now we do a lot of importation" ***IOC1***

"the ripple effect is that employment opportunities are being made available to citizens of other countries so when you domicile those activities in country you reduce capital flight and when capital flight is reduced then it has a positive impact on the GDP" ***RB7***

"Then we also recognise that the Nigerian oil and gas industry is not as big as we want it, in terms of being able to absorb the capacity that we developing, what do I mean by that, if you have a fabrication yard that is doing structural steel fabrication that yard can also build masts so if you are doing structural for production platform and all that. You can actually focus on those areas, so there has to be a holistic approach to local content for Nigeria, beyond oil and gas industry, we need a more expanded approach to local content implementation in the oil and gas industry" ***RB5***

5.2.11.5 Petroleum Industry Bill

The passing of the Petroleum Industry Bill was one of the strategies outlined by the research participants, since it will allocate more responsibilities to indigenous oil and gas companies in Nigeria:

> *"Well one thing is to suggest government is government, those people that are running the government think otherwise, politics should be removed from business, that is what the PIB intends to capture and now you see how difficult it is to pass the PIB, because the PIB intends to capture a lot of things, local content, the way we do things, you know the way we acquire acreages, the way we govern these things, this is all captured in the PIB, the Petroleum Industry Bill. Now, until this bill is passed, it's very vast, it contains a lot. Until these bill is passed, we will just be, we will just be touching the top of it"* ***LOC3***

RB4 argued that the passage of the PIB would negatively impact the IOCs because they would have less control:

> ***"****This is what the PIB bill is taking about and if it is passed a lot of things will change. However, the question is, are we ready for the change? Because most IOC don't want the bill to be passed, we are not ready for that and that was why they rejected, you know one of the recommendations in the bill was for incorporated joint venture (IJV)………..."* ***RB4***

However, an LC advisor from one of the regulatory bodies argued that the passage of the PIB bill would foster collaboration between all stakeholders in the industry:

> ***"****to some extent I think that is what you are trying to do with the PIB, where they talked about the community having, 10% of the funds going to the community, I think they must have gotten that model from Malaysia, so I think if we work it out very well, it is a way of integrating the community right from even the early stages of the field development"* ***RB5***

Likewise, the majority of the research participants concluded that the Bill would enhance transparency and accountability in the industry:

"If the PIB is passed into law all the fears and concern that we have found out in the industry that can improve transparency and enhance accountability are all proposed in the bill, are proposed in our own position on the bill because the way the bill was proposed by the ministry of petroleum resources is such that if the bill is passed that a way the problem will still persist…….." **NB1**

" *So what we can do to improve this regulation, I think is to streamline the PIB and pass it, once that is done that will be taken care of, I don't want to pre-empts the effect or what the result of the PIB will be when the PIB is passed but PIB on its own, the original concept of PIB is good enough, and if that would be implemented I believe we will have a lot of success in that area. However, it is a marathon; it is a long haul. So I will still go back to the PIB, the PIB is a legal instrument of which the federal government intends to restructure the entire petroleum industry in order for the entire petroleum industry to make a more significant contribution to the development of the industry, and the Nigerian content needs to be passed, that bill needs to be passed"* ***RB7***

5.2.11.6 Enabling environment

The participants argued that creating an enabling environment would enhance successful LCP implementation. The participants suggested the need for government support to create a conducive environment in which indigenous companies could participate:

"support the indigenous firm in Nigeria because what the indigenous firms really needs is capital. They need that investor confidence; they need to create that enabling environment for investors to come from outside Nigeria and have the confidence that the money they put in here will be of course yield returns" ***IOC1***

Furthermore, according to the research participants, the creation of an enabling environment will attract foreign investment. They consider this necessary because foreign investors are sceptical about investing in the Nigerian oil and gas industry due to the uncertainties associated with it:

"taking in co-ordinance the environment they operate, they should not be too rigid because foreign staff, we operate in an environment where security is paramount, and it's not all companies that can, so they must recognise all those failings

and make law that will compensate and make sure that we operate in environment that is profitable" ***LOC5***

"Secondly, the laws that govern foreign investment must be favourable to you so that you be able to repatriate your profit. You should be able to have linnet laws that allow you to move freely. People are very concerned about religion; there must be free practice of your religion, a lot more that people put into consideration when they go to other places to invest" ***LOC5***

"*They need to come here and investment and of course, they have to be encouraged by the government to do that. The environment has to be conducive for the investors too. So, you won't blame them because there are a lot of uncertainties that makes them sceptical in coming here to plan their investment"* ***LOC6***

5.2.11.7 Stakeholder's involvement

According to a number of the research participants, successful LCP implementation relies on all stakeholders being involved:

"*I will always tell you that one area that all hands have to be in deck, there has to be involvement, there has to be stakeholder's involvement, because if all the stakeholders are not properly represented, it is still not going to be very effective"* ***RB7***

"*Important in the sense that they should be more open and more willing to accepts inputs. Because government makes policies, sets the goal, but the stakeholders ultimately enable government to achieve the goals, so it is important that input from stakeholders be part of that process……."* ***IOC3***

"So the fact that there is a law in place and there is an attempt to implement it has earned them that five that is why this. It's is half of the job having the law so you now need to think through, you know the African approach is sometimes that of cane, forcing things down people rather than working with stakeholders to say look what we want to achieve is to get more Nigerians to be knowledgeable about this, to provide more of the services and whatever and then they can work with those stakeholders to have a road map and plan to achieve that objective but it looks to me that it is more like this is the law you have to comply whether it makes sense, whether the capacity is there or not, so I think more emphasis should be made on how do we help the people who need to comply with this" ***IOC2***

5.2.11.8 Manpower

The research participants argued that the lack of local workforce has been a barrier to successful LCP implementation. When discussing potential strategies for improving the policy, the research participants spoke about training and increasing the number of Nigerians required in the industry:

> *"If your manpower is not adequately trained you cannot have a good Nigeria content, you also need to ask yourself should local content be an up-comer affair"* ***RB1***

Likewise, one of the regulatory bodies commented on the limited workforce of the regulatory bodies enforcing the LCP:

> *"the NCDMB by the number of manpower they have there is a limitation for effective monitoring, because if you are talking about an industry that is billions of dollars and you have less than 50 people to monitor the implementation of the policy than there is a limitation"* ***RB6***

5.2.11.9 Access to funds

A lack of funds has always been a hindrance to indigenous companies' ability to actively participate in the oil and gas industry. Thus, the research participants emphasised the need for the availability of funds as a strategy for improving LCP implementation:

> *"Support the indigenous firm in Nigeria because what the indigenous firms really needs is capital. They need that investor confidence; they need to create that enabling environment for investors to come from outside Nigeria and have the confidence that the money they put in here will of course yield returns"* ***IOC1***
>
> *"We also need to ensure that local companies are given access to funds and capital to be able to compete favourably in the industry"* ***RB6***

> *"I think it's the right policy in the right direction and also to help Nigerian contractors I think it's the right policy in the right direction to ensure that the problem of funding is*

confronted and treated accordingly so I believe that one way or the other it has made a dent in the way we do things" ***RB1***

In addition to the availability of sufficient capital to help indigenous companies participate, a few of the research participants highlighted the need for transparency in the management of the capital provided to the indigenous companies:

"so you want to give them the money to aid them to do something maybe they divert the money into something else but if you give the money to real investors people who are ready to develop the oil and gas industry they can pull resources together attract, investors to come in and to do more business in Nigeria" ***IOC1***

"implication of the fund should be more effective, people need to see where the fund is going to in terms of support for in-country capacity building, it is very essential for the credibility of the implementation that management of that fund is above board and everyone is satisfied that it is really helping" ***IOC5***

5.2.11.10 Capacity building

A lack of capacity has been a barrier for indigenous companies to take an active part in the activities of the Nigerian oil and gas industry. Therefore, the research participants suggested ways to improve the level of capacity building which would allow indigenous companies to participate more in the industry:

"The improvement in the regulatory framework should be that a lot of emphases should be placed on capacity building for the companies" ***IOC2***

"If you don't develop this capacity now, how will you export technology tomorrow outside, take for example we are doing well in welding, we have one of the best welders that is why today we export welders to Angola and Ghana. Construction, are we there yet? No, but we are moving forward. In rig, for instance, do we have the experts to build the rig, do you have the steel, and our steel industry needs to be developed, if we have the steel, electricity and every other thing that will aid" ***RB2***

In addition, one of the research participants suggested that the IOCs should be motivated to work with indigenous companies to improve the level of capacity in the industry:

> *"first of all, you need to look for companies that are willing to work with Nigerian companies, not because they want to come here and do business, but they want to also develop how own Nigerian oil field that is the main thing. You not just coming here to make money, but you are coming here to support and grow our own indigenous company, our own indigenous oilfield market as well"* ***LOC6***

5.2.11.11 Incentives

As stated earlier, there were little or no incentives for LCP implementation, thus, the research participants identified the provision of incentives to indigenous companies as a strategy for facilitating the successful implementation of the LCP:

> *"Due for defaulters, then there must be incentive for those that are doing well"* ***RB6***
>
> ***"****We believe that there should be specialised free zones for oil and gas practises so that, the law recognises that items produced within the free zone that is oil and gas are not consumed within the free zone, not that tax free regime should be throughout the cycle, throughout the value chain, you understand that is another area"* ***RB5***

5.2.11.12 Training and empowerment

The research participants emphasised the need for training and empowerment. They perceived this as avenue means of creating employment and empowering Nigerians to take part in the oil and gas industry:

> *"...... that is the area I think we are not doing well because you have trained a lot of people with the right skills, but unfortunately access to the job is not available"* ***RB6***

Again, an LC advisor from one of the regulatory bodies' state:

> ***"****for me, Nigeria content what they would have done, which I had suggested when I was in NETCO and I said to the MD why don't you make a case whereby NEPCO, apart from doing our normal engineering, we could become a big training*

centre, so what government can do is find a way to raise money and it is easy to do that, then use that money to build NETCO not only as an engineering outfit but also as a training centre which I feel is not difficult, and use it and build people, NETCO should also become a training centre, for a lot of people to be trained and for NEPCO to retain them, and a lot of people can be trained, they can go out there and wherever they find themselves it's fine" ***RB4***

In addition, an LC advisor fromform one of the IOCs indicated:

> *"So these are some of the issues, that I think, if you have data of who or how do we know who to train, for instance you may just be an engineering graduate, but you don't have industry experience you don't have that skill, how are we able to build your capacity, how can we project with the money we have, okay in Delta state, they are 5000 people, okay for this year we will be trying to empower, even if it's 500, do you get what I mean. You don't have that, so when we start gathering data being show"* ***IOC6***

Also, a CEO of an indigenous company argued the need for regulatory bodies to support and help start-up companies:

> **"***To add to that in the oil and gas it's even difficult for gas start-up company to come in typical even to come in NCDMB should do something to support start-up company to be able to get a good partner who can support you, you don't even give the person the chance if you want to register with total, they want to see references of companies you have worked for if you are coming as a fresh company so it's difficult sometimes"* ***LOC7***

In summary, most of the research participants believe that for successful LCP implementation, Nigerians must not only be trained but must also be employed in the industry. The government must provide an enabling environment as well as incentives to attract investors to the country. Additionally, the government must provide adequate funds to allow indigenous companies to participate in the industry and these resources must be managed in a transparent manner. Furthermore, all activities must be domiciled in the country to reduce capital flight with a view of retaining the revenue generated in the country.

5.3 Level of transparency in the implementation of the Nigerian local content policy

There has been much discussion on the level of transparency in the Nigerian oil and gas industry and when the question was put to the research participants, most of them agreed that more must be done to improve the level of transparency in the industry.

5.3.1 More can be done

> *"The law in place to enforce compliance to me is adequate, but I think more should be done. I think more should be done in the areas of making sure that these companies because there some companies, some IOC that are still very adamant in patronising companies. I don't think there is any reason why we manufacture coverall in the company, and another company will come here"* ***LOC2***

According to one of the IOCs, the law should be a living document, whereby it is enforced in every activity of the oil and gas industry:

> ***"****Well I don't know, I wouldn't say that I am an expert of the law, but for me the law has to be a living document it shouldn't be just a sterile document, saying you shall, you shall, you shall, you will, you will, thou shall, it should recognize where the constrains are, what areas need to be focused on and so on"* ***IOC2***

However, an LC advisors from one of the IOCs argued that the NCDMB, who is responsible for LCP enforcement, does not visit oil company sites as frequently as expected:

> ***"****Like you said, there is always room for improvement, the fact that I am not aware of any visit by the NCDMB team may be an indication of that, maybe the upstream guys will have a different perspective, but from Mobil Oil Nigeria perspective, I will say there should be room for improvement"* ***IOC2***

In the same way, some of the regulatory bodies stated that there was little or no information available on NCDMB's monitoring activities in the industry:

> *"Yeah, like I said this is a journey not a destination, they are doing well, but they need to try and create more transparency so that people will understand the mode of operation that is one. Two, when you ask about monitoring and implementation, I have no idea, so that is another area they need also to make as public as possible so that people can see. Maybe they can have an annual audit of companies' compliance for the stakeholders to know"* ***RB3***

> *"As far as I am concerned they are doing their best, but they are not there yet"* ***RB2***

Furthermore, when the research participants were asked about the level of transparency in the bidding of oil and gas projects in the industry, they indicated that:

> *"It can be better, it is not as transparent as it is should be, I tell you why many politics come into play. Secondly we seem to be stuck with the principle of lowest bidder, not saying it is bad other countries do not do it the way we do it"* ***RB4***

> *"Transparency has not been there because the bidders they know that if you go to the lowest bidder and some of them they will underquote, so they can get the job and later they begin to ask for variations, that is the biggest problem we have so until we are able to deal with this issue of lowest bidder to make it more transparent and realistic that's why I said it could be better"* ***RB4***

> *"Yea, but NCDMB, but again this whole thing about, caucus in the industry, there is still a caucus of people who, at least from some people who came give let me call it testimony about how what NCDMB have done for them. In terms of acquiring money and loan through the bank……"* ***IOC6***

Similarly, according to one if the indigenous companies, providing adequate information in regards to bidding will help to enhance transparency in the industry:

> *"I will say the transparency is on the low side, most times you bid, put out your proposal you don't get anything. I expect there should be a feedback may be invite the first ten people*

to say they selected this one based on this, detail out something across board" ***LOC7***

Some of the participants argued and concluded that there cannot be 100% compliance as companies will always adopt sharp practices to undermine the system:

> *"the implementation is NCDMB, because the level of transparency, you know, you cannot actually get it, you cannot get a 100% compliance to the Nigerian content because there are some companies that will want to maintain some sharp practices to boycott the system. there are some companies that will still want to do that, but the level to me, I will rate them like 80% because the NCDMB they are doing well, they are trying their best to make sure that Nigerian companies are actively involved in services relating to the oil and gas industry"* ***LOC2***
>
> ***"****Are they enforcing it fully, to be honest with you, I don't know the level of competence"* ***RB4***

5.3.2 Relative

When asked about the level of transparency, some of the research participants said the transparency level was relative. For example:

> *"Well, the level of transparency is relative. Why I said, that is that is a two-way thing because the operators will tell you something different and they will paint a picture that wow that we are doing this. Meanwhile, the Nigerian companies saying well we are not seeing it, so it's relative to whomever you are talking with"* ***LOC4***

Similarly, a number of the research participants perceived that transparency is relative in the sense that the governments' intentions might be genuine. However, it depends on how transparent the oil and gas companies are in implementing the policy:

> ***"****Transparency is a relative word, the intention of government is very genuine, but you know that in Nigerian some people might change, but relatively I think the transparency is acceptable"* ***LOC5***

"Okay, there are two sides to it, there is the individual, and then there is the organisation, how much and how well those the organisation push transparency and you the individual, how willing are you to work with the organisation in achieving that" ***LOC6***

"To the best of my knowledge I can say that transparency is higher with the law and even with the implementation of the law before now people were not meant to put Nigeria content clauses in their contracts there is no a single contract you want to do that you want to do thresholds in the industry that Nigeria content will not form part of the bid you need to employ Nigerian company use Nigeria labour, materials and the law has even gone ahead to specify percentages to be used although there are arguments on whether we should have gone to that extent all of these things are put in there to ahead to be able to ensure transparency and implementation process" ***RB1***

However, a CEO of an indigenous company concluded that transparency is the responsibility of the organisation**:**

"I may not be able to say that, but across the IOC they have different colouration to it, Chevron, for instance, is liberal they want the local contractors to boom, the likes of Total no they still bring in the foreign company to do the job even the jobs that locals can do. They have different strategies of looking at this policy despite that there is a policy on ground" ***LOC7***

5.3.3 Sceptical

Nevertheless, some of the research participants were sceptical when answering questions asked about transparency in the oil and gas industry:

"the extent I know adequacy but to think it is a good step in the right direction it is the Nigeria local content that will know the adequacy or not" ***LOC1***

"Maybe this question should have been directed to NB1, because if you ask me as the person in charge of policy and development, I might not see any leakages but I can tell you that we have a very robust process" ***RB5***

The question was then directed to NB1, who replied:

"It's only the local content policy people that are able to answer that question, to tell you their challenges" ***NB1***

> *"I have answered the question to the extent it concerns our work, but I will not answer how transparent their local content participation is because it's them that should have that fact. This question requires some empirical evidence, how many people were employed within this period in the key sectors, not as drivers in shell"* ***NB1***

However, some of the research participants stated that implementation of the policy has been transparent:

> *"In as much as I am not in the procurement section of those companies, but the little we have done, it's been transparent to a large extent, some of them there are still issues because Nigeria, there a lot of things we do behind the scenes, but there are some that we have been involved in, it was transparent"* ***LOC4***
>
> *"But there was one that we were also involved in that we noticed that there was something and we raised an alarm, and they quickly, they did not know how they will defend it, in fact, we brought in NAPIMS, and they quickly shut it down and awarded it to an MNC"* ***LOC4***

From the analysis in Table 5.5 below, it is evident that the research participants believe that there is still more to be done regarding transparency in the implementation of the LCP. Furthermore, a number of the research participants stated that transparency is relative, as the government might have a genuine intention; however, it is at the discretion of the oil and gas companies to be transparent in their activities in the industry. Some of the companies were also sceptical when it came to issues of transparency in the oil and gas industry.

Table 5.5. Level of transparency in LCP implementation

Participants	Quotations
IOC2	*"Like you said, there is always room for improvement, the fact that I am not aware of any visit by the NCDMB team may be an indication of that, maybe the upstream guys will have a different perspective, but from Mobil Oil Nigeria perspective, I will say there should be room for improvement"*
LOC1	*"the extent I know adequacy but to think it is a good step in the right direction it is the Nigeria local content that will know the adequacy or not"*
LOC4	*"Well, the level of transparency is relative. Why I said, that is that is a two-way thing because the operators will tell you something different and they will paint a picture that wow that we are doing this. Meanwhile, the Nigerian companies saying well we are not seeing it, so it's relative to whomever you are talking with"*
LOC5	*"Transparency is a relative word, the intention of government is very genuine, but you know that in Nigerian some people might change, but relatively I think the transparency is acceptable"*
NB1	*"I have answered the question to the extent it concerns our work, but I will not answer how transparent their local content participation is because it's them that should have that fact. This question requires some empirical evidence, how many people were employed within this period in the key sectors, not as drivers in shell"*
RB3	*"Yeah, like I said this is a journey not a destination, they are doing well, but they need to try and create more transparency so that people will understand the mode of operation that is one. Two, when you ask about monitoring and implementation, I have no idea, so that is another area they need also to make as public as possible so that people can see. Maybe they can have an annual audit of companies' compliance for the stakeholders to know"*
RB5	*"Maybe this question should have been directed to NB1, because if you ask me as the person in charge of policy and development, I might not see any leakages but I can tell you that we have a very robust process"*

Source: Author

5.4 Procedures for ensuring transparency

When asked about the process for ensuring transparency in the implementation of the LCP, the research participants expressed a number of views and opinions ranging from monitoring to compliance.

5.4.1 Monitoring

When asked about the regulatory body responsible for the implementation of the LCP, one of the IOC stated the wrong regulatory body:

> *"The body like NAPIMS know who the players in the industry are in the industry are actually they have all the indigenous players in Nigeria are registered with NAPIMS, they ensure that they are active participants in the oil and gas industry"* ***IOC1***

This suggests that a number of oil and gas companies are not aware which body is in charge of LCP enforcement. In addition, some of the research participants outlined the different procedures for monitoring in the industry:

> *"a lot of and you bring expatriate down tripping are going on you may have an engineering and you bring the expatriate to Nigeria end up in the industry there is no way that can be measured for those working in DPR offshore they can tell you that they are qualitatively tell you that we are monitoring expatriate influx and at least it's being reduced we have something we call oil safety passport OSP DPR issue to every offshore worker you don't go offshore until you have gotten that before you board the helicopter or given the offshore passport you will need to prove you have gotten the expatriate in the country with the knowledge of the relevant authorities in the oil and gas industry"* ***RB1***
>
> *"I believe every company experience is different, when I had to face the NCDMB in Bayelsa, it was clear what they shared with us was a method through which they ensure that companies that are certified because they basically approve and certify that these companies meet these requirements for you to actually go and deliver service in the sector and they had a way of checking for ongoing compliance……"* ***IOC3***

In addition, one the indigenous companies stated that the level of monitoring had to be improved:

"The strategies, what we are already doing, if they actually, is in monitoring, if the regulators monitor, what is already in place, it will yield, but the monitoring is not there" ***LOC4***

Similarly, some research participants argued that the monitoring process is flawed, as there are no visits from regulatory agencies:

"Sometimes you finish and they say okay send eh, your Nigerian content, they send a template you should fill, and you just fill numbers and sign and send to them, they keep and file it; that is it. However, nobody wants to check if actually want we have sent is right" ***LOC4***

"I do not think, nobody comes to talk to you, do they even know you are working. First they ask are you registered, they are hundreds of companies they are registered in their database. They say okay do another, and they keep creating, that not, go and do field verification, have they done that" ***LOC4***

"That is not the aim of the local content it defeats the aim of local content, act, that is where the monitoring team needs to play their role, there's nothing wrong with partnering with someone to do the job, what's the level of the person's participation to my level of participation, not that I am subletting the job entirely, if we are doing the job together, I am bringing in my own expertise also to do the job, what's my role, I will play a role, not subletting to him to do everything, if I leave everything to him, which means I don't have to join him to do it" ***RB2***

Furthermore, some of the research participants stated that the level of monitoring in the industry has been adequate:

"So, before you can sign capital projects or any projects whatsoever, any entity that wants to do any project under the Nigerian oil and gas industry. You must show your employment plan, training plan, succession plan, the E and T plan contains all these parameters, so the NCDMB has to approve your E and T plan before the contract is awarded project is approved, so that one way they can monitor the implementation, that is one tool I know that they can use to monitor the implementation" ***RB7***

"*Well NCDMB is really pushing it because most of the JV tenders, contracts that come out. They would request for the local content quota that is coming from your company for that* *particular project, so that is their own way of monitoring and enforcing and making sure that inspected"* ***LOC6***

They added that the regulatory body has been helpful in measuring the companies' performance:

> ***"****They measure performance by audit, when they come to audit you, they ask relevant questions that have to do with local content laws, if you are in compliance, with those laws they do it from time to time"* ***LOC5***

> ***"****What they do, again the best people to answer this question is NCDMB, I know what they now are they have what they call the NCDMB compliance certificate before you start any contract they give you some forms to fill, and these are the undertakings of what you will do. So if they want to audit your performance they will audit you based on what those pre-set parameters"* ***RB3***

However, most research participants argued and concluded that a monitoring database should be made available:

> *"It is very clear they have a system called NCJQS that is Nigeria Content Joint Qualification Service every contract that is awarded that wants to participate in Nigeria content is registered there and whatever contract that is issued and the local content performance is also registered there so it's it is easier that way to be able to measure performance qualitatively"* ***RB1***

> ***"****So accountability is assured, but we did not stop at that, we now change of Parton from NCCC to performance monitoring, where we have a very robust monitoring evaluation system that visits your facilities, request for reports on how you are implementing the commitments that you have made for the contract……..."* ***RB5***

> ***"****Well, I think they have a database of what they do, and gradually these figures are or will be released. For what I hear there is a good sign of improvement from where we are coming from the NCDMB"* ***RB6***

> ***"****Thereby saying that the government is encouraging local content and from time to time they audit, if you apply to NIPEX for registration they want to see the percentage for Nigerians in your organisation in terms of ownership, in your employment, how many Nigerians are in there, how many*

experts are in there. The experts what position do they hold; they want to know all those things" ***LOC5***

5.4.2 Measurement

When the research participants were asked about the process used to measure LCP implementation, some the participants stated that there was no structure in place through which to measure the policy:

> *"So, I mean, there is no structure in place to measure that, so if I put that I have 99% local staff how do you know"* **IOC5**

> *"I don't know how they get their figures, because whatever I say now, government will refute it because I don't have, I can only say what I know about, but they are the one who provides those figures and tell you how we are 80% this, we are 90% this how do they get this figures. They show you that in marine we are already have this and this, how did they get the information"* **LOC4**

However, the LC advisor from a regulatory body argued that the policy has had little impact on the ability to measure its performance:

> *"I believe the impact might not be that big for you to be able to measure it in a large scale instance"* **RB6**

An LC advisor from an IOC (***IOC2***) argued and concluded that oil and gas companies are making an effort to find ways of avoiding the monitoring process:

> *"There are some companies that are just owned by few Indians who came from wherever that don't have all that structure and things like that, and therefore if you put some of these smaller institutions under pressure and you are waving the law, and they have not complied; they will look for ways of circumventing it. So, I will say that the bigger well defined MNC are doing a better job at complying than maybe some the smaller companies, so I would not say that implementation has been perfect than some of the smaller institutions because I think they sometimes they find shortcuts to respond"*

5.4.3 Disclosure

As regards transparency and accountability, the disclosure of information is an important aspect of oil and gas companies' activities. When the research participants were asked about the process of ensuring transparency in their various organisations, they stated the following:

> *"First and foremost by being open and we welcome NOTAB, we are an open book when they come to inspect we provide all the information they require like us going to appear before the board in Yenegoa, it was basically to show that we are not hiding anything and this is our operation runs"* ***IOC2***
>
> ***"****My experience as a downstream player the periodic reviews we have with the board is one sure way, because in doing that we provide a whole deck of information to the board which they go through and during those sessions we take questions from them……".* ***IOC3***
>
> ***"****Well there are certain declaration that must be made, but I cannot be working in a company like Oando and have a business that is vendor to Oando without me declaring that affiliation, because I might be putting myself at an undue advantage over other people who are not sort of affiliated with the company on the inside and I might have insider information that those people don't have……"* ***LOC6***

Research participants associated with regulatory bodies in the industry argued that the flow of information in the industry is restricted:

> *"The management of the industry regarding publications is opaque, and there is a lot of corruption going on in the industry that even our intervention has helped to draw national and international attention to it but it has not solved the problem"* ***NB1***
>
> ***"****The Nigerian oil and gas industry is opaque, and that is the challenge we all face there is little openness, and the award of licenses is still done by discretion"* ***NB1***
>
> *"Now in terms of the transparency, there are people who, it is still a caucus where you could easily just, with a, with just a phone call you can get the thing you want. Where there are organisations, by nature of how they operate they have integrity, they want to go through the right process. So by the end of the day, you still have people who are still close, but in fairness to NCDMB, they are quite open when you want to assess them, they are quite open……"* ***IOC6***

However, an auditor from an NGO asserted that the lack of openness is the result of Nigeria being a rentier state:

"I do agree with you, that's the status quo, but the way it should be that's why NEITI was set up, we are currently in a rentier state where the citizens don't ask questions, because they don't pay any utility, they don't pay heavily for the loose of this revenue, assuming it's in the developed country where every kobo you earn you pay tax and because you pay tax you feel the impact that's the status quo, but where we want to be is a situation where the revenue streams that flows into the government coffers from the oil and gas is open and transparent" ***NB1***

Arguably, revenue from the oil and gas industry has been mismanaged due to the lack of information disclosure in the industry:

"Then secondly not many Nigerians can tell you how much exactly the quantity of crude we produce in a day it is still shredded in debate and mystery. Only the international oil companies that have the expertise to go deep sea and explore the oil have that information, and as business people we do not think it is fair for only them to have that information and for that kind of information not available, Nigeria is losing a lot of revenue……." ***NB1***

5.4.4 Embedded in company contract and policy

The research participants also discussed the ways in which transparency could be ensured in LCP implementation during their day-to-day activities within the oil and gas industry. The majority of the research participants asserted that LC is included in their companies' policy and contracts for projects in the oil and gas industry:

"What I know is that we have our legal departments that actually sees to it that most of our contracts are prepared and worded in accordance with what the federal government expects and requires of us in driving the local content policy" ***IOC1***

"For instance, in our own case, in our own contracts that we sign whether, with suppliers, there are some part of the local content law that are borrowed so there is an expectation that if you want to work for us that the company has complied the local content policy, it is embedded in our contract that is one of the ways we ensure accountability" ***IOC2***

> *"well for us, first of all, my organisation is based in different countries and prior to the Nigerian content act; we always aim at almost 100% nationalisation in the various places we work……..." **IOC6***

> ***"**We are overruled and over controlled we have something that we called the OMS Operations Integrity Management System which spells out how we should do things, how we should respect the rules and laws of the Federation. As a matter of fact, by the time we begin to fall short of the law, you can take it from me, our fear is not with Nigerian content board or the Nigerian government coming to catch us, our fear is that Exxon Mobil will frown at us and that is withdraw our license to continue to operate" **IOC4***

> *"I know Oando as a company is very strong in pushing that transparency, it's part of our core values, it's is embedded in some of our core values" **LOC6***

> ***"**It's part of our contracting and procurement process its embedded in it, we've done a lot of awareness internally, externally, we have updated our contracting and procurement template and document to incorporate those requirement's, we have appointed focal points within the company to help drive Nigeria content in the various parts of the business, production, major wells and all that" **IOC5***

However, an LC advisor from one of the IOCs argued that there is a local content division in their organisation and an internal monitoring team that visited various project sites owned by the company:

> *"We have a solid structure; we have an NCD organisation, well-resourced. Like I said we have focal points, we report to our management frequently; there is a decision review board that looks at what we do every quarter that has people at the highest level involved. We have an internal monitoring team, not just the one for the board, we have our monitoring team, we also pick sample of projects we visit on our own…" **IOC5***

5.4.5 Compliance

Some of the research participants spoke stated that strict compliance with the Nigerian LCP was a means of ensuring transparency in the implementation of the policy:

> *"It has also focused companies whether local or multinational companies on the need to because in complying with the law they have to take deliberate steps to make sure they are in compliance. It may be it in some cases where goods are manufactured they need to make deliberate efforts to ensure that a certain amount of their inputs are sourced locally, the people involved in the manufacturing cannot be entirely expatriates anymore"* ***IOC2***

The majority of the research participants stated that an internal audit is carried out based on the terms and condition of a prevailing contract;

> *"For us whatever we have done in the contracting phase we continue through the process even in the implementation, we don't do anything like, just do this so you will win the contract, if you said, for instance, you are not going to use expatriates in the job. We monitor to ensure you don't do it, so you don't do anything that I would say is just for expediency, so that we can say that we have complied with the law. We tend to follow through simply because our system will audit us based on the terms and agreement we have made in the contract, so if we say no expatriate, so if we say something and when the auditors come and say your contract stipulate there shouldn't be any expatriate but we are seeing one or two expatriate, so I would say through our auditing process we ensure transparency"* ***IOC2***

> **"***Yes, that again takes us back to compliance, because the act is very clear on what the expectations are, so as a company it's our responsibility because its law for us to find a way to achieve those, and it takes us back to want I said at the beginning, that one of the things that the act has encouraged or has enabled is for local companies in Nigeria to source the expertise they need to operate in those areas that they never use to operate and"* ***IOC3***

Even though, one of the indigenous company asserted that the icompanies' way of complying with the Nigerian LCP is by ensuring they employ more Nigerians in their workforce:

> *"Because we know these laws as they affect us, we take appropriate action to make sure that we comply with the laws. That is why if you look at our organisation, more than 98% of the employees are Nigerian, there is no expatriate director, there is no expatriate manager in this organisation, it all Nigeria, we have just one or two supervisors that are experts, the rest are all Nigerians"* ***LOC5***

In summary, there are different procedures for ensuring transparency in the implementation of the LCP. Some oil and gas companies ensure transparency by creating an internal monitoring division within their organisation. While other companies ensure transparency by including LC in their policies and contracts executed in the oil and gas industry. However, a number of the research participants believe that the LCP lacks structure; therefore, neither the implementation nor the level of transparency can be adequately evaluated. In the same way, the research participants believed that transparency is limited, as in the oil and gas industry disclosure of information is restricted because most companies do not each other. Finally, the participants concluded that monitoring in the industry was inadequate and that the agencies responsible for the monitoring and enforcement process lack necessary qualifications to carry out their duties.

5.5 Agencies responsible for the implementation of the Nigerian local content policy

Monitoring has been established as the process required to ensure transparency in the implementation of the LCP. Therefore, it is important to also consider the agencies responsible for the implementation of the LCP. When questioned, the research participants felt that the organisation in charge of the implementation of the LCP functioned as follows:

> *"When it comes to infrastructures and finance, I would not say, yea the local content law and act is there, and there are some bodies that have been created by the federal government, NCDMB stationed in Bayelsa, it was created, to create an enabling environment for this law to thrive because you cannot create a law without keeping somebody to monitor it. If there is nobody monitoring it, people might"* **RB2**

> *"DPR practically plays no role, because the policy is so specific that is why the special agency of the Nigeria content development and monitoring board was created to oversee and manage to ensure that the policy is implemented on a day-to-day basis"* **RB1**

> *"I think from that standpoint, because what has underlined a lot of those transactions is the NCDMB, therefore from that*

> *standpoint, you can say there has definitely been a lot of value adding in terms of actually developing people"* ***IOC3***
>
> *"The implementation is driven by the Nigeria content board I think it is for them to answer"* ***IOC5***

The above quotes suggest that two research participants acknowledged the Nigerian Content Development Monitoring Board (NCDMB) as the organisation responsible for LCP implementation. However, a number of the research participants spoke of other agencies' involved in LCP implementation:

> *"We have DPR, DPR does so, and indirectly NAIPMS does so too, I mean am talking about the oil industry, DPR does so, before they give you licence to operate; you have to provide all this information, and from time to time they come for audit"* ***LOC5***
>
> *"In the oil and gas industry one of the regulatory bodies is DPR, but the DPR are almost like a department under NNPC"* ***NB1***
>
> *"NAPIMS enforces the policy, for instance, we were trying to supply Ago to Addax but we were told that we have to go through NAIPMS, so we have to do all the registration, all the requirements as an arm of NNPC. We were not given any special treatment, we were told to go and bid like any other company, we must have all the requirements required. That was how we went and bided through NAIPEX"* ***RB6***
>
> *"Well, the NAPIMS and NIPEX are arms of NNPC that are charge to do that, and even the local content board is mostly manned by NNPC staffs, we have NNPC staffs that are there. So NNPC is actively involved in ensuring that the law is implemented"* ***RB6***

In addition to what has been stated above, one of the research participants concluded that there are too many regulatory bodies involved in the implementation of the LCP:

> *"NIPEX is eh, they all work hand in hand, but if you ask me, I think we have too many regulatory bodies now that their functions are starting to question who and who does what. However, the local content driver, the regulatory body that is the driver is the NCDMB"* ***LOC6***

5.5.1 Lack of coordination

A number of the research participants stated that the agencies responsible for the implementation of the LCP lack coordination when carrying out their responsibilities:

> *"those entities need to get their act together, I don't think they are coordinated in monitoring that, NCDMB is doing one thing, the other is doing the other, as far as am concern, I don't see any coordination"* ***LOC6***
>
> *"will tell us we the JV take for example our JV that is Chevron and NAPIMS are tendering for a job, and Nigeria content is coming to tell us to look we have this bidder you have to include him, it's not their business, it is not proper, I have heard about it, we have had a lot of encounter with them where they tell look this job this is how it should be contracted, and we say this is none of your business, yours is to ensure that we comply fully with the requirement of the local content policy………"* ***RB4***

Likewise, the lack of coordination was compared to the existence of too many regulatory agencies performing the same functions:

> *"Honestly speaking we all report to the same minister but we don't have any forum or system or platform to sit down and monitor these things, but what we do we make sure that if a tender is concluded and contract is awarded, before you can get any contract to that stage, it means that the company must have fulfilled the local content requirement……"* ***RB3***

> *"for two reasons why you cannot actually say you can measure qualitatively for now it is not only NCDMB that controls the expatriates, the ministry of internal affairs is there most of these things go through NCDMB if they don't approve and the ministry issues the expatriate quota there's nothing anyone can do about it quota"* **RB1**

5.5.2 Manpower

In addition to the absence of coordination, some of the research participants asserted that the regulatory bodies responsible for the implementation lack adequate manpower to monitor activities in the industry. They indicated that:

> *"They have no staff, more staff, the laws are there, but they do not have enough people to implement them, its human*

beings that does them, regulations means what's the level of compliance, but if the people are not there how will you get the job done if they don t have staff, they are short staffed". ***RB2***

"The siting of the HQ is not something I would want to comment on, let's leave it the way it is, but you have made a point, the challenge with the Nigerian content, I don't work with them but I have a fair idea is they don't have sufficient staff strength to go around the industry, even the few they have they don't have the prerequisite skill that are required because most of the people that constitute the bulk of the staff today came from NNPC" ***RB4***

"One of the problems, you have again, is not like they cannot go offshore, is the first, let me tell you, one of the problems we have is the location of the Headquarters, and also the network of the organisation. Because you cannot tell me that they are not, before NCDMB, don't DPR people go offshore? DPR people go offshore, what is wrong with NCDMB people working with those people who go offshore in identifying some of these things? If you say you do not have the manpower, then employ" ***IOC6***

Moreover, one of the research participants added that the regulatory bodies lack the necessary qualifications to carry out their responsibilities:

"There are people that are kept, in the helm of affairs, to audit and manage certain technical areas, there are not competent on, the experience I had when I was asked to teach some big shots in DPR. They do go to rigs to inspect rigs, but they do not have a nice checklist of inspecting rigs because they don't have the capacity, the technical know-how, their background has nothing to do with that field and this are the people that are kept to audit this jobs……" ***LOC5***

In summary, the research participants stated that there were too many regulatory bodies and as a result, they lacked coordination in enforcing the LCP. The research participants also spoke about the regulatory bodies' lack of manpower to monitor the implementation of the policy and that employees lack the necessary qualification to implement the law.

5.6 Lessons learnt from countries with effective local content policy

While explaining how effective LCP implementation has been in the Nigerian oil and industry; it is important to explore and understand best LCP practices from other countries. When asked, which countries they consider to have effectively implemented the LCP, the participants stated:

> *"Not really but I know of course in the UK you have so many players both local companies and international companies as much as I know of course it is a level playing field out there if you are able to meet the requirement to establish oil and gas company. Fine, but in Nigeria, it's not so easy as it is in other areas because there are some hurdles some barriers that need to dismantle"* ***IOC1***

> *"if you go to Saudi Arabia or if you go to Venezuela, their rules are strict, okay don't do this not do that, but you won't be able to compare us with them in terms being able to move that forward, like ExxonMobil was in some of those places and ExxonMobil say look if that is what you want to do, please provide this for us and let's see and these countries went ahead and did that, so I don't know which one, whether it's the tail that is wagging the head or the other way round"* ***RB4***

> *"you can't compare to the ones that have been there like Norway, but I believe the way we are going if we maintain high standard we should be achieve 90 or there about in the next couple of years"* ***LOC4***

> ***"****I think Malaysia and Angola"* ***RB3***

> *"Norway has done quite well, Brazil has done better than us, although they are not as good as Norway, in the UK they have done well particularly in the North Sea, Malaysia has done well relatively though their approach was different"* ***IOC5***

> *"The Dubai, Anglo policy if we have more of that, we will benefit more and learn more of their technology some companies are incorporated here if you check their board member there will be no Nigeria. There should be a stipulated number of Nigerians that should be on board……"* ***LOC7***

However, some of the research participants had no idea which countries had an effective LCP:

> *"I really don't have an idea"* ***RB6***

> *"I have not come across other countries; I have only studied that of Nigeria"* ***LOC2***
>
> *" I am not really aware. Honestly I have worked in Cameroon, Ethiopia, Belgium, US and UK, I can't remember any one that had any specific laws for local content, they may have been, maybe the job I went to do in those countries particularly in Cameroon and Ethiopia, did not afford me to be aware of such laws so it would one I would not be competent to talk about per se"* ***IOC2***

Furthermore, when asked about lessons learnt from countries with effective local content policy, the research participants discussed a range of issues.

5.6.1 Community involvement

Malaysia, according to one of the participants, is a success story when it comes to community involvement:

> *"In terms of community involvement, Malaysia has a very beautiful success story in terms of how they have been able to integrate their community into the oil and gas value chain, so you hardly hear of community unrest because of the way they are structured, so if somebody tells you that you are a stakeholder, you must have a stake in any field development activity, then you are an owner you have already been bought into it, so you make sure that, that thing from the beginning to the end"* ***RB5***

In addition, Norway was suggested to have successfully implemented the LCP in terms of the relationship with their oil and gas producing communities:

> *"As far as the oil and gas industry is concerned, Norway is a model for most resource-rich countries, Norway is a model in terms of legal framework, Norway is a model in terms of relationship with the communities, in terms of management of revenue fund"* ***NB1***

5.6.2 Local capacity development

In regard to capacity building, a number of the research participants referred to Norway's experience and the various methods of capacity building employed by the country:

*" I will say that had, Norway used to cos local content is not a policy that should run in perpetuity the essence is that you want to develop your people and bring them at par with international standards then you can compete for that position then throw your door open after that like Norway did cos they didn't know anything about oil and gas in 1969……" **RB1***

"**Countries, I don't think I have had the time to study, but Norway has done well. I remember some of my colleagues then when I was working in the UK, one it is very difficult to work I Norway because they want to utilise their local capacity and they are well paid" **LOC4

"**even if oil rises to like $120, Norway does not touch, the whole of that money is poured into investment and Norway has invested massively around the world and Norway has also been developing indigenous capacity" **NB1

In addition, when referring to local capacity development, Angola was also included in the category:

*"Angola have does laws, the only thing that is rigid there, is this bringing foreign experts, but it does one advantage to them, it encourages the IOCs their train the locals to be able to survive, so they send the locals to give them the best of training, they come back, and they work for them. The salaries are cheaper there is no cost for logistics etc. They don't need to accommodate them in a very big house and all those things. The advantage is there for very one to see" **LOC5***

5.6.3 Professionalism

The research participants referred to the attitude towards LCP implementation and discussed how Nigeria could learn from other countries that have an effective LCP:

*"The professionalism that the job is done, we can borrow from them the professionalism in how they do their job, we can also borrow from them the transparency, we can also borrow from them the independence that those other organisations have, I'm not sure the Nigeria content board is very independent, in the sense that, thank God that it has evolved, before now, it was embedded in NNPC before now which was wrong, because you cannot be a referee and a player at the same time……." **RB4***

One of the research participants mentioned Malaysia and the level of professionalism in the Malaysian oil and gas industry:

> *"We have discussed with somebody, and he gave me an example of either the PETRONAS in Malaysia or the PETROBRAS I can't remember, and their own what they do is yes they still give consideration to the lowest bidder……."* ***RB4***
>
> ***"****We need to learn patriotism, they are patriotic, in Malaysia, I think their laws are more focused on economic development than politics for instance if any entity Malaysia is involved in mismanagement the first thing they are thinking of is not how to be punitive but how to convert it to economic development……."* ***RB7***
>
> *"Yes there are quite a lot of them, Malaysia for instance have an effective local content policy in that anything you are bringing into Malaysia they have a proper database to check whether that thing is not, no matter how small the equipment is, as long as it is going to be used in the oil and gas industry to check if it's not manufactured locally……."* ***RB7***

5.6.4 Domiciliation

The use of local manpower and local resources in the activities of the oil and gas industry was one of the lessons the Nigerian oil and gas industry can learn from countries with effective LCP, as stated by the research participants:

> *"so that is it, we have indigenous companies who are in construction, who are doing both onshore, swamp and offshore, they have the capacity, so let all of them, because most of the engineering is done overseas, in fact that is where the problem starts, the FEED and whatever is done overseas……"* ***LOC4***
>
> ***"****In Saudi Arabia when they bring you as a drilling, your name bears a driller, and if they have a driller, you are not going to bring a driller to Saudi Arabia. If they know that they have local people that can do that, they don't bring them in"* ***LOC5***

The research participants also discussed domiciliation activities in other oil producing countries:

> *"In Saudi Arabia the company I worked with is called ADC was 51% Saudi owned in order to fulfil all righteousness, Schlumberger owned 49% for that reason they were not*

answering Schlumberger in Saudi Arabia, they were answering ADC because of the local content

law and it is the same in this country, it is the same in Russia" ***LOC5***

"*Trinidad and Tobago is a case study of where, we know what most people say is that if you produce in Nigeria cost is high and all that, so what they did is that they now had an arrangement with BP as part of their local content drive. They insisted that certain platforms must be fabricated in T&T and these guys came back to them and said that the price is too much, and they now said okay what should we do to address this premium price"* ***RB5***

In addition, the interviewees talked about the Angolanisation policy in Angola:

"*Angola is doing their local content thing, indigenisation; Angolanisation, which is very aggressive, but the way they are pursuing it, it will not help them in the long term from what am seeing"* ***LOC4***

"*Yea they want to make sure that they domicile the industry, so when you spend the money there, the economy will be robust, people can do business. However, then the fear is that, if you are not a developed country, developed country will not want to. As a developing country you need people to invest, and if they cannot get their returns back they cannot come and do business"* ***LOC4***

Compared to the LCP in Nigeria, the LCP rules in Angola are strict:

"*In Angola, I think their law are even a bit stringent, they are stricter in Angola, but in Nigeria, it is still open to discussion. For me because things are open for discussion in Nigeria, it means we are not even follow the law the way we see it, and it gives room for misinterpretation, so they need some amendments to the act"* ***IOC6***

"*Angola is too rigid; it is easier pregnant Camel to run in through the eye of a needle than for you to go to Angola and get a contract if you are not an Angolan company. Also, their visa process for an expatriate is very hard to get, even though you get it, for three years you will not be able to renew it. However, it has its advantages and disadvantages. However, investors are going there, what they are looking at is to be able to repatriate their profits………"* ***LOC5***

> *"I think one of the things we can learn from Angola is aggressive attempt to Nigerianise whatever portion of whatever aspect can be Nigerianised"* ***RB3***

Norway was also acknowledged as being a country with aggressive domiciliation practices:

> *"In fact, they are more paid than the guys that work in the UK and you see them they have that confidence, there is a way you build the confidence of your workforce, wherever they go they just feel happy working for their country. However, here because of the way, if not for now before, if your overseas and your and you are working in Nigeria, even with the business we bring, everybody see you as if you are up to what he or she expect"* ***LOC4***

The research participants also spoke about the different way in which oil and gas countries used their LCP to stimulate investment:

> *"I know Trinidad and Tobago are not doing badly because we have heard success stories of how they have used local content to stimulate investment and they have demonstrated that if you are consistent in local content policy, you can actually achieve competitiveness"* ***RB5***
>
> *"Of course as far back as 1978, Norway have put up its own sovereign wealth fund, and since that time all earnings from oil had gone to investment funds, the proceeds from the investment is what Norway use to fund its annual budget, it is doesn't touch its capital over these years. So now that you have the crisis in oil price you do not see a country like Norway complaining, imagine what savings would have been since 1978 till today"* ***NB1***

In summary, it is evident that the Nigerian oil and gas industry can learn from other oil and gas producing countries by implementing a policy that fosters community engagement. A policy is required that encourages professionalism and improves capacity development by creating more employment and training of its citizens, thereby leading to domiciliation of oil and gas revenues in the country.

5.7 Chapter Conclusion

The chapter began by investigating the views/perceptions of the Nigerian LCP held by stakeholders in the Nigerian oil and gas industry. The study discovered that research participants viewed the LCP as a tool that encourages the participation of Nigerians in the oil and gas industry. Similarly, the LCP was seen as a tool for technology transfer from IOCs to indigenous companies. In the same way, the LCP was perceived as the utilisation of local resources and personnel in industry operations. These views of the LCP held by stakeholders in the industry have influenced the ways in which they implement it in their activities which has an effect on the Nigerian oil and gas industry. One of the consequences of the LCP is the advantage it gives to indigenous companies in the award of oil and gas contracts. Furthermore, the research participants stated that the LCP brought about the training and employment of more Nigerians in the industry. As a consequence, this has resulted in the domestication of oil and gas operations in Nigeria, which in turn has reduced capital flight out of the country and led to the LCP being regarded as a value retention tool.

Equally, the findings showed the research participants' views on the resources available for LCP implementation in the industry. They asserted that training was the key resource required by indigenous companies in the industry. However, most of the training is undertaken by oil and gas companies. In the same way, the NCDF, which was created to help indigenous companies participate in the industry, has not been properly managed as indigenous companies are yet to benefit.

Furthermore, results from the research revealed the barriers to the successful implementation of the LCP. Research participants commented on the country's inadequate infrastructure and the need to supply electricity for major operations such as manufacturing and fabrication. Likewise, the lack of capital was identified as a barrier to indigenous companies partaking in the industry. Banks and insurance companies believe that indigenous companies lack the necessary collateral to obtain loans. Therefore, indigenous companies struggle to obtain the required funds to operate in the industry. In the same way, research participants believed that a lack of capacity had been a hindrance to LCP implementation as most of the jobs are reserved for the IOCs. IOCs are of the opinion that indigenous companies lack the knowledge to operate in a technology-intensive industry such as the oil and gas industry. To partake in the industry, indigenous companies form corrupt joint venture partnership with IOCs, where they bid for contracts and outsource it to IOCs for marginal profits. Furthermore, the findings also indicate that the LCP was being enforced by the NCDMB irrespective of the resources available in the industry, which means that the infrastructure and capacity available in Nigeria does not support effective LCP implementation.

In fact, these barriers have affected the level of transparency in the implementation of the LCP in the Nigerian oil and gas industry. The research revealed that more must be done to improve the level of transparency in the Nigerian oil and gas industry. Notwithstanding, some of the research participants believed that transparency is relative, as the governments' intention for the LCP is genuine. However, discretion lies with indigenous companies and IOCs to be transparent in their LCP implementation activities. For instance, oil and gas companies have created local content division within their organisation. Some have included the LCP in their companies' policies and contracts. Nevertheless, there are limited LCP monitoring procedures. The NCDMB lacks the capability and qualified personnel to enforce LCP compliance in the industry. In the same way, research participants indicated that there was no regulatory framework to enforce LCP implementation in the Nigerian oil and gas industry. They complained that there were too many regulatory bodies enforcing the LCP, which has led to a lack of coordination between the agencies involved in LCP implementation and enforcement.

This section has summarised the main findings of the research. It has shown the fundamental issues and barriers to LCP implementation. The next chapter discusses key findings in relation to the relevant literature on the LCP.

Chapter 6

Discussion and LCP Model

6.1 Introduction

The objective of this chapter is to critically discuss the research findings in relation to the key themes identified in Chapter 5 with two frameworks formulated for effective LCP implementation.

6.2 Perception of the LCP by stakeholders in the oil and gas industry

The Nigerian LCP is a deliberate policy established by the Nigerian government to increase the participation of Nigerians and indigenous companies in the oil and gas industry, with the aim of regaining control of the sector that has been predominately controlled by IOCs. The policy compelled oil and gas companies to implement the LCP in their activities in the industry. Therefore, this study investigated the various perceptions of the LCP held by stakeholders in the industry.

As previously mentioned, Table 5.1 outlines the stakeholders' perceptions of the LCP, while Figure 6.1 below presents a new LCP perception model; this being one of the key contributions to knowledge arising from this study. The LCP perception model was developed by incorporating the research findings into the adequate metric parameter of the accountability framework in Figure 3.2. This model illustrates the interrelationship between the various stakeholders' perceptions of the LCP. For instance, the LCP as a tool for value retention instigates the active employment and participation of the local workforce. This is in line with the findings of Lahiri and Ono (2003), and Ihua et al. (2009) who stated that the LCP ensures that value is added to the industry through the utilisation of indigenous companies and local resources. Likewise, active participation often results in knowledge and technology transfer from the IOCs to indigenous companies, which gives rise to the utilisation of local resources as more indigenous companies have the skills to partake in the industry.

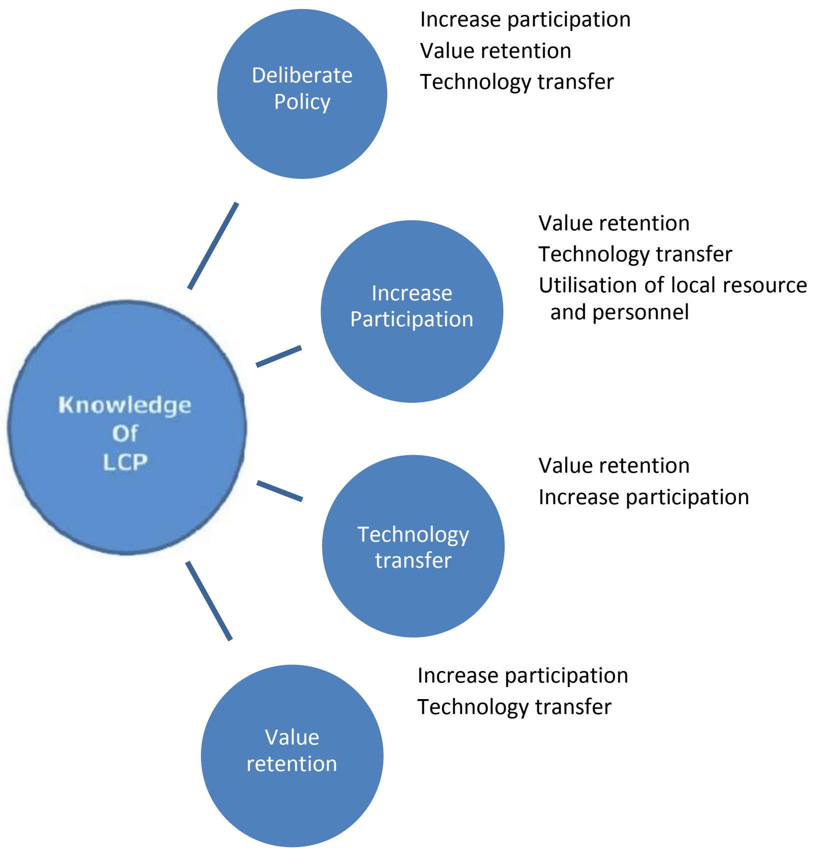

Figure 6.1 The LCP stakeholders' perception model (Author generated)

Hence, the value generated from oil and gas activities is retained in Nigeria. In addition, the LCP is perceived as a tool for knowledge and technology transfer through the active participation of Nigerians in the industry. As a result, the Nigerian government deliberately established the LCP as a medium allowing Nigerians to have greater control of their domestic oil and gas industry and creating employment opportunities and wider societal benefits in the process. However, some of the research participants (see for example: **IOC6** and **LOC6**) in section 5.2.2.2 concluded that this view has changed the way IOCs operate in the industry since the inception of the Nigerian LCP.

6.3. Capabilities of indigenous companies – Positive View

The NOGICD 2010 ACT, in Section 10 (1) a, b, 3(1), (2), stated that the sole aim of the LCP is to promote Nigerian involvement in the oil and gas industry (NCDMB 2016). Hence, exclusive consideration must be given to indigenous companies that have the capacity to execute jobs. This is consistent with

Echendu (2015) who found that, since the implementation of the LCP, the NCDMB had created more than 5000 employment opportunities and is responsible for over 85% of engineering man-hours in the oil and gas industry.

There is evidence to suggest that significant levels of activity have been domiciled in Nigeria due to the LCP. For example, **IOC1** in Section 5.2.2.2 stated that as a result of the LCP, the majority of the rigs in land and swamp locations have been assigned to indigenous companies. This has resulted in more indigenous companies emerging in the industry. Hence, there is a consensus among the research participants that the LCP has presented Nigerians with more employment opportunities. According to **IOC4**, Nigerians are now employed in managerial positions. This is consistent with Kalyuzhnova (2012), which stated that LCP transfers managerial skills from an external source (IOC) to indigenes and the wider community. In addition, **IOC4** further stated that his organisation is now structured with 60% IOCs and 40% Nigerians as a result of the policy. Likewise, **LOC2** and **RB6** claimed that the LCP has affected the employment rate in Nigeria and that more Nigerians are now employed. This is supported by Ovadia (2014) who determined that the use of local resources (i.e. personnel and materials) has increased from approximately 5% to 40%, with an average annual investment of $15 billion. Hence, local content retains approximately $5billion in the Nigerian economy annually. According to the findings, the LCP mandate stipulates that all Front-end Engineering and Detailed Design (FEED) work must be carried out in Nigeria and this has further boosted employment opportunities.

In addition, more equipment used in the industry has been transferred from IOCs to indigenous companies as a result of the LCP, according to **IOC1** in Section 5.2.2.5. Therefore, indigenous companies are now more involved in the industry's operations. This is consistent with the NCDMB (2016) policy stipulation that ownership of moveable assets, including rigs and marine vessels, should be staffed by employees of indigenous companies. Hence, new opportunities have been created allowing more Nigerians to work in the oil and gas industry. In addition, some of the regulatory bodies and IOCs in Section 5.2.3.1 argued that the LCP has helped develop the capabilities of Nigerians through training. As a result, IOCs have trained Nigerians in the industry and, on a few occasions, have employed Nigerians and encouraged them to shadow key experts. This is consistent with Udoh et al. (2015) who found that the NCDMB and PETROFAC have collaborated with the Oil and Gas Training Association of Nigeria (OGTAN) in order to improve training and development, create attachment and opportunities for the employment for Nigerians, create training programmes and identify institutions to be upgraded to training centres. According to **RB5**, one of the objectives of training Nigerians in the industry is to empower them to start up their own businesses. This aligns with the claims of **LOC5** that they have established training centres in Nigeria, where the government have sent Nigerians to be trained with the view of empowering them to start their own businesses.

6.3.1 Capabilities of indigenous companies –Hindrances

In Section 5.2.2.6, a number of the research participants, **IOC2, RB4,** and **LOC5** argued that despite the indigenous companies' lack of capabilities to participate in the oil and gas industry, the NCDMB still enforces the implementation of the LCP. According to Abdulkabir et al. (2015), and Ado (2016), the NCDMB places more emphasis on the enforcement of the LCP rather than the development of local content. For instance, rather than focusing on long-term training and development of Nigerians, they are concentrating on the revenue generated in the industry.

In addition, research participants **LOC5, LOC7, and NB1** emphasised that the oil and gas industry is knowledge intensive and technology-driven in nature, with the involvement of indigenous companies having been constrained due to the lack of knowledge and/or access to necessary technologies. Further, **LOC4** stated that indigenous companies lack the financial capacity to enter the industry. This finding corroborates with the point made by Heum et al. (2003) that indigenous companies are no match for the IOCs who are much better equipped, both financially and technologically. Also, Heum et al. (2010) added that indigenous companies operating within the oil and gas industry cannot compete with the manpower competence residing with the IOCs.

Furthermore, **IOC3** in Section 5.2.4.1 highlighted that the standard of educational institutions in Nigeria is a further barrier to LCP implementation. He argued that the level of education being provided, particularly in technical and engineering fields and in other areas such as quality assurance and project management, is inadequate. This is consistent with the findings outlined by Bakare (2011) and Vaaland et al. (2012).

In addition, the quality of materials and services offered by indigenous companies is another challenge. According to **IOC4** in Section 5.2.6, the products manufactured by indigenous companies are sub-standard and not fit for purpose. Hence, the industry depends heavily on imported products, as the goods manufactured in Nigeria do not meet international standard specifications. According to Vaaland et al. (2012), the compliance of indigenous companies to international quality standards is limited, which can result in the poor maintenance of oil facilities. This aligns with Ihua et al. (2011) and Eruhn's (2015) research findings that the lack of training facilities in Nigeria remains challenging. However, this issue has also been associated with the lack of funding from the Nigerian government, which has compromised both research initiatives and technical education. Arguably, this undermines the country's and the Nigerian oil and gas industry's capacity building as it is difficult for the nation to produce indigenous technicians and engineers to fulfil LCP implementation.

Similarly, poor infrastructure has been identified (see for example: **IOC1 and RB3** in Section 5.2.4.1) as a barrier to LCP implementation. For instance, inadequate power supply has adversely affected the manufacturing and fabrication division within the oil and gas industry. This is consistent with Erhun's (2015) statement that the country lacks a stable electricity supply, which has negatively impacted fabrication and manufacturing in the industry. Also, **IOC3, LOC7,** and **RB3** associated poor infrastructure with the inadequate road networks.

In addition, the oil and gas industry is known to be capital intensive and requires significant investment in its operations and activities. Hence, the findings from this study revealed that the indigenous oil and gas companies face the issue of raising capital for developing and implementing projects. This could be attributed to the high collateral requested by Nigerian banks and the inability of indigenous companies to provide such collateral. This is consistent with Bakare (2011) and Balouga (2012) who found that indigenous oil and gas companies are denied funds by Nigerian banks for the aforementioned reasons. Ihua et al. (2011) and Anyadike (2014) added that limited access to foreign currency and/or the high cost of borrowing in the local economy is a further barrier to the implementation of the LCP.

Besides the indigenous companies' lack of capabilities, finance and the poor infrastructure, evidence further revealed that favouritism and nepotism in the award of projects also hinder the successful participation of indigenous companies in the industry. For instance, **IOC6** in Section 5.2.6 argued that consideration and incentives are only available to those companies that have close relationships with the Nigerian government. This is consistent with Abdulkabir (2014), Martini (2014) and Nwapi (2015) research findings that LCP implementation has been significantly influenced by the personal interests of well-connected indigenous companies and public officials. This has encouraged favouritism and nepotism in the industry. It can be concluded that first consideration in the award of contracts is given to indigenous companies with political influence. This is consistent with Ado's (2016) argument that the first consideration rule has been discriminatory towards some indigenous companies, because certain companies are awarded contracts as a result of political patronage. This is contrary to the findings of Ramdoo (2016) that first consideration must be given to indigenous companies, regardless of the nationality of management or investment. It also differs from the findings of Tordo et al. (2013), which states that incentives are provided for local contractors to foster the development of the local supply chain.

6.4 IOCs' motivation to partner with Indigenous companies

The Nigerian LCP is an effort by the Nigerian government to give Nigerian citizens more presence in the Nigerian oil and gas industry (Okafor and Aniche 2014; Erhun 2015). It stipulates that IOCs working in Nigeria must award contracts to indigenous oil and gas companies and these contracts must be carried out in Nigeria with a high percentage of local workforce, or in partnership with an indigenous company. Throughout this study, research participants such as **IOC1, LOC7,** and **NB1** have commented on the partnerships between IOCs and indigenous companies as mandated by the NOGICD 2010 ACT. Notwithstanding, it came to light that there are various reasons why IOCs and indigenous companies enter into partnership in the Nigerian oil and gas industry. For instance, **LOC3** and **RB3** revealed that indigenous companies have partnered with IOCs with aim of gaining knowledge. These partnerships include: on the job training (OJT), understudying and project-driven training opportunities. This is in line with Heum et al. (2003) who found that indigenous companies collaborate with IOCs as they lack the technical capabilities to participate in the industry, especially in technologically intensive areas. According to Otombosoba and Dosunmu (2016), the partnerships between IOCs and indigenous companies will promote capacity building and technology transfer.

In addition**, IOC2, IOC5** and **LOC4,** in Section 5.2.7.3, revealed that IOCs have established internship programmes for the training of Nigerians. This is in line with Erhun's (2015) research findings that state that operators are compelled by the NCDMB to make an effort, within a reasonable amount of time, to train Nigerians within the industry. Some of these internships include partnership with Nigerian universities and training institutions. For instance, some IOCs collaborate with the Petroleum Technology Association of Nigeria (PETAN), the Petroleum Training Institute (PTI) and the Petroleum Technology Development Fund (PTDF) to train Nigerians. Other training programmes include scholarships for Nigerians to study abroad. This is consistent with Oyejide and Adewuyi's (2011) findings that IOCs invest in the industry through training programmes and scholarship grants. Through these programmes and training, Nigerians will develop the capacity necessary for the industry. For instance, Shell grants 850 scholarships annually and trains Nigerians to acquire different skills such as carpentry, welding and pipefitting (Oyejide and Adewuyi 2011).

However, **IOC2** and **LOC2** in Section 5.2.9 argued that the IOCs form a joint venture with indigenous companies in order to qualify for contracts. Nevertheless, **LOC3** and **LOC4** complained that certain joint venture partnerships were entered into for the wrong reasons, especially when indigenous companies act as intermediaries for contract purposes and/or financial gain. These views are consistent with other studies (such as Nwanolue and Iwuoha 2012; Okafor and Aniche 2014; Otombosoba and Dosunmu 2016) who found that there are some situations where IOCs partner with indigenous companies to front for a foreign company as an indigenous firm, with the guise of fulfilling the LC guidelines. In addition, Awe and Olusuyi (2014) argued that the lack of infrastructural development and deficiency in the manufacturing sector is one of the reasons indigenous companies become intermediaries for the IOCs, thus, corroborating the earlier point concerning the lack of infrastructure in Section 6.3.1

Furthermore, **LOC4, LOC6,** and **NB1** discussed the resistance of IOCs to collaborate with indigenous companies because of the perception that they lack the capabilities to operate in the industry. **LOC4, LOC6** and **IOC2,** in Section 5.2.8, argued and concluded that the IOCs have more confidence in expatriates than indigenes operating in the industry, because they are used to dealing with international companies like Halliburton, and General Electric. This argument is in line with that of Amanze-Nwachukwu (2007) and Okafor and Aniche (2014) who found that one of the reasons IOCs are resistant to the LCP is because they are sceptical of the indigenous companies' abilities and technical know-how to carry out oil and gas projects. They believe that imposing indigenous hiring conditions is unfair, especially when the domestic labour lacks the necessary skills to undertake the job (Nwaokoro 2011). However, **IOC6** and **RB4** argued that the fault does not lie with either the IOCs or the indigenous companies and stated that the LCP is, in fact, too ambiguous for oil and gas companies to comply with. This aligns with the argument of Okafor and Ancihe (2014) and Erhun (2015) regarding the inability of the NCDMB to develop the required capability to close the capacity gap created by the shortfalls between available indigenous capacity and the opportunities created by the LCP. This existing gap makes it difficult for IOCs to comply with the LCP in the oil and gas industry.

This also shows that the stakeholders in the industry (Government, IOCs and indigenous companies) do not agree on the policy objectives.

Also, in terms of competitiveness, **LOC7** stated that the IOCs believed that if they train Nigerians, business opportunities in the industry will be limited. Although the IOCs still train Nigerians, **RB6** stated that they find it hard to relinquish positions to a Nigerian workforce as they do not wish to lose their competitive advantage in the industry. Hence, they find ways to evade LCP rules by forming corrupt joint venture partnership with indigenous companies. Hence, this contradicts Ramdoo (2016) research finding that there should be a balance and agreement between stakeholders, which will determine the success of the LCP.

6.5 Enforcement, monitoring and accountability of LCP implementation

Institutional enablers are government institutions that directly or indirectly influence how stakeholders in the oil and gas industry operate. These include ministries and parastatals that are responsible for policy development, implementation and monitoring industry activities (Owusu and Vaaland 2016).

Findings from this study revealed that enforcement of the Nigerian LCP lies with the NCDMB. This is consistent with the NOGCID 2010 ACT Section 60 and 70, which states that the implementation and enforcement of the Nigerian LCP lies with the NCDMB. In addition, under the provision of Section 70(i), 63 and 4, the NCDMB is responsible for formulating procedures and guidelines, which assists oil and gas companies with their obligations under the Act.

However, the Nigerian LCP lacks appropriate enforcement. For instance, **IOC5**, **LOC2**, and **RB4**, stated that the enforcement processes have been inadequate. In addition, research participants **IOC6**, **LOC6**, **RB2** and **RB4** argued that the lack of enforcement is because the NCDMB does not have the qualified staff necessary to enforce the policy. In line with this argument, a number of participants, such as **RB2**, **IOC6**, and **LOC5,** stated that the absence of appropriate enforcement and monitoring processes for the implementation of the Nigerian LCP resulted from a lack of field verification, especially in sending field officers to monitor compliance at the implementation phase of oil and gas projects. This is consistent with Okafor and Anichie's (2014) argument that the NCDMB lacks the capacity to build the necessary manpower, qualification and assistance to enforce the LCP in the Nigerian oil and gas industry. As a result of the inefficiency of the NCDMB, oil and gas companies are resistant to the implementation of the LCP. Likewise, Amanze-Nwachukwu (2007) stated that poor enforcement has resulted in the unwillingness of the multinational companies to adhere to the Nigerian local content initiatives. However, findings in Sections 5.3, 5.4.1 and 5.4.4 indicate that the monitoring processes have been adequate. For instance, **IOC6** stated that they have provision for internal monitoring teams within their organisations to enforce the LCP in their operations. This conforms to the NNPC directives of 2007-2008 that all IOCs must form a Nigerian Content Division (NCD) in their organisation to enforce LCP implementation (Ovadia 2014). Moreover, it is also consistent with Ovadia's (2016) argument that the NCDMB has performed relatively well in the enforcement of the LCP. On the contrary, Ovadia (2014) observed that some IOCs have refused to form an NCD in their companies.

Regarding, the measurement of LCP performance, findings indicate that there are no structures in place in the oil and gas industry to measure the performance of the LCP. This aligns with Ovaida's (2013, 2014) argument that there is no way of measuring the LCP's performance because there are no clear definitions and targets, thus, compliance with the policy cannot be properly evaluated. He went further to state that creating a target and means of measuring the LCP has been an area which the NCDMB has been reluctant to develop. This is supported by Awe (2014) who stated that the NCDMB has no clear requirements for evaluating project delivery. Hence, supporting the findings of this study that the NCDMB in an ineffective regulatory body. Furthermore, research participants **IOC6** and **RB4** argued that the policy is too ambitious with no definite target and thus, cannot be measured. This has resulted in IOCs dictating the terms and conditions of the LCP. This is supported by Bakare's (2011) statement that the majority of companies try to lobby for relaxation of the policy in the industry. This differs from the findings of Ramdoo (2016), that the LCP utilises different regulatory instruments such as setting minimum targets for the employment and training of indigenes.

Furthermore, the findings from Chapter 5 revealed that poor accountability measures in the implementation of LCP have had an adverse effect on the level of transparency in the oil and gas industry. According to Lederman et al.'s (2005) argument, transparency can only be achieved by properly defining roles, responsibilities and delegation which would help to avoid information dissemination problems and complicated monitoring. Furthermore, accountability is concerned with holding agencies and individuals responsible for their performance (Paul 1991). Arguably, an appropriate definition of who should be accountable for the correct implementation of the LCP would promote full compliance and transparency. Research participants **IOC4**, **LOC2**, **RB4** and **RB6** complained about the inability of the NCDMB to sanction companies that default in the implementation of the LCP. For instance, **RB6** stated that he was yet to hear of any company that has been sanctioned for not implementing the LCP in their organisation. This has given IOCs another opportunity to evade the LCP and to distort the instrument of the policy for their own self-interest. This is consistent with the arguments presented by Nwaokoro (2011), Martini (2014), and Nwapi (2015) that the lack of enforcement and sanctions by the NCDMB is due to the corrupt vulnerability of the LCP. Indeed, the NCDMB has been accused of accepting gifts from oil and gas companies that it has been charged to monitor. This highlights the inadequate monitoring and control by the body charged to oversee the implementation of LCP. On the contrary, WTI (2013) argued that LCP has been instrumental in sanctioning IOCs that impede capacity development in the implementation of the policy.

6.6 NCDF Management and Transparency

The Nigerian Content Development Fund (NCDF) was set up by the NCDMB to establish capacity building initiatives directed at increasing Nigerian content in the oil and gas industry. It was also meant to promote human capital development, create credit facilities, execute infrastructural development and provide incentives to indigenous companies (Anyadike 2014; Ovadia 2014 and Erhun 2015). The Nigerian LCP mandates that a deduction and remittance of

1% of all contracts awarded to oil and gas companies is paid into the NCDF. The NCDF was to work alongside the Nigerian Content Employment Initiative (NCEI), which requires operators to identify Nigerians for training and to use the fund for training purposes. Even though all the research participants stated they remitted 1% of every contract they execute to the fund, information from the NCDMB's website specified otherwise. The NCDMB (2016) stated that certain oil and gas companies default in the deduction and remittance of 1% of the value of the contracts they executed to the NCDF.

Furthermore, some of the research participants (for instance, **IOC7, LOC4** and **LOC7** in section 5.2.6) specified that they do not have access to these funds and that this resource has not be utilised in the industry. This is consistent with Okafor and Aniche's (2014) argument that no information is available on companies that have been granted funds from the NCDF. Furthermore, **RB1** added that there is a need to publish the names of oil and gas companies who have benefitted from the fund. According to the International Petroleum Industry Environmental Conservation Association IPIECA (2011), information regarding the NCDF fund should be published as no information is available on how the fund has been utilised in the industry. Fawibe (2014) argued further that the implementation of the NCDF is yet to be established, as there are no procedures for disbursing the fund to qualified indigenous companies. Likewise, Ovaida (2014) observed that there are transparency issues in the management of the NCDF as there is no standard regulatory framework for monitoring the effectiveness and implementation of the LCP. Arguably, the creation of the NCDF clearly indicates an ideal situation that could facilitate the successful implementation of the Nigerian LCP. The disclosure of information to stakeholders and the public is a means of improving accountability (Chisholm 1995). However, there is no appropriate mechanism in place for the distribution of funds to qualified indigenous companies (Ovaida 2013; Fawibe 2014). Hence, there is a lack of transparency in the management of the NCDF.

6.7 Downturn in oil price and its impact on local content implementation

This section is important due to the unfolding events in relation to global oil price fluctuation as the study has shown in section 5.2.11.2 that the fall in the price has impacted the effectiveness of LCP implementation in the industry.

The fall in the price of oil has affected all oil producing countries. However, the direct consequences are more severe in countries like Nigeria, which rely heavily on oil and gas revenues (Agarwal et al. 2015). The Nigerian economy is overly dependent on the oil and gas industry, with over 90% of its total revenue generated from oil and gas production (Offiong et al. 2016). Hence, the fall in oil price has adversely affected the Nigerian economy, creating several repercussions for Nigeria's finances, both at a national and sub-national level (Offiong et al. 2016). This is because Nigeria's revenue base is determined by two key factors - production quotas and world oil prices - with the latter being beyond the control of any one country. Therefore, low oil prices represent a major threat to the economic stability of Nigeria. This is consistent with the statement by Agarwal et al. (2015) that the fall in the price of oil has forced the Nigerian government to adjust its budget twice to accommodate an estimate of $65 per barrel in 2015, while reducing spending to less than 10% of the 2015 budget.

The research participants (for example **LOC6**, **NB1**, and **RB3)** stated that the fall in oil price has had a negative impact on LCP implementation. For instance, **LOC6** argued that indigenous companies are having difficulty participating in the industry because of the drop in oil price. According to the Guardian newspaper (2016), the fall in oil price has significantly reduced the level of participation of indigenous companies, leaving many without contracts. Likewise, the naira has fallen less than one-third against the dollar, highlighting the Nigerian governments' inability to balance its budget. As a result, **NB1** stated that the level of infrastructure development has been affected due to the inability of the government to balance the budget. This has also affected the finance sector, where an estimated 20% of loans are granted to indigenous oil and gas companies. This is in line with Agarwal et al. (2015) who noted that the naira has been devalued by the central bank to balance the fall in the oil price, hence, indigenous companies that rely on foreign loans have paid more in naira. Further, evidence from this study revealed that the Nigerian government has had to sell its foreign exchange and raise its interest rate to control the devaluation of the Nigerian currency. Hence, many cost parameters have been affected, resulting in an increased burden on indigenous companies. For instance, IOCs had to suspend many projects which have led to reduced activity in the industry (Guardian 2016) and others to ask for a discount on existing contracts undertaken with indigenous companies in order to buffer the fall in oil price. However, any discount will adversely affect indigenous companies because they will not be financially viable. On the other hand, indigenous companies are unwilling to take legal action for fear of gaining a bad reputation and losing future contracts. The only alternative is to renegotiate the terms of the discount (Agarwal et al. 2015). Ovadia (2016) concluded that these the way in which IOCs attempt to evade the implementation of the LCP. When the price of oil drops, IOCs renew their effort to sacrifice the LC in the name of the bottom line.

Nevertheless, **LOC6** argued that this was not the first time the world has experienced a fall in oil price. He states that the fall in oil price is a cycle that will soon be over. This is consistent with Offiong et al.'s (2016) statement that Nigeria has already had to deal with the vagaries of unpredictable oil prices such as in 1986 and 2006. However, Ovadia (2016) concluded that the recent fall in oil price illustrates the folly of depending solely on revenue derived from the oil industry to bring social and economic development. Hence, there is a need for appropriate LCP implementation and for approaches to promote economic diversification and plans for the future without hydrocarbon.

6.8 Knowledge transfer and spin-off effect of the LCP

One of the objectives of the Nigerian LCP includes promoting the participation of indigenous companies in the industry and fostering the technological transfer from IOCs to indigenous companies. From the statements made by the research participants including **IOC4** and **LOC4**, it is clear that the LCP is regarded as a process of transferring technology from the IOCs to indigenous companies. **RB7** stated that the implementation of the policy goes beyond human capacity development to include technology transfer into other industrial sectors. This is consistent with the statement of Ayonmike and Okeke (2015) that the LCP can be used to harness skills and technical competence that can be applicable to other sectors of the Nigerian economy. For instance, Section 53 of the NOGCID 2010 Act mandates that all fabrication and welding must be undertaken in Nigeria. This transverses different sectors including: construction, shipping, telecommunications, aviation, and automobile.

Hence, the positive impact on local and foreign investments in capacity building, in areas such as fabrication and welding, will not only increase the number of Nigerians working in industry, but will also enhance technical specialisation. Furthermore, Vaaland et al. (2012), Monday and Agorzie (2014) and Monday (2015) argued that creating links between the oil and gas industry and other sectors of the Nigerian economy has been acknowledged as a solution to combat poor business performance and low technology capacity. Hence, based on the various arguments made by the research participants, the study reveals ways of creating broader economic linkages. As stated in Section 6.6, the NCDMB should create a framework for the disbursement of the NCDF fund to indigenous companies. Furthermore, the IOCs' domiciliation of a minimum percentage of their profit in a Nigerian bank should significantly create the availability of long term funding for capacity development and inject more funds into the local economy (Ayonmike and Okeke 2015).

The second objective is to encourage partnership between IOCs and indigenous companies in order to foster technology transfer. Although IOCs claim to have made an impressive effort to partner with indigenous companies, evidence from this study reveals that indigenous participation is still relatively low as a result of corrupt joint venture partnerships. However, if there is genuine collaboration between IOCs and indigenous companies to execute contracts, it will result in the transfer of technology and knowledge. This will stimulate vocational and technical capabilities and economic activities in various ways including: the emergence of new indigenous companies; strengthening the capabilities of existing indigenous companies (Ayonmike and Okeke 2015); value retention (foreign exchange, availability of funding); and finally will have a positive effect on the non-oil producing sectors of the Nigerian economy. Furthermore, because of the mandate set out in Section 25 of the Act, IOCs are required to establish offices in areas where oil and gas activities are carried out. This has compelled IOCs to employ indigenes and, in doing so, has enhanced indigenous capacity in the area and stimulated rural development (Ayonmike and Okeke 2015).

Another set of barriers to LCP implementation identified in this research is the relationship between key actors and the level of technical and technological provision provided by educational institutions in Nigeria. Research by Monday (2015) indicated that the linkage between universities, research institutes, and indigenous companies is relatively low. This is also similar to the findings in Section 5.2.1, and the argument put forward by Vaaland et al. (2012) and Owusu and Vaaland (2016) that there are weak relationships between universities, IOCs and indigenous companies. This has led to disappointing knowledge transfer outcomes. Furthermore, **RB4** in Section 5.2.3.1 argued that training in Nigeria is more theoretical than practical and is the reason why Nigerian companies often send their employees abroad for training. In addition, Ihua (2010) argued that Nigerian educational institutions are underfunded and ill equipped to produce graduates that can compete in a technology intensive sector like the oil and gas industry. Hence, there is the need for Nigerian universities and research institutions to be equipped capacity wise and financially able to receive and distribute the technology transferred from IOCs to indigenous companies.

6.9 Lessons learnt from countries with local content policy

This section presents the best practices in LCP implementation from other oil producing countries. Evidence from this study shows that the research participants referred to Malaysia, Norway Angola and Brazil as examples of countries with effective local content policies. Although these countries were at different stages of development when hydrocarbon resources were discovered, countries like Malaysia and Norway have been very successful in the utilisation of their hydrocarbon resources (Heum et al. 2003). For instance, Nigeria and

Angola's local content initiatives were inspired by Norway (Ovadia 2014). With regard to best practices, respondents spoke of a variety of measures used in these countries.

6.9.1 Local capacity development

As a result of the technological complexity of the oil and gas industry, the issue of knowledge and technological spill-over is vital for the successful development of adding value to the local economy, which is one of the reasons why most oil producing countries have adopted policies that foster technology and knowledge transfer (Warner et al. 2013). Research participants **IOC1**, **IOC2**, **LOC7**, and **RB3** indicated that Nigeria has much to learn from Norway, the UK, Brazil and Angola with regards to local capacity development. For instance, regulators in Brazil require operators to invest 1% of their revenue in research and development (Heum et al. 2003; Warner et al. 2013; Playfoot et al. 2015). While in Angola, $0.15 of every barrel of oil produced goes towards training Angolans (Asiago 2016)**.** In Norway, IOCs are required to locate their research and development activities and partner with research institutes and universities in Norway (Heum et al. 2003). Local participation in the Norwegian oil and gas industry ranges from favouring its national oil company Statoil during licensing rounds, to encouraging the utilisation of locally produced goods and services (Warner et al. 2013) with the aim that it will create avenues for developing suppliers.

6.9.2 Domiciliation and Monitoring

The research participants **LOC4**, **LOC5** and **RB3** spoke of the Angolanisation policy in Angola, where the Angolan government ensures that all activities are undertaken in the country. This is consistent with Ovadia's (2013) statement that the Ministry of Petroleum in Angola mandates that all foreign oil and gas companies plan to increase the number of indigenous workforce and monitor the companies to ensure they comply (Ovadia 2013). As a result of the Angolanisation policy, the Angolan government created tax incentives for Angolan oil and gas companies and mandated the use of local currency and Angolan banks, unlike the Nigerian oil and gas industry, where research participants **IOC4**, **10C6**, **10C7** and **LOC6** complained the Nigerian government offered no incentives. In addition, **LOC4**, **LOC5** and **RB3** believe that the policy encourages investments in manufacturing and efforts in building human capacity in the Angolan oil and gas industry. Notwithstanding, Ovadia (2014) pointed out that despite these new initiatives, it is still difficult to measure the success of the Angolan LC in retaining revenue generated, creating jobs and value addition because of the lack of openness and the absence of monitoring and evaluation.

In addition, **NB1** spoke of the relationship between the Norwegian oil and gas industry and the local institutions in the communities in which they operate. This aligns with the statements of Neff (2005) and Ramdoo (2015) that companies are required to conduct 50% of their research and development in collaboration with a local institution. Hence, Norway ensures quick technology transfer to Norwegian companies and this has helped local companies attain and furthermore, set new international standards in offshore developments. Undeniably, in Norway, the LCP is driven by research and development and technology transfer (Warner et al. 2013). As stated in Section 6.8, the IOC's decision regarding technology transfer lies with the host country's technology inferiority, the cost of technology transfer and the scale of technology diffusion (Chul-Woo and Bong 2009).

6.9.3 Professionalism

Evidence from this study revealed that oil and gas companies were concerned about the governments' attitude towards LCP implementation. They indicated that the NCDMB should learn from countries like Norway, Brazil and Malaysia about how their independent regulatory bodies work and how they can improve transparency in their oil and gas industry. This is consistent with the assertion made by Thuber et al. (2010) that Norway has an administrative system which assigns oil sector functions to three state controlled institutions, each having a distinctive role. In contrast, Brazil has two institutions, the State Oil Corporation, Petrobras and the National Petroleum Agency (ANP), which is the sector's regulatory agency (Prochnik 2011; Playfoot et al. 2015). However, the findings from this study revealed that in Nigeria a number of the regulatory agencies perform similar functions and lack coordination and collaboration to work together to enforce LCP rules.

6.10 The LCP implementation model

The study developed an accountability framework in Figure 3.2, which is modified in Figure 6.2 below, after taking into consideration the research findings which informed the final model. This model is detailed and comprehensive because it includes the opinions of the various research participants interviewed for this study.

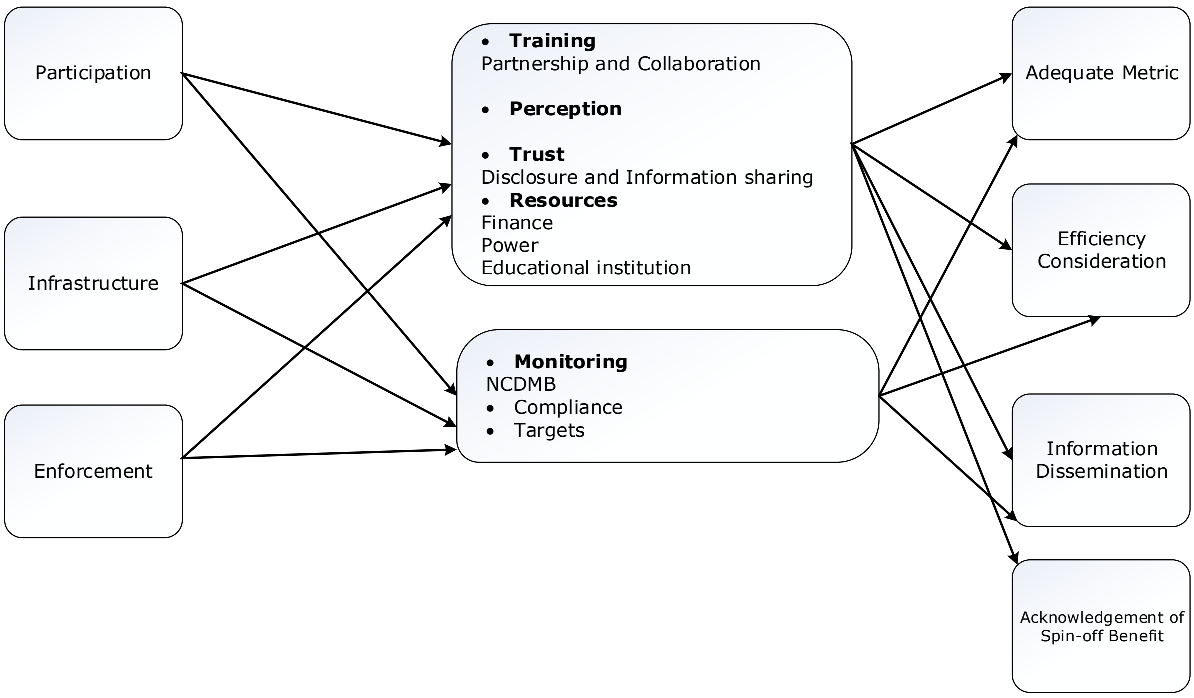

Figure 6.2 The LCP implementation model (Author generated)

6.10.1 Participation

As stated earlier, the participation of Nigerians and indigenous companies in the industry is one of the Nigerian government's main goals in creating the LCP. The government had a clear objective of what it wanted to achieve by implementing the LCP and is linked to the "Adequate Metric" parameter of the LCP model. This clearly states what constitutes local content, with one set of metrics being indigenous participation (Klueh et al. 2007; Ado 2016). Furthermore, Nigerians can participate in the industry if they have the necessary capabilities to partake in the activities in the oil and gas industry. This is the reason why the LCP mandates that IOCs partner with indigenous companies with the view of transferring knowledge and technology to indigenous companies. This, again, links to the adequate metric component and the acknowledgement of the spin-off benefit parameters of the LCP model. The training of Nigerians is a mandatory requirement for IOCs that want to partake in the industry. When trained, Nigerians acquire the necessary capabilities to participate in the industry, which can be useful in other sectors of the economy, as previously stated in Section 6.8. Moreover, the stakeholders' perception of the LCP, which is also linked to the adequate metric component of the LCP model, influences how they implement the LCP in their operations. For instance, **IOC4** and **LOC4** stated that the LCP was about the transfer of knowledge and technology from IOCs to indigenous companies. **LOC4,** in Section 5.2.7.3, claimed that they have been trained by IOCs in the industry, thus promoting their view of the LCP as representing the transfer of technological skills. Furthermore, **IOC4** has trained Nigerians through different programmes, hence influencing their view that the LCP facilitates the transfer of technology, which aligns with the strategic feature of rational choice institutionalism. Where the behaviour of actors is driven by a strategic calculus rather than impersonal historical forces (Hall and Taylor 1996)

Also, considering the competitiveness of the oil and gas industry, **LOC7** stated that the IOCs believed that by training Nigerians, business opportunities in the industry will be limited. Hence, they are reluctant to share information with indigenous companies. This is supported by Tordo et al.'s (2013) findings that foreign companies might be reluctant to share information with indigenous companies due to competition in the oil and gas industry. Therefore, there is an association to the information dissemination parameter of the model, as it deals with partnership and information sharing between stakeholders in the industry. It also concerns trust. The empirical findings of this study revealed that IOCs distrust the indigenous companies' capabilities in the industry, which is one of the reasons why IOCs are reluctant to share information and partner with indigenous companies.

6.10.2 Infrastructure

As stated in Section 2.5.2, one of the necessary conditions to support the implementation of LCP is the countries' capacity and capabilities to deliver the LCP. This includes the level of infrastructure available. Evidence from this study revealed that inadequate infrastructure has been a barrier to effective LCP implementation in the Nigerian oil and gas industry. For instance, an inadequate power supply has affected the degree of manufacturing and fabrication in the industry, leading to the production of inferior quality goods and services that do not comply with international standard. In addition, the findings in Section 5.2.3 stated that as a result of inadequate infrastructure, oil and gas companies have to provide the necessary resources themselves in order to operate in the industry. This requires high levels of investment and specialised input due to the technological complexity of the oil and gas industry. Hence, new entrants find it difficult to participate. This links to the "Efficiency Consideration" component of the model as it deals with the resources available to implement the LCP. It is also concerned with performance accountability as it considers technological considerations and capacity constraints that affect the level of economic benefits that can be captured at a point in time (Ado 2016). There are very few indigenous companies that can execute or provide services that require sophisticated expertise or technology, therefore, creating a class of middlemen with indigenous companies gaining contracts and outsourcing to IOCs to implement while retaining some margin as profit (Balouga 2012).

In addition, infrastructure is linked to education as can be seen in fig. 6.2, as without universities and training institutions training would not be possible. However, as stated in Section 6.3.1, the quality of education has been a barrier to the participation of Nigerians in the industry. According to **IOC3**, the standard of education, particularly in engineering and technical services, may not meet the demand in the industry. Hence, IOCs are constantly looking for ways of evading implementation of the policy. This has a direct link to the compliance parameter of the model, as the findings revealed that a lack of infrastructure leads to non-compliance of the policy.

6.10.3 Enforcement

Proper enforcement of the LCP will result in the effective implementation of the policy in the oil and gas industry. The enforcement of the LCP lies solely with the NCDMB. It is the responsibility of the NCDMB to ensure compliance of the policy and build the capacity of indigenous companies in the industry (Ovadia 2013). Its function includes administering, coordinating, monitoring, supervising, appraising and managing LCP implementation (Ado 2010). This also aligns with institutional theory where organisations in a field are pressured to seek legitimacy through socially and culturally sanctioned administrative routines intended to render accountability (Scott 1995; Ezzamel et al. 2007). The NCDMB is also responsible for the development of indigenous companies' capabilities and producing guidelines for LCP implementation (Ihua 2010; Ado 2016). This is directly related to the "Adequate Metric", "Efficiency Consideration", "Information Dissemination" and the "Acknowledgement of Spin-off Benefit" of the LCP model

. As stated by Ado (2016), "Adequate Metric" establishes what constitutes the LCP, which includes setting LCP targets. In establishing these targets, regulators have to ensure the technological capacity available in the industry will be able to carry out the opportunities created by the policy (Hansen et al. 2015).

"Efficiency Consideration", is concerned with fulfilling LC targets, where oil and gas companies have to use the resources available to implement the policy. These targets should be realistic and within the capability of the indigenous companies in the industry (Klueh et al. 2010; Tordo et al. 2013; and Ado 2016). However, the findings from this study revealed that the Nigerian LCP is too ambitious and the target is unrealistic as it tries to achieve too many things at the same time. This is supported by Okafor and Ancihe (2014) and Erhun (2015) who found that the NCDMB lacks the ability to develop the required capability to close the capacity gap created, due to the shortfalls between available indigenous capacity and the opportunities created by the LCP. Therefore, IOCs find it difficult to comply with the demands placed on them by the LCP. Furthermore, the NCDMB lacks the qualified staff necessary to enforce the policy, which has resulted in the absence of field verification skills and subsequently the non-compliance of LCP requirements.

In addition, "Information Dissemination" is integral to the success of the LCP. It relies on the extent to which indigenous companies, IOCs and regulatory bodies are transparent in their activities in the industry (Ado 2016). However, this study revealed that there was a lack of trust and information sharing between the stakeholders in the Nigerian oil and gas industry. For instance, IOCs are reluctant to share information with indigenous companies because they do not want to lose their position in the industry. In addition, there was a consensus among the research participants that there is no available information regarding the management of the NCDF. Hence, as stated in Section 5.3.1, more needs to be done to improve the level of transparency in LCP implementation.

The "Acknowledgement of Spin-off Benefits" which deals with the economic linkage between a country's oil and gas industry and other sectors of the economy is facilitated by the three other parameters. For example, the NCDMB creates and enforces LC targets (metrics) which are communicated to the various stakeholders in the industry (information dissemination) who then use the available resources (efficiency consideration) to operate and develop economic linkage (benefit).

6.11 Strategies in implementing the LCP model

6.11.1 Participation and Infrastructure Development

The findings revealed that infrastructure (efficiency consideration) is key to the success of LCP implementation. For instance, research participant **RB7** argued that for capacity building to be complete, infrastructure in Nigeria must be developed. In addition, the provision of education by institutions and institutes must be improved. As pointed out by Fawibe (2014), funding should be provided by the NCDF fund for research and development and for upgrading the standard of educational and research institutions. Furthermore, **RB1** argued if the necessary infrastructures are put in place, it would be easier for indigenous companies to participate in the industry. As stated by **LOC4**, **LOC7** and **RB1**, most indigenous companies provide critical resources and infrastructures in order to participate in the industry, whereas most IOCs only invest in local infrastructure when it is of benefit to them. Furthermore, the government should invest in educational institutions to facilitate capacity building. With regards to capacity building, Well and Hawkins (2008) pointed out that promoting local content is not the same as capacity building, although there is a link. For instance, patronising a local supplier is one means of building their capacity. However, building the capacity of a local supplier by training them, will improve their ability and chances to tender and win a contract in the oil and gas industry (Well and Hawkins 2008). As stated by **IOC6**, IOCs should be motivated to partner with indigenous companies to improve the level of indigenous capacity in the industry. One way of creating capacity is by entering into joint ventures with foreign companies, where local companies can benefit from capacity development (information dissemination) by working as partners with the foreign companies.

Access to funds was also identified in Section 6.3.1 as a barrier to indigenous company participation in the industry. Without the necessary funds, indigenous companies are limited in their ability to invest and meet the financial requirements for participation. This is because banks and financial institutions believe that lending to indigenous companies is risky and unattractive due to the high cost of transactions and limited funds. Banks require significant collateral and high-interest rates, which is a challenge for indigenous companies (IPIECA 2011). Research participants **IOC1, RB1** and **RB2** stated that indigenous companies should be given access to the capital required to partake in the industry. In addition, financial institutions can partner with MNCs and IOCs to help indigenous companies access more sustainable funding sources (IPIECA 2011). Moreover, **IOC1** and **IOC5** argued in favour of transparency, (information dissemination) in the management of the Nigerian Content Development Fund (NCDF). Therefore, all transactions arising from the NCDF should be made available to the public to ensure transparent utilisation of the resource. Furthermore, the NCDMB must ensure that the NCDF is used to encourage local participation, create employment and develop infrastructure. In addition, as stated by Fawibe (2014), reputable financial institutions should also be employed to review the business plans of proposed indigenous companies, advise and manage the NCDF in collaboration with the NCDMB.

6.11.2 Adequate enforcement of the LCP

The findings revealed that there has been inadequate enforcement of the LCP in the industry. **LOC7** and **RB4** argued that the NOGCID Act is adequate. However, there is inadequate enforcement as the NCDMB lacks the regulatory framework to enforce the policy. Likewise, **RB6** also confirmed the inability of the NCDMB by stating that there was no field verification by the NCDMB to substantiate the reports presented by oil and gas companies with regard to their LCP implementation. Thus, Ovadia (2013) stated that the enforcement of the LCP in Nigeria has been informal, as the NCDMB has yet to cancel projects or issue fines. Rather, when they discover any violation they chose to negotiate with the companies and this creates a level of discretion in the enforcement process that can be abused. This confirms the complaints of research participants, **IOC4**, **LOC2**, **RB4** and **RB6** regarding the inability of the NCDMB to sanction companies that default in the implementation of the LCP. For instance, **RB6** stated that he was yet to hear of any company that has been sanctioned for not implementing the LCP in their organisation.

Okafor and Aniche (2014) pointed out that strict enforcement of the LCP in the Nigerian oil and gas industry will create jobs and reduce the level of restlessness in youths living in the Niger Delta. To achieve strict compliance, **LOC2** stated that the NCDMB should oversee the appointment of LC managers for oil and gas companies in Nigeria. This would eliminate politics interference and give the NCDMB the sole responsibility of monitoring staff activities in the company. **IOC3** also stated that the Nigerian government should step back and leave the monitoring process to the NCDMB. Although the Act gives sole responsibility to the NCDMB, the Ministry of Petroleum may, nonetheless, issue directives to the NCDMB in respect to the implementation of the LCP (Nwaokoro 2014). The LCP’s definition of operators includes the NNPC, its joint venture partners and subsidiaries operating in the Nigerian oil and gas industry, which include the NCDMB.

Nwaokoro (2014) questioned the possibility of the NCDMB enforcing the policy on the NNPC. Although its goal is to compel foreign companies to utilise local resources, it also imposes the obligation on the NNPC and this raises enforcement issues, especially if enforcement is transferred from the NNPC to the NCDMB. It also raises the question of how the NCDMB will compel the NNPC to comply (Nwaokoro 2014). To strengthen the monitoring process, the government must step back and give sole responsibility of enforcing Nigerian LCP to the NCDMB.

6.12 Chapter Conclusion

This chapter presented a critical discussion of LCP implementation in the Nigerian oil and gas industry. It also identified the various perceptions of LCP stakeholders. These include the opinion that the LCP should be regarded as a tool for indigenous participation and the utilisation of local resource and personnel in the activities of the Nigerian oil and gas industry. Other perceptions are that the LCP facilitates technology transfer from IOCs to indigenous companies, encourages value retention and it is a deliberate policy created by the Nigerian government. Furthermore, a closer look at the various perceptions of the LCP by stakeholders' in the industry indicate that these views are closely linked and these perceptions are aligned with the adequate metric parameter of the accountability framework in Figure 3.2. For instance, the LCP as a tool for value retention instigates the active participation of Nigerians through the employment of the local workforce and the utilisation of local resources in the industry's activities. Hence, a model for LCP perception was developed based on the opinions held by the research participants and the adequate metric parameter of the accountability framework. Regarding the capabilities of indigenous companies in the oil and gas industry, the study revealed that preference is given to indigenous companies with the capability to execute jobs in the industry. As a result, new companies have emerged. However, the study also identified several hindrances to indigenous participation. The research found that indigenous companies lack the necessary funds to partake in the industry. Indigenous companies complained that they have no access to the NCDF, which was created to assist indigenous companies to participate in the industry. It also found that the NCDMB enforces the LCP, irrespective of the capabilities available in the industry. The study further revealed that the principal motive behind the partnerships formed between IOCs and indigenous companies is that the policy mandates that IOCs must collaborate with indigenous companies in order to be able to operate in the industry. However, it was also revealed that the IOCs believe indigenous companies lack the ability to participate in the industry and can only be utilised as a means of bidding for contracts. The study showed that this is due to the inability of the NCDMB to effectively enforce LCP implementation in the industry.

The study further developed an LCP model by modifying Figure 3.2 after taking into consideration the research findings. The model illustrates the elements and accountability parameters required for effective LCP implementation. Furthermore, it presents strategies for implementing the LCP model.

Chapter 7

Contribution to Knowledge, Conclusion and Recommendation

7.1 Introduction

This study presents a substantiated analysis of the LCP, awareness of the subject, its effect and its implementation by oil and gas companies in Nigeria. It follows the outline created for this study, including the research aim and objectives as stated in Chapter 1. The research comprises of an analysis of LCP practices and an evaluation of its effectiveness, with reference to accountability practices in the implementation of LCP and strategies that can be employed to improve implementation in the Nigerian oil and gas industry. There was a further objective of creating a model for LCP implementation, with this being one of the notable new contributions to knowledge arising from this work. The methodological approaches utilised to achieve the aforementioned objectives include:

1. An extensive review of the literature and other relevant information regarding the LCP in both the Nigerian oil and gas industry and from a global context was presented in Chapter 2.

2. Chapter 3 outlined an extensive review of the theoretical literature and established a new framework based on institutional theory.

3. The methodology and an extensive justification for the use of qualitative methods were presented in Chapter 4.

4. The expansive data collected was presented and analysed in Chapter five.

5. In Chapter 6 a critical discussion was offered to explore the findings in relation to relevant literature on the LCP and thereafter a model for this study was created.

This chapter now goes on to present the overall conclusions of the study.

7.2 Summary of key findings and implications

Chapters 5 and 6 revealed the various stakeholders' views of the LCP. These views include the perception that the LCP is a tool for enhancing the participation of Nigerian citizens. It was also perceived as a tool encouraging the utilisation of local resources in industry activities. Moreover, the LCP is also considered to be a tool facilitating knowledge and technology transfer from IOCs to indigenous companies. Hence, the LCP is regarded as a deliberate policy established by the Nigerian government to give the people of Nigeria control over their oil and gas industry. However, it was also found that oil and gas companies have devised ways to evade the implementation of the LCP in the Nigerian oil and gas industry. Evidence indicates that IOCs form corrupt joint venture partnerships with indigenous companies, whereby indigenous companies act as middlemen by outsourcing oil and gas contracts to IOCs for marginal profit. Hence, some IOCs are resistant to LCP implementation as they do not want to lose their dominant position in the industry.

The study has also illustrated the relationship between the IOCs and indigenous companies in the Nigerian oil and gas industry. It revealed that IOCs partner with indigenous companies in order to win contracts, while indigenous companies partner with IOCs with a view of gaining knowledge to help them partake in activities in the industry. Moreover, the research also revealed the IOCs' perceptions of indigenous companies operating in the industry. These included the IOCs' opinion that indigenous companies lack the knowledge and experience to operate in a technology-intensive industry like the oil and gas industry. It also identified the lack of trust between IOCs and indigenous companies. The IOCs believe that indigenous companies' participation will reduce the IOCs' business opportunities – as the LCP intended. However, it was found that in order to partake in the Nigerian oil and gas industry, IOCs have trained Nigerians by partnering with indigenous companies and training Nigerians through different apprenticeship and internship programs. This implies that although the IOCs are reluctant to partner with indigenous companies, they are compelled to do so by the LCP.

The study has shown that there is a lack of resources available to assist oil and gas companies implement the LCP. It was also found that inadequate infrastructure, capital and the quality of educational institutions was a hindrance to the implementation of the LCP. The findings revealed that, in most cases, oil and gas companies provide critical infrastructure in order to take part in the industry, while other companies only consider investing in local infrastructure when it is of benefit to them. It also found that IOCs have better credit facilities and access to necessary technology, unlike indigenous companies that struggle to obtain the necessary capital and resources. Furthermore the NCDF, that is meant for capacity building, credit facilities and providing incentives for indigenous companies, has not fulfilled these objectives. This is due to the lack of transparency in the management of the fund and the fact that no procedures have been established for disbursing funds to indigenous companies. This implies that the IOCs continue to have competitive advantage. Although the LCP offers some benefits to indigenous companies, they are being hindered by inadequate infrastructure and the lack of management of the NCDF.

However, it was overwhelmingly acknowledged that there have been some positive effects arising from the implementation of the LCP. It was revealed that the LCP compelled IOCs to utilise local resources in their operations, thereby, resulting in the domestication of oil and gas activities in Nigeria. The LCP has given preference to indigenous companies and has resulted in local employment and a reduction of capital flight out of Nigeria. As a result of partnerships between IOCs and indigenous companies, Nigerians have acquired the necessary skills to partake in the industry, thus the number of start-up companies in the industry has risen. This implies that since the creation of the LCP, the number of indigenous companies in the industry has increased. As such, the upsurge in the utilisation of local resources has increased value retention in Nigeria and the Nigerian oil and gas industry.

Despite the positive impacts, there were a number of concerns regarding the policy including the lack transparency in the implementation of the LCP. Transparency is of course a relative concept. It also relies on oil and gas companies to push for the transparent implementation of the LCP in their operations. The lack of transparency in LCP implementation arises from various factors including: the lack of trust between IOCs and indigenous companies; inadequacies of the NCDMB in enforcing LCP; and, the IOCs' negative perception of indigenous companies. However, the research findings indicate that oil and gas companies actually believed that improvements need to be made to monitoring levels. The lack of monitoring arises from the poor institutional and inadequate monitoring mechanisms used by the NCDMB. Monitoring expires after the pre-qualification stage and when the contract has been awarded. Thereby, companies evade the essential task of monitoring LCP violations, which usually occur at the implementation phase of a project. This implies that the monitoring process at the pre-qualification stage is adequate; however, the monitoring process at the implementation phase needs to be improved. Furthermore, the NCDMB must improve its regulatory framework in order to facilitate enforcement of the LCP.

7.3 Addressing the research objectives

The research had the broad aim of obtaining an understanding and exploring the LCP, as well as evaluating its effectiveness and the transparency practices associated with its implementation. This was achieved by using relevant literature to develop a theoretical framework that facilitated the data collection process. The study revealed the shareholders' different perceptions of the LCP. It also revealed that the LCP has had a positive effect on the Nigerian oil and gas industry since its implementation, but there has been a lack of transparency in the implementation of the LCP in the industry.

The first objective of the study was:

> 'To critically evaluate the effectiveness of the Nigerian LCP and its impact on the Nigerian oil and gas industry.'

This objective aligns with the accountability framework of the LCP, specifically the adequate metric component and the acknowledgement of spin-off benefits which have been the effect of the LCP on the Nigerian economy. This objective was achieved as the findings from the data analysis revealed that the LCP has presented advantages to indigenous companies in the award of contracts which has also helped in the employment and training of Nigerians in the oil and gas industry. Also, as a result of the LCP, local resources are now utilised in the industry's operations. This has led to the domestication of activities and has facilitated value retention, which has improved the Nigerian economy. However, it also revealed the barriers to the implementation of the LCP, which include the lack of necessary resources to allow indigenous companies to operate in the oil and gas industry. Hence, infrastructure development is vital for the success of the LCP in Nigeria. Moreover, it illustrated that the LCP was enforced irrespective of the capacity available to implement the policy.

The second objective of the study was:

> 'To critically examine the transparency practices in the implementation of the LCP in the Nigerian oil and gas industry.'

This objective fall under information dissemination and adequate metric aspects of the LCP's accountability framework, which deal with transparency practices. This objective was achieved by analysing data collected on the degree of transparency in the implementation of the LCP in the Nigerian oil and gas industry. The research findings have shown that there is a requirement to improve the transparency practices in the implementation of LCP in the industry.

The third objective of the study was:

> 'To critically evaluate how transparency has been integrated into LCP implementation in the Nigerian oil and gas industry.'

This objective also falls under the information dissemination and adequate metric aspects of the accountability framework of the LCP. This objective was achieved as the data analysis revealed that companies embed the LCP in project contracts and company policies to ensure transparency in LCP implementation. It also revealed that some oil and gas companies have internal monitoring teams that conduct site verification to ensure the LCP is implemented. However, although the study indicated that monitoring, measurement, disclosure and compliance are ways in which transparency could be further integrated with LCP implementation, it also discovered that the NCDMB lacks the monitoring capabilities to enforce the LCP as well as structures or frameworks to measure the effect of the LCP in the industry.

Finally, the fourth objective of the study was:

> 'To design a model for the LCP implementation for the Nigerian oil and gas industry.'

This study developed two models for the implementation of the LCP. The first model is the LCP stakeholders' perception model and this was developed from the data analysis which showed the different stakeholders' perceptions of the LCP. It explores the various pillars of the LCP and its interconnectedness, which can help oil and gas companies learn about the LCP and its implementation. The second model, the LCP implementation model and was created by comprehensively modifying the accountability framework for the LCP in Figure 3.2 to include the opinions of the various research participants interviewed. The model suggests a transparent process for implementing the LCP in the industry; it highlights the need for adequate enforcement from the NCDMB and support from the Nigerian government to create a secure environment in which oil and gas companies can operate. Furthermore, it underlined the need for the government to develop the infrastructure in Nigeria to enhance LCP implementation. Access to funds was highlighted as a key obstacle to the successful implementation of the LCP. When funds are available, the findings show that there is a lack of transparency in their management. Hence, the model indicates that access to funds and the management of funds should be considered as a process of improving transparency in the implementation of the LCP. The model also stressed the need for effective participation between IOCs and indigenous companies to facilitate capacity building and increase the level of participation of Nigerians in the industry.

From a theoretical perspective, this study highlights the existing gap in LCP research and the issues of LCP development and shows that implementation and enforcement have been a challenge for IOCs, indigenous companies and regulatory bodies in the Nigerian oil and gas industry. From the proposed models, an LCP approach is directly associated with the companies' knowledge of the LCP, which informs not only how companies can implement the LCP in their operations, but also their approach in complying with LCP rules. Although the LCP plays a key role in the Nigerian oil and gas industry, findings reveal resistance to its implementation, thereby leading to a lack of transparency in implementing the LCP in the Nigerian oil and gas industry. Furthermore, due to the poor regulatory framework, oil and gas companies are not held accountable for their actions when violating LCP rules in the industry. Again, this specific issue has not been investigated by other studies. Hence, the proposed models developed for this study can play a key role in embracing LCP implementation and enforcing the compliance of oil and gas companies in the Nigerian oil and gas industry.

7.4 Contribution to knowledge

This study set out to critically evaluate the effectiveness of the LCP and the transparency practices associated with its implementation. It tried to provide evidence of the effectiveness of the LCP and the transparency of practices in the implementation of the LCP in the Nigerian oil and gas industry. It has made significant contributions to the body of knowledge in three main areas:

1**. Theoretical Contribution**. This study has attempted to contribute to the theoretical debate on institutional theory in relation to accountability in evaluating the effectiveness and transparent practices of LCP implementation in the Nigerian oil and gas industry. It developed a conceptual framework that incorporates Klueh et al.'s (2007) principles of the LCP in relation to various forms of accountability, to create the interview schedule used to generate data for this research. The interview questions and research objectives were structured around the LCP's accountability framework. The adequate metric aspect of the model helped reveal the different stakeholders' views of the LCP in the industry and how it influenced their activities in the Nigerian oil and gas industry. The efficiency consideration helped to highlight the effect of LCP implementation in the Nigerian oil and gas industry. It also assisted to identify the barriers to LCP implementation. Furthermore, in evaluating the transparency practices in the implementation of the LCP, the information dissemination aspect of the framework disclosed the degree of transparency and how transparency has been integrated into LCP implementation. The study discovered that the current level of transparency needs to be improved and that the NCDMB lacks the monitoring capability to enforce the LCP in the industry. Another theoretical contribution arose from after the modification of the accountability framework to include the research findings from this research which will be discussed further in the practical contribution section.

2. **Methodological contributions**. The discussion in Chapter 6 presents several key findings: stakeholders' perception of the LCP; the IOCs' motivation to partner with indigenous companies; the capabilities of indigenous companies in the oil and gas industry; the enforcement, monitoring and accountability for LCP implementation; NCDF management; and the knowledge and spin-off effect of the LCP. The study employs an inductive method, using thematic analysis to inform this research. The originality of this study is seen in the work undertaken and its interpretation using themes generated from the data collection. The findings reveal that utilising this method provides a detailed and comprehensive understanding of the LCP and its implementation in the Nigerian oil and gas industry. This is in contrast with existing research on the LCP which has analysed data deductively, using quantitative research methodology (see for example: Takechi and Kiyono 2003; Veloso 2006; Vaaland et al. 2012).

3. **Practical contributions**. The practical contribution of this study lies in its aim of evaluating the effectiveness of the LCP and the transparency practices associated with its implementation. The research highlighted the barriers to LCP implementation and the resulting difficulties faced by indigenous companies in implementing the LCP. It went further to recommend strategies to improve the implementation of the LCP and enhance indigenous company participation in the industry. A number of the strategies proposed include strengthening the LCP's monitoring and enforcement processes in the Nigerian oil and gas industry. An LCP implementation model was created to enhance implementation. This model will help the NCDMB facilitate enforcement of the policy and also improve the participation of Nigerian citizens and indigenous

companies in the oil and gas industry. Furthermore, the LCP implementation model developed can be used to carry out a comparative analysis of LCP implementation of oil and gas producing countries. In addition, further studies can utilise a different methodological approach to test the LCP implementation model in the Nigerian oil and gas industry and in other oil producing countries.

7.5 Recommendations

Following the various findings of this study and in line with the research aims and objectives, several recommendations that will be useful to all stakeholders in the Nigerian oil and gas industry are highlighted below.

7.5.1 Government

The government should provide a conducive environment for business to attract foreign investors. This includes the provision of the necessary infrastructures such as security measures, good roads and power supply in the country for indigenous businesses to thrive. Insecurity, the lack of adequate policies and legislation, unsophisticated technologies, human capabilities and a shortage of infrastructure have all created an unconducive environment for potential investors in Nigeria. The findings revealed that the government must invest in infrastructure development and create adequate policies that will attract foreign investment into the country. As emphasised by Adedeji et al. (2015), indicators for measuring indigenous companies' participation include business opportunities, a favourable environment, financial accessibility, technical skills, and incentives. Therefore, the government must recognise the fact that these key indicators create a favourable environment for conducting business in Nigeria.

In addition, considering the standard of education in Nigeria, there is an urgent need for the government to invest in the educational sector. These should include up to date practical and theoretical materials and equipment to absorb the knowledge and technology transfer coming from the oil and gas industry.

The government should also assist the Nigerian financial sector in making available the necessary funds required by indigenous companies to participate in the oil and gas industry. This will help give indigenous companies competitive advantage in the industry. Findings from this research showed lack of enforcement has hindered LCP implementation in the industry. The government should assume its responsibility and ensure adequate compliance and enforcement of the Nigerian LCP. The government should ensure that enforcement is strictly the responsibility of the NCDMB and there should be no interference from the Nigerian government. Furthermore, there should be realistic consideration in regards to the LCP targets in the industry.

There is a need to review the section of the NOGICD Act that creates loopholes for corrupt practices, namely, where the NCDMB can accept gifts in the form of land, money from any individual or organisation.

7.5.2 Other Stakeholders

In order to ensure capacity building and technology transfer, IOCs should partner with indigenous companies in technical operations to develop the necessary core skills. Efforts should also be made to promote partnership and collaboration between indigenous companies and IOCs and to encourage investment in world-class infrastructure that can compete with international standards.

IOCs and indigenous companies should partner with educational institutions for programmes such as research and development, and knowledge and technological transfer. IOCs should avoid negative practices such as using indigenous companies as a front to secure contracts in the industry. Rather they should invest in capacity building initiatives, job creation and genuine collaboration with indigenous companies.

7.6 Limitations and future research

As with other research, this study is not without its limitations. First, the sample size was limited to 24 participants and it can be argued that this small sample can affect the validity of the research. However, given the data saturation effect and the depth of the information gathered from the analysis, this study provides a profound advancement of LCP knowledge, implementation and enforcement in the Nigerian oil and gas industry. Qualitative methodology was adopted for this research as discussed in the methodology chapter. Moreover, this research can be verified through a further study utilising a different methodological approach. For instance, additional research can be carried out to ascertain the results of this study using a quantitative methodology approach, for example, surveying the different stakeholders in the industry using a questionnaire instrument. The data generated can be utilized to conduct a comparative analysis of LCP implementation in other oil and gas producing countries such as; Norway, Canada, Ghana, Brazil and Angola.

This research originally sought to conduct a comparative analysis of LCP implementation in Norway, Brazil and Angola with data collected from Nigeria. However, due to the time and financial constraints, the study focused on Nigeria, providing only a brief review of the literature on LCP from a global perspective. Nevertheless, questions were put to the participants regarding countries with adequate LCP and what Nigeria could learn from them. The outcome of this can be seen in section 5.6. By reviewing the LCP from a global perspective, this research provides a platform for a comparative study on LCP implementation in different oil and gas producing countries.

8.0 References

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Appendices

Appendix 1: Code sheet

Code Sheet

1.0 Knowledge of the Nigerian local content policy

- 1.1 Adequate participation
- 1.2 Utilisation of local resources/personnel
- 1.3 Role of company
- 1.4 Personnel and materials
- 1.5 Deliberate policy
- 1.6 Value retention
- 1.7 Beyond human capital development
- 1.8 Technological transfer
- 1.9 Collaboration
- 1.10 Others

2.0 IOC's role

- 2.1 Role as middle men
- 2.2 Partnership/Collaboration with local companies
- 2.3 Perception about local companies
  - 2.3.1 locals ability to withstand pressure
  - 2.3.2 lack of experience
  - 2.3.3 opinion on local companies' performance
- 2.4 Training/ Human capital development
  - 2.4.1 Internship
  - 2.4.2 Transfer of expertise
  - 2.4.3 Employment and Training plan

3.0 Impact of policy

- 3.1 Positive Impact
  - 3.1.1 Investment
  - 3.1.2 Gives local companies advantage
  - 3.1.4 Employment
  - 3.1.5 Skills acquisition/ capacity building
  - 3.1.6 Domestication
  - 3.1.7 Reduction in capital flight
  - 3.1.8 Collaboration with other sectors
- 3.2 Negative impact
  - 3.2.1 Inefficiency in the industry
  - 3.2.2 Increase in cost

3.2.3 Enforcing the law irrespective of the capacity

4.0 Strategies to improve the policy

3.3 Enforcement
3.4 Enabling environment
4.2.1 Security

3.5 Sanction
3.6 Stakeholders involvement
3.7 Manpower
3.8 Access to funds
4.6.1 Management of funds

3.9 Capacity building
3.10 Incentives
3.11 Empowerment (Exxon)
3.12 Short of staff
3.13 Infrastructural improvement
3.14 Transparency
3.15 Domiciliation
3.16 Nigerians in Diaspora
3.17 Petroleum Industry Bill

4 Resources available for implementing the policy

4.2 Training
4.3 Access to funds
4.4 Lack of infrastructures
4.4.3 insufficient power supply
4.4.4 acceptability of local products
4.5 Government support (security)

5 Employability

5.2 Partnership/collaboration
6.1.1 Succession Plan

5.3 Skill development
5.4 Reduction in foreign workforce
6.3.1 Reduction in expatriates doing menial jobs

5.5 Expatriate quota system
5.6 Preference to Nigerian manpower
5.7 Trust

6 Procedures for ensuring transparency

6.2 Monitoring
6.2.3 Monitoring and evaluation system
6.2.4 Measurement
6.2.5 Shortcut to implement policy

Disclosure

6.3 Stakeholder involvement
6.4 Enforcement
    6.4.3 submitting reports
    6.4.4 reports are not time bound
    6.4.5 local content plan
6.5 Embedded in contracts/ company policy
6.6 Compliance

7 Level of transparency

7.2 lots of work to be done
7.3 MNC do better jobs
7.4 Relative
7.5 Implementation phase
7.6 100% transparent
7.7 Skeptical

8 Agencies responsible for the policy

8.2 Too many regulatory bodies
8.3 Lack coordination
8.4 Manpower
8.5 No qualification

9 Level of the Nigeria local content policy

9.2 50%
9.3 4-5 but not 6
9.4 10
9.5 4
9.6 4
9.7 5
9.8 3

10 Incentives

10.2 local sourcing
10.3 substandard products
10.4 no benefit
10.5 government support
10.6 Clause 48
10.7 Others

11 Subcontracting

11.2 Joint venture/partnership
    13.1.1 Knowledge transfer

11.3 Outsourcing
11.4 Standard

12 lessons learnt from countries with effective policy

12.2 Community involvement
- 12.2.3 Malaysia
- 12.2.4 Norway

12.3 Local capacity development/Logistics
- 12.3.3 Brazil
- 12.3.4 Norway
- 12.3.5 United Kingdom
- 12.3.6 United States
- 12.3.7 Angola

12.4 Professionalism
- 12.4.3 Malaysia
- 12.4.4 Trinidad and Tobago

12.5 Domiciliation
- 12.5.3 Dubai
- 12.5.4 Trinidad and Tobago
- 12.5.5 Angola
- 12.5.6 Norway

12.6 Stimulate Investment
- 12.6.3 Trinidad and Tobago
- 12.6.4 Norway

12.7 Frame Agreement
- 12.7.3 Trinidad and Tobago
- 12.7.4 Angola

12.8 Monitoring
- 13.7.1 Malaysia

13 Barriers to successful implementation
- 13.2.3 Lack of infrastructure
- 13.2.4 Lack of power
- 13.2.5 Insufficient capital
- 13.2.6 Lack of capacity
- 13.2.7 Low oil price
- 13.2.8 Ambitious policy
- 13.2.9 Others

Random Codes

Biometric capture system

Entrepreneurship

Linkage

Appendix 2: Consent letter

The evaluation of accountability practices in the implementation of the Nigerian local content policy in the Nigerian oil and gas industry

Consent Form for Participants

I have read the **Participant Information Sheet** for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the study. I understand I can withdraw any information I have provided up until the researcher has commenced analysis on my data. I agree to provide information to the researchers under the conditions of confidentiality set out on the **Participant Information Sheet**.

I agree to participate in this study under the conditions set out in the **Participant Information Sheet**.

Signed: ____

Name: ____

Date: _______________________________________

Researcher: Oguagha Udechukwu Offordile

u.o.oguagha@rgu.ac.uk

Supervisor: Dr Abhishek Agarwal

a.agarwal@rgu.ac.uk

Appendix 3: Interview questions

INTERVIEW QUESTIONS

To critically evaluate the extent of local content policy implementation in the Nigerian oil and gas industry

1. What is your knowledge of the Nigerian local content policy?
2. In your own view what are the drivers promoting the implementation of the Nigerian local content policy?
3. In what way is your organisation involved in the implementation of the Nigerian local content policy?
4. To what extent does this policy aid in the running of the Nigerian oil and gas industry?
5. Are there any specific initiatives and incentives in this policy that supports the use of local resources and local workforce in the activities in the oil and gas industry?
6. How has the implementation of the Nigerian local content policy affected the oil and gas industry?
7. How has the implementation of the Nigerian local content policy affected the employability of the local workforce in the oil and gas sector?
8. How has the implementation of the Nigerian local content policy affected the proportion of the foreign workforce in the industry?
9. Can you comment on the level of the local workforce currently employed in your industry/organisation?
10. Have you dealt with or came across sub-contracting procurement or technical services to other companies, and in what capacity?
11. How do you approach the selection of sub-contractors among IOC's and local companies?
12. How has the implementation of the local content policy influenced your selection criteria?
13. What are the infrastructures in place in implementing the local content policy in the oil and gas sector?

14. What is your view about the resources available for indigenous firms to meet up with the local content requirements?
15. Has the IOC implemented the local content policy in their activities in the oil and gas industry?
16. In terms of training and technological transfer has the IOC implemented the local content policy in their oil and gas activities in Nigeria?
17. What strategies can be most effective in improving the local content policy in the Nigerian oil and gas industry?

To critically evaluate the extent of accountability in the implementation of local content policy in the Nigerian oil and gas industry- institutional approach and strategies within the accountability framework.

1. What is your view about the level of transparency in the implementation of local content policy in the oil and gas industry?
2. What are the procedures used to ensure transparency in the implement of the Nigerian local content policy?
3. How are these procedures implemented, and enforced?
4. Which government agencies or regulatory bodies are responsible for the implementation of the Nigerian local content policy?
5. In what way does NCDMB, government and NNPC measure performance of the local content implementation in the Nigerian oil and gas industry?
6. To what extent does the government and NNPC act as a facilitator in the implementation of the local content policy?
7. In monitoring the implementation of the policy in the oil and gas industry, how does NCDMB ensure transparency in their operation?
8. In the implementation of the policy in your organisation, how does you organisation ensure transparency in their operation?
9. Can you comment on the level of transparency in the bidding and implementation phase of any project in the Nigerian oil and gas industry?
10. How does your organisation comply with the implementation of the local content policy in your organisation?

11. How do you collaborate with the NCDMB in implementing this policy in your organisation?
12. Are you satisfied with the current assessment practice of the NCDMB and its operators or are there areas where you feel they can do better? (for local companies)
13. What changes in regulations, economic incentives, and policies are needed to improve the implementation of the Nigerian local content policy?
14. Is the law adequate to ensure compliance in the implementation of local content policy in the oil and gas industry
15. Are there mandated reports your company submits to NCDMB? How often do you submit this report?
16. Are there consequences for not submitting these reports?

To draw lessons from international best practices and accountability mechanism for implementing local content policy in the oil and gas industry

1. In your view, are there effective local content policies in other oil producing countries?
2. Looking at other oil producing countries that have effective local content policy, what approach can be developed or applied to improve the Nigerian local content policy?
3. In your view, what changes are needed in the regulatory framework for improved implementation of the local content policy in the Nigerian oil and gas industry?

Appendix 4: Supervisor's consent letter

ROBERT GORDON UNIVERSITY ABERDEEN

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Email: aberdeen.business.school@rgu.ac.uk
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03 March, 2014
The Acting Executive Secretary
Petroleum Development Trust Fund,
Plot 672 Port Harcourt Crescent,
Garki, Area 11, Abuja,
Nigeria

Dear Sir,

REF: OGUAGHA UDECHUKWU OFFORDILE
APPLICATION FOR FIELD TRIP ALLOWANCE

I am Dr Abhishek Agarwal, Senior Lecturer in the Aberdeen Business School, Department of Management and the course leader for MSc Leadership and Management at the Aberdeen Business School. I am Mr Oguagha Udechukwu's first supervisor.

Mr Oguagha is in his second year of his study. He has made significant progress in his project. A clear societal and management impact is now feasible. Making progress by collecting the full research data is now crucial to the success of this PhD. Overall, progress has been good and there is plenty of evidence provided to illustrate this.

Mr Oguagha intends to travel to Nigeria on 5th April 2015 to undertake his data collection. I hope you would give Mr Oguagha your full support in his quest for data collection relating to his research in Nigeria.

If you wish to discuss this request with me please do not hesitate to contact me by email a.agarwal@rgu.ac.uk or by telephone on +44 (0)1224 263976

Yours sincerely
3/3/15
Dr Abhishek Agarwal

INVESTOR IN PEOPLE

Appendix 5: Node sheet

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
1.0 Knowledge of the Nigerian local content policy		3	3	04/11/2015 10:22	U.O	29/11/2015 03:46	U.O
1.1 Adequate participation		9	14	04/11/2015 10:23	U.O	29/11/2015 02:12	U.O
1.10 Others		1	1	04/11/2015 10:34	U.O	19/11/2015 17:13	U.O
1.2 Utilisation of local resources and personnel		7	7	04/11/2015 10:24	U.O	29/11/2015 03:22	U.O
1.3 Role of company		4	5	04/11/2015 10:24	U.O	19/11/2015 14:04	U.O
1.5 Deliberate policy		5	6	04/11/2015 10:27	U.O	29/11/2015 03:22	U.O
1.6 Value retention		5	6	04/11/2015 10:28	U.O	29/11/2015 01:34	U.O
1.7 Beyond human capital development		1	1	04/11/2015 10:31	U.O	19/11/2015 16:06	U.O
1.8 Technological transfer		8	9	04/11/2015 10:31	U.O	29/11/2015 02:13	U.O
1.9 Collaboration		0	0	04/11/2015 10:33	U.O	14/11/2015 14:39	U.O
11.0 Incentives		1	2	04/11/2015 12:48	U.O	27/11/2015 16:14	U.O
11.1 Local sourcing		5	6	04/11/2015 12:48	U.O	29/11/2015 04:12	U.O
11.2 government support		4	4	04/11/2015 12:49	U.O	27/11/2015 16:16	U.O
11.3 no benefit		5	7	04/11/2015 12:49	U.O	29/11/2015 03:42	U.O
11.4 substandard products		1	1	04/11/2015 12:49	U.O	29/11/2015 01:41	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
11.5 Clause 48		2	2	04/11/2015 12:49	U.O	27/11/2015 16:16	U.O
11.6 others		2	3	04/11/2015 12:49	U.O	27/11/2015 16:20	U.O
12.0 Subcontracting		5	10	04/11/2015 12:50	U.O	29/11/2015 04:14	U.O
12.1 Joint venture and partnership		11	18	04/11/2015 12:50	U.O	27/11/2015 23:59	U.O
12.1.1 knowledge transfer		3	4	04/11/2015 12:50	U.O	27/11/2015 01:05	U.O
12.2 Outsourcing		2	3	04/11/2015 12:50	U.O	27/11/2015 20:38	U.O
12.3 Standard		2	3	04/11/2015 12:50	U.O	26/11/2015 19:30	U.O
13.0 Lessons learnt from countries with effective policy		10	13	04/11/2015 12:51	U.O	29/11/2015 03:46	U.O
13.1 Community involvement		0	0	04/11/2015 12:54	U.O	14/11/2015 14:44	U.O
13.1.1 Malaysia		1	1	04/11/2015 12:55	U.O	27/11/2015 17:43	U.O
13.1.2 Norway		1	1	04/11/2015 12:57	U.O	14/11/2015 14:45	U.O
13.2 Local capacity development and Logistics		3	3	04/11/2015 12:58	U.O	29/11/2015 04:40	U.O
13.2.1 Brazil		0	0	04/11/2015 12:59	U.O	14/11/2015 14:54	U.O
13.2.2 Norway		3	6	04/11/2015 12:58	U.O	28/11/2015 01:21	U.O
13.2.3 United Kingdom		0	0	04/11/2015 12:59	U.O	14/11/2015 14:55	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
13.2.5 Angola		3	3	04/11/2015 12:59	U.O	29/11/2015 04:46	U.O
13.3 Professionalism		3	3	04/11/2015 13:00	U.O	29/11/2015 03:18	U.O
13.3.1 Malaysia		2	2	04/11/2015 13:00	U.O	29/11/2015 02:54	U.O
13.3.2 Trinidad and Tobago		0	0	04/11/2015 13:00	U.O	14/11/2015 14:59	U.O
13.4 Domiciliation		2	2	04/11/2015 13:01	U.O	29/11/2015 04:42	U.O
13.4.1 Dubai		3	4	04/11/2015 13:01	U.O	29/11/2015 04:39	U.O
13.4.2 Trinidad and Tobago		1	1	04/11/2015 13:01	U.O	27/11/2015 17:40	U.O
13.4.3 Angola		5	10	04/11/2015 13:02	U.O	29/11/2015 04:45	U.O
13.4.4 Norway		1	1	04/11/2015 13:02	U.O	26/11/2015 20:27	U.O
13.5 Stimulate investment		0	0	04/11/2015 13:02	U.O	14/11/2015 15:00	U.O
13.5.1 Trinidad and Tobago		1	1	04/11/2015 13:02	U.O	27/11/2015 17:38	U.O
13.5.2 Norway		1	1	06/11/2015 14:50	U.O	14/11/2015 15:01	U.O
13.5.3 Angola		0	0	04/11/2015 13:02	U.O	14/11/2015 15:00	U.O
13.6 Frame agreement		0	0	04/11/2015 13:03	U.O	14/11/2015 14:50	U.O
13.6.1 Trinidad and Tobago		0	0	04/11/2015 13:03	U.O	14/11/2015 14:51	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
13.6.2 Angola		0	0	04/11/2015 13:03	U.O	14/11/2015 14:51	U.O
13.7 Monitoring		0	0	04/11/2015 13:03	U.O	14/11/2015 14:56	U.O
13.7.1 Malaysia		1	1	04/11/2015 13:03	U.O	26/11/2015 16:48	U.O
14.0 Barriers to successful implementation		12	24	04/11/2015 13:04	U.O	29/11/2015 03:53	U.O
14.1 Lack of infrastructure		5	6	04/11/2015 13:05	U.O	27/11/2015 21:59	U.O
14.2 Lack of power		3	3	04/11/2015 13:07	U.O	27/11/2015 21:59	U.O
14.3 Insufficient capital		7	8	04/11/2015 13:05	U.O	27/11/2015 21:59	U.O
14.4 Lack of capacity		8	12	04/11/2015 13:06	U.O	29/11/2015 04:03	U.O
14.5 Low oil price		3	4	04/11/2015 13:05	U.O	19/11/2015 14:31	U.O
14.6 Ambitious policy		3	6	04/11/2015 13:07	U.O	29/11/2015 02:34	U.O
14.7 Others		5	7	04/11/2015 13:06	U.O	27/11/2015 17:11	U.O
2.0 IOC's Role		2	3	04/11/2015 10:34	U.O	19/11/2015 15:56	U.O
2.1 Role as middle men		9	15	04/11/2015 10:35	U.O	29/11/2015 04:43	U.O
2.2 Partnership and collaboration with local companies		13	27	04/11/2015 10:35	U.O	29/11/2015 04:20	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
2.3 Perception about local companies		4	8	04/11/2015 10:36	U.O	26/11/2015 19:38	U.O
2.3.1 locals ability to withstand pressure		2	2	04/11/2015 10:36	U.O	26/11/2015 20:19	U.O
2.3.2 lack of experience		5	5	04/11/2015 10:44	U.O	27/11/2015 01:18	U.O
2.3.3 opinion on local companies' performance		6	7	04/11/2015 10:45	U.O	29/11/2015 04:37	U.O
2.3.4 Trust		6	14	04/11/2015 16:28	U.O	29/11/2015 04:38	U.O
2.4 Training and human capital development		12	20	04/11/2015 10:46	U.O	29/11/2015 04:38	U.O
2.4.1 Internship		2	2	04/11/2015 10:46	U.O	18/11/2015 14:07	U.O
2.4.2 Transfer of expertise		3	3	04/11/2015 10:46	U.O	16/11/2015 16:21	U.O
2.4.3 Employment and training plan		1	2	04/11/2015 10:46	U.O	26/11/2015 16:35	U.O
3.0 Impact of policy		4	4	04/11/2015 10:47	U.O	29/11/2015 01:36	U.O
3.1 Positive impact		1	1	04/11/2015 10:50	U.O	27/11/2015 17:47	U.O
3.1.1 Investment		5	5	04/11/2015 10:50	U.O	29/11/2015 02:14	U.O
3.1.2 gives local companies advantage		10	18	04/11/2015 10:50	U.O	29/11/2015 04:00	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By	
3.1.3 Employment		5	5	04/11/2015 10:50	U.O	29/11/2015 01:47	U.O	
3.1.4 Skills acquisition and capacity building		12	21	04/11/2015 10:51	U.O	29/11/2015 03:59	U.O	
3.1.5 Domestication		13	16	04/11/2015 10:51	U.O	29/11/2015 03:12	U.O	
3.1.6 Reduction in capital flight		5	5	04/11/2015 10:51	U.O	29/11/2015 03:24	U.O	
3.1.7 Collaboration with other sectors		0	0	04/11/2015 10:51	U.O	10/11/2015 12:34	U.O	
3.2 Negative impact		0	0	04/11/2015 10:52	U.O	10/11/2015 12:33	U.O	
3.2.1 Enforcing the law irrespective of the capacity		5	9	04/11/2015 10:53	U.O	29/11/2015 02:34	U.O	
3.2.2 Increase in cost		0	0	04/11/2015 10:53	U.O	10/11/2015 12:34	U.O	
3.2.3 Inefficiency in the industry		1	1	04/11/2015 10:53	U.O	29/11/2015 01:42	U.O	
4.0 Strategies to improve policy		3	3	04/11/2015 12:22	U.O	27/11/2015 17:33	U.O	
4.1 Enforcement		11	34	04/11/2015 12:22	U.O	29/11/2015 04:44	U.O	
4.1.1 Sanction		1	2	04/11/2015 12:24	U.O	14/11/2015 15:24	U.O	
4.11 Infrastructural improvement		3	3	04/11/2015 12:26	U.O	28/11/2015 00:54	U.O	
4.12 Transparency		6	8	04/11/2015 12:26	U.O	29/11/2015 04:41	U.O	
4.13 Domiciliation		4	10	04/11/2015 12:26	U.O	29/11/2015 03:46	U.O	

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
4.14 Nigerians in Diaspora		1	2	04/11/2015 12:26	U.O	26/11/2015 16:41	U.O
4.15 Petroleum Industry Bill		6	11	04/11/2015 12:27	U.O	29/11/2015 04:47	U.O
4.2 Enabling environment		6	9	04/11/2015 12:23	U.O	29/11/2015 04:46	U.O
4.2.1 security		0	0	04/11/2015 12:23	U.O	14/11/2015 15:23	U.O
4.4 Stakeholders involvement		7	13	04/11/2015 12:24	U.O	29/11/2015 04:40	U.O
4.5 Manpower		2	3	04/11/2015 12:24	U.O	28/11/2015 01:20	U.O
4.6 Access to funds		2	3	04/11/2015 12:24	U.O	16/11/2015 14:38	U.O
4.6.1 Management of funds		4	4	04/11/2015 12:25	U.O	28/11/2015 00:27	U.O
4.6 Capacity building		6	8	04/11/2015 12:25	U.O	29/11/2015 03:19	U.O
4.8 Incentives		4	4	04/11/2015 12:25	U.O	27/11/2015 17:36	U.O
4.9 Empowerment		5	5	04/11/2015 12:25	U.O	29/11/2015 03:40	U.O
5.0 Resources available for implementing the policy		2	2	04/11/2015 12:27	U.O	29/11/2015 04:15	U.O
5.1 Training		10	20	04/11/2015 12:35	U.O	29/11/2015 04:17	U.O
5.2 Access to funds		8	9	04/11/2015 12:35	U.O	28/11/2015 00:26	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By	
5.3 Lack of infrastructure		5	5	04/11/2015 12:36	U.O	29/11/2015 03:54	U.O	
5.3.1 insufficient power supply		0	0	04/11/2015 12:36	U.O	14/11/2015 15:34	U.O	
5.3.2 acceptability of local products		0	0	04/11/2015 12:37	U.O	14/11/2015 15:33	U.O	
5.4 Government support (security)		1	1	04/11/2015 12:37	U.O	14/11/2015 15:32	U.O	
6.0 Employability		6	9	04/11/2015 12:38	U.O	29/11/2015 04:11	U.O	
6.1 Partnership and collaboration		8	10	04/11/2015 12:38	U.O	29/11/2015 03:22	U.O	
6.1.1 Succession plan		5	5	04/11/2015 12:38	U.O	29/11/2015 03:28	U.O	
6.2 Skill development		2	2	04/11/2015 12:38	U.O	26/11/2015 17:56	U.O	
6.3 Reduction in foreign workforce		16	26	04/11/2015 12:39	U.O	29/11/2015 04:10	U.O	
6.3.1 Reduction in expatriates doing menial jobs		3	5	04/11/2015 12:39	U.O	27/11/2015 20:37	U.O	
6.4 Expatriate quota system		5	5	04/11/2015 12:39	U.O	29/11/2015 01:52	U.O	
6.5 Preference to Nigerian manpower		9	27	04/11/2015 12:40	U.O	29/11/2015 04:09	U.O	
6.6 Trust		1	1	04/11/2015 12:40	U.O	10/11/2015 12:18	U.O	
6.7 Others		1	1	04/11/2015 13:46	U.O	10/11/2015 12:18	U.O	

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By
7.0 Procedures for ensuring transparency		3	4	04/11/2015 12:40	U.O	29/11/2015 03:37	U.O
7.1 Monitoring		15	33	04/11/2015 12:41	U.O	29/11/2015 04:27	U.O
7.1.1 Monitoring and evaluation system		12	22	04/11/2015 12:41	U.O	29/11/2015 04:30	U.O
7.1.2 measurement		6	8	04/11/2015 12:41	U.O	29/11/2015 03:14	U.O
7.1.3 Shortcut to implement policy		1	2	04/11/2015 12:42	U.O	14/11/2015 15:15	U.O
7.2 Disclosure		5	13	04/11/2015 12:42	U.O	28/11/2015 00:07	U.O
7.3 Stakeholders involvement		1	2	04/11/2015 12:42	U.O	27/11/2015 23:58	U.O
7.4 Enforcement		11	21	04/11/2015 12:43	U.O	29/11/2015 04:28	U.O
7.4.1 submitting reports		10	16	04/11/2015 12:43	U.O	29/11/2015 04:30	U.O
7.4.2 reports not time bound		1	1	04/11/2015 12:43	U.O	18/11/2015 14:12	U.O
7.4.3 local content plan		1	1	04/11/2015 12:43	U.O	26/11/2015 18:47	U.O
7.5 Embedded in contracts and company policy		9	18	04/11/2015 12:44	U.O	29/11/2015 04:26	U.O
7.6 Compliance		8	17	04/11/2015 12:44	U.O	29/11/2015 04:31	U.O
8.0 Level of transparency		1	1	04/11/2015 12:45	U.O	16/11/2015 21:58	U.O

Name	Memo Link	Sources	References	Created On	Created By	Modified On	Modified By	
8.1 Lots of work to be done		12	31	04/11/2015 12:45	U.O	29/11/2015 03:43	U.O	
8.2 MNC do better jobs		2	2	04/11/2015 12:45	U.O	14/11/2015 15:09	U.O	
8.3 Relative		7	7	04/11/2015 12:45	U.O	29/11/2015 04:25	U.O	
8.4 Implementation phase		1	1	04/11/2015 12:46	U.O	26/11/2015 20:08	U.O	
8.5 100%% transparent		2	2	04/11/2015 12:46	U.O	29/11/2015 04:21	U.O	
8.6 Sceptical		3	4	04/11/2015 12:46	U.O	27/11/2015 17:20	U.O	
8.7 Others		3	4	16/11/2015 20:13	U.O	29/11/2015 02:47	U.O	
9.0 Agencies responsible for policy		17	36	04/11/2015 12:46	U.O	29/11/2015 04:26	U.O	
9.1 Too many regulatory bodies		1	1	04/11/2015 12:48	U.O	26/11/2015 18:33	U.O	
9.2 Lack coordination		5	13	04/11/2015 12:47	U.O	29/11/2015 02:57	U.O	
9.3 Manpower		3	5	04/11/2015 12:47	U.O	29/11/2015 03:15	U.O	
9.4 No qualification		1	1	04/11/2015 12:47	U.O	29/11/2015 04:47	U.O	