



International Journal of Institutional Leadership, Policy and Management  
Volume 7, Issue 4, pp. 680-700. 2025

ISSN: 2735-9220

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# THE DILEMMA OF POLICY OPTIMALITY AND RESOURCE GOVERNANCE OF PUBLIC INSTITUTIONS IN NIGERIA'S FOURTH REPUBLIC

**Rapheal George ALALI**

Department of Political and Administrative Studies  
Faculty of Social Sciences  
University of Port Harcourt, Nigeria  
[raphealalali1960@gmail.com](mailto:raphealalali1960@gmail.com)  
<https://orcid.org/0009-0000-7280-003x>

**Nwankwo Junior SABASTINE**

Department of Political Science  
Faculty of Social Sciences  
Ignatius Ajuru University of Education, Nigeria  
[nsabastine08@gmail.com](mailto:nsabastine08@gmail.com)

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## ABSTRACT

Policy optimality and resource governance have become central issues in Nigeria's Fourth Republic, where public institutions have continued to grapple with issues pertaining to inefficiency, mismanagement, and a lack of adequate accountability framework. The study interrogates policy architectures and resource governance in public institutions and how optimized policy design and implementation can help engender greater openness and transparency, strengthen service delivery, and ensure sustainable development. The study was guided by three objectives and three research questions, while the Institutional theory was adopted to guide the analytical construct. Utilizing a qualitative-descriptive methodology was supported by secondary data. Findings reveal that while policy frameworks like the Petroleum Industry Act, 2021 was initiated to revamp the operations of extractive industries through the instrumentality of the Ministry for Petroleum Resources and the Nigeria National Petroleum Company Limited (NNPCL); the optimality has been bedeviled by institutional weakness and policy incoherence, bureaucratic corruption, and weak legal and regulatory frameworks. The conclusion is that optimizing policy coherence, investing in institutional capacities, and developing ethical leadership are optimum measures for optimizing resource governance in Nigeria's Fourth Republic. The study recommend amongst others; the importance of evidence-informed policy development, inclusive governance dynamics, and regulatory oversight to ensure optimal outcomes in public governance.

**Keywords:** Policy, Policy Optimality, Governance, Resource Governance.

Reference to this paper should be made as follows:

Alali, R. G., & Sabastine, N. J. (2025). The dilemma of policy optimality and resource governance of public institutions in Nigeria's fourth republic. *International Journal of Institutional Leadership, Policy and Management*, 7(4), 680-700. <https://doi.org/10.5281/zenodo.18060437>.

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## **INTRODUCTION**

Policy formulation and implementation remain germane to the overall attainment of good governance, particularly in developing societies seeking to balance developmental needs with scarce resources. In Nigeria's Fourth Republic (1999 to date), the challenge of policy optimality which emphasizes the ability of governments to design and implement policies that efficiently achieve set goals has been a recurring dilemma, especially with regard to the expectations of policy input and policy impact which ideally is expected of any government that is people-oriented. Despite the vast natural and human resources at Nigeria's disposal, public institutions have largely struggled with ensuring effective resource governance. The paradox of plenty, commonly referred to as the "resource curse," has contributed significantly to governance crises where resource wealth has not translated into broad-based development (Sala-i-Martin & Subramanian, 2013). This portrays a country that is endowed with enormous natural mineral and solid resources like gas, fossil fuel, gold, coal and tin ore; while the developmental lens is blurred by multidimensional poverty, inequality, institutional corruption and untold hardship.

Therefore, effective governance is the panacea to overriding challenges of resource management. As Biswas (2025) averred that involves the deployment of political power and institutional resources to address issues and manage public affairs in society. Therefore, the entire gamut of activities involved in the development, distribution, regulation and utilization of natural resources goes by the name 'natural resource governance' (NRG). Campese (2016) sees NRG as the "norms, institutions, and processes that determine how power and responsibilities over natural resources are exercised by stakeholders, how decisions are taken and how citizens including women, men, youth, indigenous peoples and local communities, secure access to, participate in, and are impacted by the management of natural resources.

Public institutions in Nigeria that are constitutionally and legally mandated to serve as custodians of public resources and policy implementers like; the Federal Ministry of Finance and Coordinating Ministry of the Economy (FMF&CMoE), the Central Bank of Nigeria (CBN), the Nigerian National Petroleum Company Limited (NNPCL), Nigerian Extractive Industries Transparency Initiative (NEITI), Revenue Mobilization, Allocation and Fiscal Commission (RMAFC), Economic and Financial Crimes Commission (EFCC) amongst others often face overlapping mandates, weak accountability mechanisms, political interference, corruption, and inefficiency, which compromise their ability to achieve optimal policy outcomes (Aye, 2018; Olayiwola & Adeleke, 2020). For example, policies on education, health, and infrastructure often falter at the implementation stage due to misallocation of resources, bureaucratic bottlenecks, or diversion of funds (Ogbuagu, 2021).

### **Statement of the Problem**

The Fourth Republic has witnessed a cycle of reforms, ranging from the establishment of anti-corruption agencies such as the Economic and Financial Crimes Commission (EFCC) to public sector reforms aimed at transparency and accountability. Yet, these interventions have often been met with limited success, reflecting the deeper institutional weaknesses that hinder optimal policy outcomes (Agbibo, 2015). Consequently, Nigeria's abundant natural and human resources have not translated into commensurate socio-economic development. Instead, the country grapples with high levels of poverty, unemployment, infrastructural decay, and weak social services. While several policy frameworks and developmental plans have been launched,

including the National Economic Empowerment and Development Strategy (NEEDS), Vision 20:2020, and the Economic Recovery and Growth Plan (ERGP), their implementation has been undermined by ineffective governance of public institutions (Akanbi, 2016).

The problem lies in the persistent gap between policy design and execution, where policies are often either poorly formulated or inadequately implemented. Public institutions, instead of being drivers of development, are frequently arenas of rent-seeking and elite capture. This raises critical questions: Why do policies fail to achieve optimal outcomes in Nigeria despite well-articulated blueprints? How do resource governance practices within public institutions shape these outcomes? What structural and institutional constraints perpetuate this dilemma in the Fourth Republic? These issues underscore the necessity of examining the dynamics of policy optimality and resource governance in Nigeria, particularly within the context of public institutions that serve as the engine of state capacity and service delivery. This gap is what the current study is intended to fill.

### **Aim and Objectives of the Study**

The main aim of the study is to investigate the controversy of policy optimality and resource governance of public institutions in Nigeria's fourth republic. While the study specifically seeks to:

- Examine the Ministry of Petroleum Resources and its optimal policy towards resource governance in Nigeria's fourth republic.
- Evaluate the Nigeria National Petroleum Company Limited (NNPCL) and its optimal policy towards resource governance in Nigeria's fourth republic.
- Determine the institutional and structural factors impeding effective resource governance in Nigeria's fourth republic.
- Proffer measures to address the dilemma of policy optimality and resource governance of public institutions in Nigeria's fourth republic

## **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

### **Policy**

The concept of policy is central to governance, organizational management, and development studies. Broadly defined, policy refers to a set of decisions, principles, and guidelines that direct actions toward achieving specific goals (Anderson, 2015). According to Davis and Filley (1977), a policy is a statement of a principle or group of principles with their supporting rules of action, that conditions and governs the achievement of certain objectives to which a business is directed. It embodies a framework of choices made by authoritative actors within governmental, institutional, or organizational contexts to resolve problems and provide direction. Moving further, Dye (1975) defined public policy as "whatever governments choose to do or not to do," emphasizing the deliberate nature of policy choices. Obikeze and Obi (2004) defined it as simply governmental action and programmes of actions toward solving societal problems. In this sense, policy transcends mere intentions; it includes concrete programs, regulations, and actions aimed at addressing societal challenges.

## **Policy Optimality**

Optimality is defined as the selection of inputs in a system to minimize a cost measure, thereby determining the controls that yield the minimal cost associated with the system's performance (Lewis, 2012). Therefore, policy optimality in this context refers to the goal of designing public policies that achieve the highest possible public good (welfare, equity, prosperity) with the most efficient use of resources (Muritala, 2024; Peters et al., 2022). Sequel to the foregoing concept of optimality, then policy optimality should be expressed as the decisions formulated by government which involves minimizing a cost measure and maximizing the best policy implementation or outcome to address a social problem.

The capacity to efficiently allocate resources while maximizing social welfare is a hallmark of optimal public policy. Maznorbalia and Awalluddin (2022) stress that when creating the best policies, factors like decentralization, cost-benefit analysis, resource scarcity, prioritization, and political considerations are essential. Policy optimality refers to the extent to which a formulated and implemented public policy achieves its intended objectives in an efficient, effective, and equitable manner. It embodies the idea of designing and executing public policies that maximize social welfare, minimize unintended consequences, and optimally allocate scarce resources. The concept draws from both economics and policy analysis, focusing on the alignment between policy goals, instruments, and outcomes (Simon, 1976; Dunn, 2018).

## **Governance**

Namo, et al (2024), saw governance as a series of public activities that entails making choices in the public interest for the well-being of a nation. This choice must be conscientiously made by identifying societal needs or challenges and making rightful decisions in addressing those needs with the aim of ensuring the greatest happiness of the populace. From a global perspective, The United Nations Human Development Index Report (UNHDI) (2011) defines governance as a system of creating and sustaining an environment for inclusive and responsive political processes and settlements. This inclusivity ensures the adherence of the rule of law and equality of all men, devoid of race, ethnicity, religious belief or party line. It further models a society where no one is oppressed. In governance, the people come first whereas in government the state comes first. The World Bank cited in Ejere (2013, p. 127) defines governance as the manner in which power is exercised in the management of a nation's economic and social resources for total development. Within the context of this study, governance entails the ability of the authority to oversee, utilize or perhaps manage both human and material resources conscientiously with a sense of accountability and responsiveness in ensuring the greatest happiness and validation of the people on whose mandate, you exercise such power.

## **Resource Governance**

Natural resources refer to the natural-given material assets that are usually available and harnessed by the people of a given state so as to sustain life and create wealth (Okoli & Uhembe, 2015). The natural resources consist of all organic valuable accruable from the earth, land, waters, the wildlife and natural vegetation. The instances of such resources are minerals, metals, wildlife, fish, timber, wood, sand, clay, etc. On the other hand, natural resource governance relates to the fundamental norms, institutions and processes that determine how power and

responsibilities over natural resources are exercised, how decisions are made and how citizens involve in and benefit from the natural resources in their domain (Mead, 2014). Governance of natural resources is a matter of justice and sensibility. It is a necessary and inseparable foundation for a just world that values and conserves nature. According to Roba et al (2013, p.1):

Natural resource governance is defined as rules and regulations that determine (or govern) natural resources use and the way these rules and regulations are developed and enforced... It is thus about relationships and who has the power and responsibility to make and implement decisions.

After condensing the variety of scholarly opinion, it is justifiable to state here that resources are both mineral and solid and the ability to discover, explore, refine, market and inject the proceeds of the sales of this resources into the country to boost socio-economic programmes and projects with a sense of accountability and transparency is entirely what resource governance is all about.

### **Public Institutions**

According to Pratt (2004), “public institutions refer first to government at all levels and in all dimensions. They therefore include local, regional (i.e., provinces and states), and national governments, as well as the compact conventions and other arrangements that are made between governments. Within governments, this includes the legislative, executive/administrative, and adjudicative components.” The dimensions of public institutions within the context of this study includes ministries, departments and agencies (MDA’s) that is a creation of the state and empowered by the enabling Act to render effective and efficient service delivery to the citizens.

## **THEORETICAL FRAMEWORK**

### **Institutional Theory**

The study adopted the Institutional theory (which is most commonly attributed to John W. Meyer and Brian Rowan (1977), and later expanded by Paul J. DiMaggio and Walter W. Powell (1983) through their seminal works on institutional isomorphism) to guide the analytical construct on the dilemma of policy optimality and resource governance of public institutions in Nigeria’s fourth republic. The theory therefore emerged as a key framework in organisational analysis, focusing on how institutions, defined as formal and informal rules, norms, and practices, shape the behaviour and performance of organisations (Scott, 2014). The theory posits that institutions exert strong pressures on organisations to conform to established norms, values, and expectations within their socio-political environment. As such, organisations do not merely pursue efficiency or performance but seek legitimacy through alignment with institutionalized practices and societal expectations (Meyer & Rowan, 1977; DiMaggio & Powell, 1983).

In the context of governance, institutional theory explains how public institutions operate within a complex web of political, legal, and cultural constraints. It emphasizes that institutional environments rather than individual rational choices often determine the success or failure of public policies and resource governance (North, 1990; Peters, 2019).

Institutional theory is built on several key assumptions that explain the structure and behaviour of public institutions:

- Firstly it emphasizes that organisations are embedded within institutional environments that define legitimate norms and acceptable behavior (Scott, 2014).
- Secondly, public institutions tend to mimic others within the same field, leading to structural similarity rather than functional efficiency (DiMaggio & Powell, 1983).
- Institutions prioritize conformity to societal expectations and political directives to gain legitimacy rather than focusing solely on operational performance (Meyer & Rowan, 1977).
- Institutional structures are resistant to change; past arrangements and practices shape current and future actions (North, 1990).
- Political, professional, and cultural pressures influence how institutions implement policies and manage resources (Peters, 2019).

These assumptions collectively imply that institutional behavior is more a product of historical patterns and external pressures than of deliberate, rational optimization. Institutional theory provides a powerful lens for analyzing the dilemma of policy optimality and resource governance in Nigeria's Fourth Republic. Nigeria's public institutions such as the Nigerian National Petroleum Company Limited (NNPCL), Central Bank of Nigeria (CBN), and Economic and Financial Crimes Commission (EFCC) are constitutionally mandated to serve as custodians of public resources and implementers of state policies. However, their performance often reflects institutional weaknesses, path dependence, and conformity to entrenched political norms rather than objective policy goals (Ayoade, 2020; Ogbuagu, 2021).

From an institutional perspective, policy sub-optimality in Nigeria arises because institutional frameworks are shaped by political patronage, bureaucratic inertia, and corruption, which distort the rational allocation and management of resources. For instance, institutional isomorphism has caused Nigerian public agencies to adopt bureaucratic models that emphasize compliance and hierarchy over innovation and accountability. Similarly, the persistence of rent-seeking behavior and weak enforcement of accountability norms are symptoms of institutionalized practices embedded in Nigeria's political culture (Krause, 2015). Institutional theory also helps to explain why reform efforts often fail, once institutions internalize inefficient norms and practices, they resist transformation even when new policies are introduced. Thus, improving policy optimality and resource governance in Nigeria requires not only technical or managerial reforms but also deep institutional restructuring that addresses historical and systemic constraints on state capacity.

## **METHODOLOGY**

The study adopted the case study design while the area of the study was centered on two public institutions like; the Ministry of Petroleum Resources and the Nigeria National Petroleum Company Limited (NNPCL). The study adopted the secondary source of data as derived from relevant textbooks, articles from online journals and newspaper publications. Content analysis was used to analyse the data derived from the stated objectives.

## **DISCUSSION OF FINDINGS**

### **How has the Ministry of Petroleum Resources influenced its optimal policy towards resource governance in Nigeria's Fourth Republic?**

The Ministry of Petroleum Resources (MPR) is the primary policymaking body in Nigeria's oil and gas sector. Established in 1970, the Ministry oversees the formulation, coordination, and implementation of national petroleum policies aimed at optimizing the exploration, production, and utilization of hydrocarbon resources for national development (Ministry of Petroleum Resources [MPR], 2023). In Nigeria's Fourth Republic (1999-present), the Ministry has been central to major policy reforms, including the Petroleum Industry Act (PIA) of 2021, the National Gas Policy (2017), and the National Petroleum Policy (2017). These policies represent the federal government's drive toward optimal resource governance, balancing efficiency, transparency, and sustainability in managing the country's most critical sector.

#### **Efficiency and Fiscal Accountability**

Assessing the Ministry's Policy Optimality in relation to efficiency and fiscal accountability is on the grounds that the Ministry's policies have improved revenue efficiency through clearer fiscal frameworks and reduced licensing delays. However, persistent revenue leakages, corruption, and poor monitoring mechanisms limit full optimality (Okonjo-Iweala, 2018). It is regrettable that corruption has eaten deep into the fabrics of the Nigerian economy and as argued by Ake (1996), "the Nigerian State is not just corrupt, but corruption is institutionalized" (p. 45). The institutionalization of corruption is now palpable in virtually every sector of our economy. This claim is also highlighted by Otite (2018) who sees the manifestation of corruption in Nigeria as the perversion of the integrity of state affairs through bribery, favouritism, and moral depravity. The lack of political will to initiate polices, monitor the activities of extractive industries operational in the Nigerian soil, as to ascertain if their exploration activities is in compliance with best global practices, the remittance trajectory and trace the perpetrators of this national sabotage raises questions about the optimality of policies initiated by the Ministry in ensuring effective and efficient resource governance in Nigeria.

It is obvious to lay claims that there is still a gripe of corruption in the extractive industry as the deep and bitter experiences of corruption in the past will shed more light on measures to combat them. For instance, the 2012 report of the Petroleum Revenue Special Task Force uncovered an additional form of corruption to the extent that oil bloc tenders from 2005 to 2007 were portrayed by corruption and compulsory amalgamations. It was also revealed in the report that partisan preferences were granted to specific oil firms devoid of their practical knowledge or economic proficiency of the award (Ribadu, 2012). This task force was inaugurated by the former Minister for Energy Resources, Diezani Allison Madueke, on behalf of the Federal Government and was chaired by Mallam Nuhu Ribadu. The report further uncovered that seven discretionary licenses value at over \$183m in signature bonuses were not remitted to the Federation Account from 2005 to 2011.

Another challenge of efficiency and fiscal accountability in the Ministry of Petroleum Resources is evident in the institutional corruption charges against an Ex Petroleum Minister; Diezani Alison-Madueke as reported by the British Broadcasting Corporation (BBC) correspondents; Chris Ewokor in Abuja & Natasha Booty in London and it reads as thus:

Close to \$53m (£43m) in alleged illicit funds recovered from Nigeria's former oil minister Diezani Alison-Madueke among others will be used to fund public services, the country's justice ministry says. The money is being sent back to Nigeria from the US, whose authorities allege that Alison-Madueke enriched herself, and others, while leading Nigeria's state oil firm by awarding contracts in exchange for bribes. The US alleged that the money was then used to buy a 65m (213ft) superyacht called the Galactica Star plus multiple luxury properties in California and New York (BBC, 10<sup>th</sup> January 2025).

These gaps were due to the faulty execution of the Petroleum Profits Tax Act by the Federal Inland Revenue Service, which has triggered the forfeiture of oil revenues by the Federal Government.

### **Transparency and Governance Reform**

The altruistic drive of the Ministry to institutionalize transparency and governance reform in the oil extractive industry has been stalled by administrative and political sabotage within the respective administrations saddled with the trust to reform, manage and resuscitate the Nigerian oil economy. The establishment of institutions like the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream, Downstream Petroleum Regulatory Agency (NMDPRA) under the Petroleum Industry Act (PIA, 2021) demonstrates progress toward governance accountability. Yet, weak enforcement and political interference remain challenges (Agbibo, 2022). A major weakness in the full enforcement of the Petroleum Industrial Act (2021) which has affected its policy optimality as argued by Nigerians with kin interest in the politics and administration in the petroleum ecosystem is exposed in section 292, 298 and 304 of the Act which is further expressed below;

Emphatically, section 292 which stipulates on the “Penalty for nonpayment of tax and enforcement of payment,” points to the discretion allowed by the provision for the FIRS to remitting all or part of 10% and interest incurred over unpaid tax. Social reality indicates that the discretion may be abused thereby turning “good reason” to “bad reason”. “Good reason” supplied by an affected company ought to be relatively measurable or testable by some objective indicator. A provision like subsection (3) seems not to reflect current social realities within the context of Nigeria (Chukwuemeka, 2022).

Secondly, SECTION 298 (Penalty for making incorrect accounts) Unlike section 297, the provision allows compounding any offence under the Act by accepting a sum of money not exceeding the maximum fine specified for the offence and shall issue an official receipt for any money so received. The provisions of the two identical penalty regimes suffer the same pitfall already raised with respect to section 297 and as such recommendations made for section 297 should consequently apply. By implication of the above section, making an incorrect account declaration is fraudulent.

Izedomin and Mgbame (2011) and Okoye and Gbegi (2013) believed that fraud continues to happen in the Nigerian public sector. Fraudulent practices have become a normal business of the day both in public and private sectors in Nigeria, as people commit fraud as per the limit of their office and conceal it (Modugu and Anyaduba, 2013). The levity in the Petroleum Industry Act 2021 in taking actionable measure to prosecute persons found guilty of making incorrect

accounts, exposes the weakness of the Act in its stands against institutional corruption. Different political administrations that came into power in Nigeria has aimed to address fraudulent practices and discipline fraudsters.

However, these political masters eventually join the train (Dalton et al., 2014). As a result, the unethical behaviour in Nigeria may likely continue to exist for a foreseeable future. The statistic revealed that over 80% of the fraudulent behavior in Nigeria is committed mostly by the top government officials (Okoye, 2016). Making incorrect declaration is fraudulent and considered as an act of national sabotage, owing to the fact that Nigeria relies mostly on the proceeds of crude oil to sustain her economy; thus any act of criminality treated with levity gives an avenue for criminal activities with less punishable measure within the extractive industry.

Within the context of this argument, the President could make regulations based on wrong political counsel which might negatively affect or grossly politicize the effective and efficient resource governance in relation to Transparency and Governance Reform which the Federal Inland Revenue Service (FIRS) might not have the powers to object the regulatory powers of president and later affect the optimality of the policy reform of the Petroleum Industrial Act.

## **Environmental and Social Sustainability**

Environmental and social sustainability is a major responsibility of extractive industries like; Shell SPDC, Agip, Exxon Mobil, Sterling oil global amongst others carrying out operations in the resource area. And it is within the obligation of public institutions constitutionally mandated with the governance of our resources to ensure the compliance of this extractive industries in the development of the resource areas like the Niger Delta region of Nigeria. The PIA recognises the importance of developing host communities and as such, made copious provisions for this in Section 234 of the PIA, chapter 3 of the Act. Specifically, Section 234 (1) provides that: The objectives of this chapter are to:

- Promote sustainable prosperity within host communities;
- provide direct social and economic benefits from petroleum activities in host communities;
- enhance peaceful and harmonious co-existence between licensees or lessees and host communities; and
- Create framework to support the development of host communities (PIA, 2021).

Section 235 (1) provides further for the incorporation of a Host Communities Development Trust by the Settler. Section 235 (4) requires the settlor to appoint a board of trustees to be registered with the Corporate Affairs Commission for the purpose of managing the Host Communities Trust, that any company granted oil prospecting license or mining lease on behalf of a joint venture partner known as the settlor shall contribute 3%. Section 318 defines Host communities as “communities situated in or appurtenant to the area of operation of a settlor, and any community as settlor may determine under chapter 3 of this Act”.

The Ministry’s gas-flaring reduction policies and host community development initiatives promote environmental sustainability and social justice. Nonetheless, environmental degradation and oil spills in the Niger Delta still undermine policy effectiveness (Ogbodo, 2020). It is pathetic that places where resources are gotten hardly have commensurate benefits for their

contribution to national wealth and little or nothing have been significantly done to ameliorate the suffering and untold hardship of the people within the resource areas with regard environmental resuscitation policies. The Niger Delta region is a typical case where crude oil which accounts for between 80% and 90% of Nigeria's foreign exchange earnings in the past four decades has little to show for it (Dode, 2012; Nnorom & Odigbo, 2017).

Environmental degradation occasioned by oil exploration and exploitation have left communities without arable agricultural land, safe drinking water, aquatic life and greenhouse. Failures to mitigate these boiling issues have often created conflicts, tension and sometimes violent confrontation between indigenous communities, oil companies and the state. Ogoniland, for instance has been exposed to petroleum hydrocarbons in outdoor air and drinking water, sometimes at elevated concentrations. The governance failure of the Nigerian government through its major institutions like the Ministry of petroleum resources to initiate optimal policies that guarantees social justice undermines the moral decency of resource governance of these institutions.

### **How has the Nigeria National Petroleum Company Limited (NNPC) impacted its optimal policy on resource governance in Nigeria's Fourth Republic?**

The history of the Nigerian National Petroleum Company Limited (NNPCL) is closely tied to Nigeria's effort to manage, control, and commercialize its petroleum resources. The Nigerian National Petroleum Corporation (NNPC), the predecessor of NNPCL, was established on 1 April 1977 under Decree No. 33 of 1977, which merged the Nigerian National Oil Corporation (NNOC) and the Federal Ministry of Mines and Power (ThisDay, 2024). The NNPC was created as a state-owned enterprise charged with the exploration, production, refining, and marketing of petroleum and petroleum products, as well as the development of the oil and gas sector on behalf of the Federal Government of Nigeria (Olujobi & Doe, 2023).

Throughout the 1980s and 1990s, the NNPC evolved into a large, vertically integrated entity, participating in joint ventures with international oil companies such as Shell, Chevron, ExxonMobil, Agip, and Total (Esiedesa, 2023). However, the corporation faced persistent challenges, including inefficiency, financial mismanagement, lack of transparency, and overlapping regulatory roles. These weaknesses were aggravated by its dual role as both operator and regulator, creating conflicts of interest and undermining its commercial viability (The Guardian, 2022).

By the late 2000s, calls for a comprehensive reform of Nigeria's petroleum sector intensified, leading to the drafting of the Petroleum Industry Bill (PIB), which underwent over a decade of legislative deliberation. This culminated in the Petroleum Industry Act (PIA), 2021, signed into law by President Muhammadu Buhari on 16 August 2021. The PIA fundamentally restructured Nigeria's oil and gas industry, separating regulatory, policy, and commercial functions (Olujobi & Doe, 2023). Under Section 53 and 54 of the PIA (2021), the Act mandated the incorporation of the Nigerian National Petroleum Company Limited as a commercially oriented limited liability company, replacing the former NNPC (Federal Government of Nigeria, 2021).

The NNPCL's establishment represents a major shift in Nigeria's approach to resource management. It aligns with international best practices observed in other national oil companies such as Saudi Aramco and Petronas, which operate as profit-driven corporations while maintaining national ownership (Esiedesa, 2023). Since its incorporation, the NNPCL has

reported steady profits, announcing ₦674 billion in 2021 and ₦2.52 trillion in 2022, demonstrating improved financial performance under its commercial mandate (ThisDay, 2024).

In this context, therefore, it can be safely argued that cases of mismanagement, corruption, inefficiency, ineffectiveness, poor transparency are likely to feature and undermine the set goals and objectives of the NNPC, particularly as it relates to promoting national economic development. Remittance of revenue to the Federation Account for even national development is one of the major statutory functions of the Nigerian National Petroleum Company Limited. It does this monthly through the Federation Account Allocation Committee, which sits at the end of every month to take inventory of revenue generated by the various revenue generating agencies of the Nigerian Federation and then applies the constitutional federal formula of revenue sharing among the three tiers of government: Federal, State and Local Governments and the Niger Delta (the oil region) based on the Derivation Principle. This enables the latter to meet their budgetary expenditure(s), both capital and recurrent, and this paves the way for the attainment of economic growth and development. This is important, especially in helping the country to address its myriad of challenges. However, this style of revenue sharing undermines strong national development and transformation as it encourages corruption because there are no strong and effective monitoring mechanisms to track how the allocated funds are utilized (Ibrahim et al, 2018).

### **What are the Key Governance Challenges Facing Resource Governance?**

#### **Financial stress from subsidy legacies and market distortions**

The financial stress accruing from the subsidization of fuel has not been optimally applied to the greatest happiness of the greater number of ordinary Nigerians as poverty, hardship and inflation continue to rise in Nigeria's fourth republic with the NNPC being liable for the poor maintenance of our moribund refineries. Unfortunately, with four government owned refineries with an installed capacity of 445, 000 barrels per day, more than enough to cover its domestic requirements, Nigeria is still a net importer of refined petroleum products (Onyeizugbe & Onwuka, 2012) making it the only member of the Organization of Petroleum Exporting Countries (OPEC) still importing refined fuel (Adekoya, 2020). In 2011, the government spent \$8 billion on subsidy (Moyo & Songwe, 2012); in 2019 it spent N462 billion while it was projected to spend N417 billion in 2020 (Onwuamaeze & Ekeghe, 2020). This means that according to Moyo and Songwe (2012) 30% of Nigerian government expenditure is on fuel subsidy crowding out other development spending.

In the words of Lipton (2013) energy subsidy is growing too large to bear. It is crystal clear that NNPCCL was deeply involved in fuel importation and price-stabilisation mechanisms that created contingent liabilities and strained its balance sheet. The government's subsidy removal policies in 2024–2025 and consequent changes in NNPC/NNPCL commercial responsibilities have exposed the company to financial strain even as they aimed to reduce fiscal waste. The transition away from subsidy regimes has been politically sensitive and operationally disruptive for an entity previously central to subsidy management.

Successive Nigerian governments, despite huge earnings from oil export, have failed in the provision of social amenities needed by its people and in poverty reduction, hence, the introduction of fuel subsidy removal by President Bola Ahmed Tinubu in his inaugural speech on 29<sup>th</sup> May, 2023. The pertinent question begging for answers is what is the extent of the optimality of the policy of fuel subsidy removal to the economic growth of the country, owing to

the fact that the humongous amount of billions saved from the subsidization of fuel have been injected to service other pressing needs of the country, shared amongst governors for the purposes of development? It clearly shows that the removal of fuel subsidy is yet to optimally resuscitate the Nigerian economy, hence the policy failure of our public institutions like the NNPC in addressing the aspirations of the resource areas and Nigerians in general in their quest to effective and efficient resource governance.

According to Channelstv (June 10, 2025), the savings also funded major investments such as a N20 trillion infrastructure fund, NELFUND student loans of ₦54 billion, agriculture, ₦1.5 trillion, solid minerals, ₦ 1 trillion, and CNG transport conversion to lower costs, the report explained, adding that capital expenditure now exceeds recurrent spending. The removal of the petrol subsidy by President Bola Tinubu ended a historic financial drain that cost Nigeria over \$84 billion. The report added that the savings have helped finance 40 critical road projects across the country in the two years of President Tinubu's administration.

Irrespective of the policy framework to better the Nigerian populace, the policy led to an outburst of a Nation-wide hunger protest against the policy initiative. Speaking to THE WHISTLER at the M.K.O Abiola Stadium, a human rights activist and lawyer Adedeji Adeyanju said the #EndbadgovernanceinNigeria protest is against hunger, bad administration and corruption. He said:

“The demands are very simple. We want President Tinubu to bring back subsidies so that life can be bearable for people. “It does not make any sense that the president is saving money and giving it to governors who loot the money. “It does not make economic sense especially when food prices are so high (Nneoma BENSON, Aug 1, 2024, Thewhistler.ng)”

### **Security, resource theft and operational losses**

Oil theft, pipeline vandalism and insecurity in the Niger Delta produce significant production losses and revenue leakages that undermine both NNPC's commercial viability and broader public revenues. The crude oil theft method in Nigeria's Niger Delta is characterized by a range of techniques. The techniques evolve in complexity and scale. Illegal tapping is the most common. It entails bypassing oil pipelines to covertly siphon oil. Criminals drill illegal holes directly into active pipelines and tap oil into barges, trucks, or jerrycans (Mallo, 2024). These losses raise the costs of operations (security, repairs) and reduce the observable benefits of resource extraction for national development. According to The Nigerian National Petroleum Company Limited (NNPC), there were 619 incidents of crude oil theft between the months of December 2023 and March 2024 through 32 illegal connections and 25 pipeline vandalism incidents (Obi et al., 2021).

Irrespective of the theft, policy measures have been initiated in pipeline surveillance contracts which have yield positive remarks in the improve production of millions of barrels of crude per day, yet the optimal impact of the policy on the Nigerians is not significantly visible in relations to economic growth. According to Reuters (2025), Nigeria's oil production surpassed 1.8 million barrels per day (BPD) last month, with current average output at 1.78 million bpd, the head of the country's upstream regulator said on Monday. Furthermore, Gbenga Komolafe, chief executive of the Nigerian Upstream Petroleum Regulatory Commission, told delegates at an energy conference that the output increase, largely possible due to the step-up in security

operations, is part of a push to boost oil production by 1 million bpd to 3 million bpd. It will be paradoxical to acknowledge the increase in oil production, yet President Tinubu is still demanding for the approval of the National assembly to borrow foreign loans in servicing projects and programmes. It therefore throws uncertainty about the dilemma of the optimality of policies of public institutions like the NNPC in adhering to effective and efficient resource governance system in Nigeria's fourth republic.

### **How has other Institutional and Structural Factors Impeding Effective Resource Governance?**

These institutional and structural factors militating effective resource governance in Nigeria's fourth republic includes; institutional weakness and policy incoherence, bureaucratic corruption and rent-seeking behaviour, weak legal and regulatory frameworks, Patrimonialism and Political Interference amongst others as explored below:

- Institutional weakness remains one of the most significant barriers to effective resource governance in Nigeria. Public institutions often lack clear mandates, operational autonomy, and institutional capacity to enforce compliance with governance standards. According to Agbibo (2012), Nigeria's bureaucratic institutions are characterized by overlapping functions, inadequate accountability mechanisms, and a culture of impunity. The constant policy shifts and lack of continuity in resource management frameworks have further entrenched inefficiency. For instance, the Petroleum Industry Act (PIA) of 2021 was expected to reform the oil sector, but its implementation has been inconsistent due to political interference and institutional inertia (Oluwatobi & Ojo, 2022).
- Corruption remains deeply institutionalized within Nigeria's public service structure, distorting policy outcomes and undermining resource governance. The bureaucratic elite often capture state resources through rent-seeking and patronage networks (Ebegbulem, 2012). This neopatrimonial system of governance, where political loyalty outweighs merit and legality, fuels misappropriation of funds and weakens accountability structures (Ibeanu, 2008). Institutions such as the NDDC have consistently failed to deliver developmental projects due to inflated contracts and political interference (Ikelegbe, 2013). Consequently, corruption at both the administrative and political levels diverts resources away from public use, perpetuating underdevelopment and citizen disenchantment.
- The legal environment regulating resource governance in Nigeria is fragmented and outdated. Many of the laws governing the extractive sector, such as the Petroleum Act of 1969, were inherited from the colonial era and remain largely unreformed (Okeke-Ogbuafor & Gray, 2020). This legal obsolescence has created loopholes that enable unaccountable decision-making and arbitrary discretion by political elites. The absence of robust regulatory oversight further weakens transparency in resource allocation and utilization. Although agencies like the Nigeria Extractive Industries Transparency Initiative (NEITI) were established to promote accountability, their recommendations are often ignored due to the absence of enforcement mechanisms (NEITI, 2022).
- Nigeria's resource governance framework operates within a patrimonial state structure, where public office is treated as a means of personal enrichment and patronage distribution (Joseph, 2014). Political officeholders often manipulate public institutions to

serve partisan or ethnic interests, thereby undermining meritocratic governance. The excessive centralization of fiscal authority in the federal government further facilitates elite capture of national resources, particularly from the oil-producing regions (Watts, 2016). This has fostered resentment, corruption, and rentier politics that prioritize political loyalty over institutional performance.

- Institutional capacity constraints such as inadequate human resources, poor training, and outdated technology have also limited the efficiency of Nigerian public institutions. Public agencies often lack the technical expertise to manage complex financial and environmental data, especially in the extractive industries (Ekpo & Umoh, 2018). Moreover, weak coordination among ministries, departments, and agencies (MDAs) leads to duplication of roles and waste of scarce resources. The lack of a performance-based culture within the civil service further reinforces inefficiency, as bureaucrats are rarely sanctioned for mismanagement or underperformance.
- Transparency and accountability are vital for effective resource governance. However, the Nigerian public sector operates with limited access to information, opaque budgeting systems, and weak auditing processes (BudgIT, 2021). The Freedom of Information Act (2011), intended to enhance openness, has been poorly implemented, as most institutions resist public scrutiny (Uzoigwe & Uzonwanne, 2015). This secrecy culture facilitates corruption and resource diversion, while citizens remain excluded from monitoring public expenditure and project implementation.

## **SUMMARY OF FINDINGS**

### **The Ministry of Petroleum Resources and its Optimal Policy on Resource Governance**

The analysis revealed that while the Ministry of Petroleum Resources has initiated several fiscal reforms to enhance efficiency and accountability in petroleum revenue management, corruption and weak monitoring mechanisms continue to undermine policy optimality. Persistent issues such as unremitted oil bloc revenues, inflated contracts, and weak enforcement of the Petroleum Profits Tax Act have eroded fiscal discipline and public trust. High-profile corruption cases, including that of former Petroleum Minister Diezani Alison-Madueke, underscore systemic inefficiencies and the institutionalization of corruption within the Ministry (Ribadu, 2012; BBC, 2025; Okonjo-Iweala, 2018).

Findings indicate that although the Ministry has made strides in promoting transparency through the Petroleum Industry Act (PIA, 2021) and the establishment of regulatory bodies like NUPRC and NMDPRA, weak enforcement and political interference hinder their effectiveness. Certain provisions within the PIA, notably Sections 292 and 298, permit discretionary leniency toward tax defaulters and fraudulent accounting, thereby diluting anti-corruption efforts. Consequently, political manipulation and administrative laxity continue to obstruct optimal governance reform in the petroleum sector (Agbibo, 2022; Chukwuemeka, 2022; Okoye, 2016).

The Ministry's policy framework, particularly under the PIA (2021), emphasizes host community development and environmental protection. However, the persistence of gas flaring, oil spills, and environmental degradation in the Niger Delta shows limited practical implementation of these policies. Despite legal provisions mandating contributions to Host Community Development Trusts, affected areas remain impoverished and environmentally devastated. This reflects a gap between policy formulation and implementation, weakening the

Ministry's credibility in ensuring sustainable and just resource governance (Ogbodo, 2020; Dode, 2012; Nnorom & Odigbo, 2017).

### **The Nigeria National Petroleum Company Limited and its Optimal Policy on Resource Governance**

The study revealed that despite the transformation of the former Nigerian National Petroleum Corporation (NNPC) into the Nigerian National Petroleum Company Limited (NNPCL) under the Petroleum Industry Act (PIA) 2021, the company still struggles with legacy issues of corruption, poor accountability, and fiscal opacity. Independent audits, especially by the Nigeria Extractive Industries Transparency Initiative (NEITI), have shown discrepancies in crude oil volumes, sales, and remittances to the Federation Account. These irregularities indicate that the institutional culture of mismanagement and fraudulent practices—such as diversion of funds and unauthorized oil sales continues to undermine transparency and optimal policy performance (Ajaero, 2008; Philip, 2015; NEITI, 2022).

Findings show that NNPCL's prolonged involvement in fuel subsidy administration distorted the oil market, drained public finances, and failed to achieve equitable economic outcomes. Although the subsidy removal in 2023 under President Bola Tinubu reportedly saved over \$84 billion and financed infrastructure and social investments, it simultaneously triggered inflation, hardship, and nationwide protests. This indicates that the subsidy reform, though fiscally beneficial, lacked an inclusive policy framework to mitigate socio-economic shocks, reflecting inefficiency in aligning corporate policy with national welfare objectives (Moyo & Songwe, 2012; Channels TV, 2025; Nneoma, 2024).

The analysis revealed that insecurity, oil theft, and pipeline vandalism in the Niger Delta remain major obstacles to effective resource governance. Between December 2023 and March 2024, NNPCL recorded over 600 incidents of crude oil theft and illegal connections, resulting in substantial revenue losses. Although enhanced surveillance contracts improved production levels to 1.78 million barrels per day by 2025, the economic benefits remain marginal at the national level. This reflects a paradox where increased production does not translate into measurable economic growth, exposing persistent inefficiencies in governance and accountability systems (Mallo, 2024; Obi et al., 2021; Reuters, 2025).

### **Institutional and Structural Factors Impeding Effective Resource Governance**

The study found that Nigeria's public institutions suffer from weak structural capacity, overlapping functions, and inconsistent policy implementation. Institutional weakness, coupled with political interference, has undermined the effectiveness of reforms like the Petroleum Industry Act (PIA) 2021. This lack of continuity and coordination among ministries, departments, and agencies (MDAs) has contributed to inefficiency and poor enforcement of governance standards (Agbibo, 2012; Oluwatobi & Ojo, 2022).

Findings revealed that bureaucratic corruption and rent-seeking behaviour remain entrenched in Nigeria's governance system. Public officials often exploit resource governance institutions for personal and political gain through patronage networks and inflated contracts. This has weakened accountability structures, diverted public funds, and perpetuated underdevelopment in oil-producing regions (Ebegbulem, 2012; Ikelegbe, 2013).

The data further indicated that Nigeria's legal and regulatory environment is outdated and fragmented, allowing for unaccountable decision-making and elite capture of national resources. Agencies such as NEITI lack enforcement powers, while the Freedom of Information Act (2011) is poorly implemented. Consequently, transparency and public accountability remain minimal, hindering effective monitoring of resource allocation and utilization (Okeke-Ogbuafor & Gray, 2020; NEITI, 2022; Uzoigwe & Uzonwanne, 2015).

## **CONCLUSION**

The study concludes that Nigeria's governance system continues to grapple with the twin challenges of weak institutional capacity and poor resource governance. Despite several policy reforms and anti-corruption frameworks, policy outcomes have remained suboptimal due to systemic inefficiencies, elite capture, political interference, and a culture of rent-seeking. Thus, the dilemma of policy optimality and resource governance reflects deeper structural and institutional deficits within Nigeria's public sector. The study concludes that unless governance institutions are depoliticized, professionalized, and adequately monitored, Nigeria's policy outcomes will continue to fall short of their intended objectives.

## **Recommendations**

The findings of this study recommend the following:

- Government should ensure that public institutions, especially those involved in policy formulation and resource management like the Ministry of Petroleum Resources and the Nigeria National Petroleum Company Limited (NNPCL) operate with professional autonomy and are insulated from undue political influence. This will enhance objectivity, transparency, and efficiency in policy outcomes.
- The Federal Government under the Ministry of Petroleum Resources should rigorously enforce compliance of Extractive Industries like; Shell, Agip, Exxon Mobil amongst others with the principles of the Extractive Industries Transparency Initiative (EITI) across all resource-rich sectors, demanding full disclosure of all contracts, licenses, revenues, and disbursements.
- The government at all levels in the country should institutionalize participatory governance mechanisms where citizens, civil society organisations, and media can play active roles in policy design, implementation, and monitoring. This would increase transparency and policy responsiveness of government and public institutions.
- Anti-corruption institutions like the EFCC, ICPC, and Code of Conduct Bureau should be strengthened with full independence and adequate resources to investigate and prosecute corruption cases without political interference.
- The National Assembly should exercise robust oversight functions by ensuring that the committee on Nigeria Upstream Petroleum Regulatory Commission (NUPRC), and other resource governing institutions are optimally performing in line with yearnings and expectations of Nigerians.
- Digital technologies should be deployed in public financial management, procurement, and monitoring to reduce leakages, improve transparency, and enhance efficiency in service delivery.

- A constitutional review that allows the federal government to adopt a mixed system of resource federalism that grants States greater ownership and control over the exploration and exploitation of solid minerals and other resources within their jurisdictions as yardstick to address the agitations of the indigenous oil communities in the Niger Delta.

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