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The Rentier State and Institutional Decay in Nigeria: A Political Economy Analysis

Osinowo Timothy [1]
[1] Department of Political Science, Nasarawa State University, Keffi, Nigeria
Email: timothyoluwafifunmi@gmail.com

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ABSTRACT

Nigeria's persistent institutional challenges raise important questions about the relationship between natural resource wealth, political power and public accountability. Despite substantial petroleum earnings over several decades, the country continues to experience weaknesses in public service delivery, revenue mobilisation, institutional oversight and the implementation of development policies. This article examines the relationship between rentier-state dynamics and institutional decay in Nigeria, focusing on the period 2015–2025. It adopts a qualitative documentary research design, drawing on recent academic studies, government reports and publications by international institutions. Rentier State Theory provides the principal analytical framework for explaining how dependence on petroleum revenues can weaken the relationship between taxation and political accountability, encourage elite competition for state-controlled resources and reinforce patronage-based political relationships. The analysis argues that resource dependence alone does not inevitably produce institutional decline; rather, its consequences depend on the rules governing revenue allocation, public expenditure, political competition and institutional oversight. Nigeria's experience demonstrates how weak revenue mobilisation, discretionary resource distribution and persistent accountability challenges can undermine institutional effectiveness and inclusive development. The article recommends stronger domestic revenue mobilisation, transparent petroleum revenue management, independent oversight, performance-based public expenditure and reforms that strengthen citizens' participation in governance.

Introduction

Natural resource wealth can provide governments with the financial capacity to invest in infrastructure, education, healthcare and economic diversification. However, where public institutions lack effective oversight and political power is concentrated around the control of resource revenues, such wealth may reinforce patronage, weaken accountability and undermine long-term development. Nigeria illustrates this tension. Although petroleum has historically played a major role in public finance and foreign exchange earnings, the country continues to face challenges involving revenue mobilisation, public expenditure efficiency, corruption control and the delivery of essential services. The central issue is therefore not simply whether Nigeria possesses abundant resources, but how resource revenues are generated, distributed and converted into public value.

Between 2015 and 2025, Nigeria experienced major fiscal pressures arising from fluctuations in oil prices, production disruptions, security challenges, debt-service obligations and persistent weaknesses in revenue generation. The 2015 oil-price decline exposed the fiscal vulnerability of states that relied heavily on federally distributed revenues, while subsequent fiscal reforms sought to improve transparency, sustainability and domestic revenue mobilisation. The World Bank's assessment of Nigeria's State Fiscal Transparency, Accountability and Sustainability programme highlights efforts to strengthen subnational fiscal governance, including transparency, expenditure efficiency and debt management (World Bank, 2025). These developments suggest that institutional performance is closely connected to the political and administrative arrangements through which public resources are managed.

The relationship between resource wealth and institutional performance is particularly important in a federal system such as Nigeria's, where revenues collected by the federation are distributed across different tiers of government. Revenue allocation can sustain public administration and support

development, but it can also create incentives for political actors to compete for control of distributable resources rather than strengthen productive economic activities and independent revenue sources. Recent research on Nigeria's petroleum revenue institutions argues that historically established political arrangements can institutionalise rent-seeking practices and make them difficult to reverse (Asiegbu et al., 2024). This perspective shifts attention from individual misconduct alone to the rules, incentives and power relationships that shape public decision-making.

This article examines the rentier-state character of Nigeria's political economy and its implications for institutional effectiveness between 2015 and 2025. It argues that institutional decay is not an automatic consequence of petroleum dependence. Rather, it emerges where resource dependence interacts with weak accountability, political patronage, discretionary allocation and limited enforcement of public-sector rules. Understanding this relationship is essential for identifying reforms that can convert resource wealth into more effective institutions and inclusive development.

Statement of the Problem

Nigeria's institutional challenges persist despite the substantial economic value generated by its petroleum sector. Government institutions are expected to collect revenue, enforce regulations, maintain public infrastructure, provide essential services and ensure that public resources are used for collective welfare. However, recurring fiscal pressures, weaknesses in public expenditure management and difficulties in enforcing accountability raise concerns about the ability of institutions to perform these responsibilities consistently. The International Monetary Fund (IMF, 2024) identified governance, transparency and anti-corruption enforcement among the areas requiring sustained attention to support Nigeria's economic performance.

The problem extends beyond corruption understood as individual wrongdoing. A political economy perspective raises questions about the incentives created by the distribution of petroleum revenues, the dependence of governments on centrally collected resources and the capacity of citizens and oversight institutions to influence public spending. Where access to state-controlled resources becomes a major source of political power, public institutions may be pressured to serve elite interests rather than consistently uphold impersonal rules and public-service obligations. Asiegbu et al. (2024) demonstrate the importance of examining the institutional and historical processes through which rent-seeking practices become embedded in petroleum revenue governance.

Although existing discussions frequently associate Nigeria's governance challenges with corruption and oil dependence, these factors should not be treated as interchangeable or as sufficient explanations on their own. The analytical gap concerns how rentier-state dynamics interact with federal revenue distribution, patronage relationships and institutional oversight to reproduce weaknesses in governance. This article addresses that gap by examining the mechanisms connecting resource dependence with institutional decay and identifying reforms that could strengthen accountability and institutional performance.

Research Questions

The article is guided by the following questions:

i. What are the principal characteristics of Nigeria's rentier political economy?

ii. How do petroleum revenue distribution and fiscal federalism influence institutional accountability?

iii. In what ways do patronage and rent-seeking contribute to institutional decay?

iv. What are the implications of rentier-state dynamics for governance and development?

v. What reforms can improve institutional performance and reduce excessive dependence on resource rents?

Objectives of the Study

The aim of this article is to analyse the relationship between the rentier state and institutional decay in Nigeria from a political economy perspective, covering 2015–2025.

The specific objectives are to:

i. Examine the characteristics of Nigeria's rentier political economy and its dependence on petroleum revenues.

ii. Analyse how rent distribution and federal revenue allocation influence institutional accountability and performance.

iii. Assess the relationship between political patronage, rent-seeking and institutional decay in Nigeria.

iv. Examine the implications of rentier-state dynamics for public service delivery, fiscal governance and development.

v. Recommend reforms capable of strengthening institutional accountability and reducing the adverse effects of rent dependence.

Conceptual Review

The Rentier State

A rentier state is commonly understood as a state that derives a substantial share of its income from external rents, particularly revenues generated through the extraction and export of natural resources, rather than primarily through taxation of domestic economic activity (Beblawi, 1987; Mahdavy, 1970). In such a system, the government's control over resource earnings can become a central source of political and economic power. Ross (2012) explains that petroleum wealth can influence political institutions, economic development and the relationship between governments and citizens. The concept is relevant to Nigeria because petroleum revenues have historically shaped public finance, intergovernmental transfers and competition for control of state institutions (Karl, 1997; Asiegbu et al., 2024).

The political significance of rentierism lies in the relationship between revenue generation and accountability. Where governments depend heavily on resource rents, they may face weaker incentives to develop broad-based taxation systems that require regular engagement with citizens and businesses (Beblawi, 1987; Moore, 2004). Ross (2001) similarly argues that oil wealth can weaken democratic accountability and encourage authoritarian tendencies under certain institutional conditions. This does not mean that petroleum-dependent governments are necessarily unaccountable; rather, it suggests that the structure of revenue generation can influence incentives surrounding representation, oversight and public expenditure. Asiegbu et al. (2024) show that the governance of petroleum revenues in Nigeria has been shaped by institutional arrangements that can sustain rent-seeking behaviour.

Institutional Decay

Institutional decay refers to the gradual weakening of the rules, procedures, organisational capacities and accountability mechanisms through which public institutions perform their responsibilities. North (1990) explains that institutions establish the formal and informal rules governing political and economic interactions, while Acemoglu and Robinson (2012) demonstrate how the distribution of political and economic power influences institutional effectiveness. Institutional decay may be reflected in inconsistent enforcement of laws, political interference in administrative processes, weak regulatory compliance, poor coordination and limited transparency. We therefore observe that institutional decay involves not necessarily the absence of institutions, but the deterioration of their practical effectiveness and independence.

In Nigeria, institutional performance must be assessed by examining not only the existence of laws, agencies and anti-corruption frameworks but also their enforcement and outcomes. The International Monetary Fund (IMF, 2024) emphasises the need to strengthen transparency, governance and anti-corruption measures, including effective enforcement in the petroleum sector. Similarly, the World Bank (2025) highlights the importance of improvements in budget transparency, revenue administration, expenditure management and debt oversight. Fukuyama (2013) also argues that effective governance depends on state capacity and institutional autonomy, alongside mechanisms for accountability. We argue that institutional reform must therefore move beyond establishing formal rules towards improving implementation, enforcement and organisational performance.

Rent-Seeking and Political Patronage

Rent-seeking occurs when individuals or organised groups seek economic advantages through privileged access to state decisions, public resources or regulatory arrangements rather than primarily through productive economic activity (Krueger, 1974; Tullock, 1967). Political patronage involves the distribution of appointments, contracts, benefits or other advantages through political relationships and networks of loyalty. Kitschelt and Wilkinson (2007) explain that clientelistic relationships often involve exchanges of targeted benefits for political support. Although patronage and rent-seeking are distinct concepts, they may reinforce one another where public resources are used to sustain political alliances or where access to economic opportunities depends on proximity to decision-makers.

In a rent-dependent political system, control over public revenue can become an important instrument for building political alliances and maintaining elite influence. Robinson et al. (2006) demonstrate that the political consequences of natural-resource wealth depend significantly on the incentives facing political leaders and the institutional constraints on their behaviour. Similarly, Karl (1997) shows how petroleum dependence can shape state institutions and reinforce patterns of distributive politics. Such relationships may weaken institutional neutrality when appointments, procurement or enforcement decisions are influenced by political considerations rather than transparent criteria. Research on Nigeria's petroleum revenue institutions also indicates that rent-seeking practices can become embedded in established governance arrangements, making institutional reform difficult without changes to the incentives and rules that sustain them (Asiegbu et al., 2024).

Political Economy

Political economy examines how political authority, economic resources and social power interact in the production and distribution of wealth. Gilpin (2001) explains that economic outcomes cannot be fully understood without considering the political structures and power relationships within which markets operate. Similarly, Mosley (2003) highlights the importance of examining how political institutions and economic interests shape public policy and development outcomes. Applied to Nigeria, political economy directs attention to who controls petroleum revenues, how these revenues are allocated, which groups benefit from public expenditure and how institutions mediate competition over state resources. It therefore provides a framework for moving beyond explanations that attribute institutional decay solely to individual attitudes or administrative incompetence.

From this perspective, institutional performance is partly shaped by the distribution of power and the incentives facing political and administrative actors. Acemoglu and Robinson (2012) argue that inclusive and effective institutions depend partly on the distribution of political power and the constraints imposed on those who exercise it. North (1990) similarly demonstrates that institutional arrangements influence incentives and the distribution of economic opportunities. For Nigeria, these perspectives suggest that reforms are more likely to endure when they strengthen oversight, reduce opportunities for rent extraction and make public institutions more responsive to citizens. We therefore argue that addressing institutional decay requires attention not only to administrative procedures but also to the political and economic interests that sustain weak accountability.

Theoretical Framework

Rentier State Theory is adopted as the principal theoretical framework for this study because it explains how dependence on externally generated resource revenues can influence state power, political accountability and institutional development. The theory is particularly relevant to Nigeria, where petroleum revenues have historically shaped government finances, intergovernmental transfers and political competition. Its central proposition is that when governments obtain substantial income from natural resources rather than broad-based domestic taxation, the relationship between the state and its citizens may become less dependent on direct fiscal bargaining and public accountability.

The theory helps explain three related mechanisms. First, governments that rely heavily on resource rents may have weaker incentives to develop efficient domestic revenue systems. Second, control over resource revenues can intensify competition among political elites and encourage patronage when access to public resources depends on political connections. Third, discretionary control over

resource earnings may weaken institutional independence when public appointments, contracts and expenditure decisions are influenced by political interests. These mechanisms are not inevitable outcomes of resource wealth; they depend on the institutional arrangements governing revenue collection, allocation and oversight.

The relevance of this framework is supported by Asiegbu et al. (2024), who examine how Nigeria's petroleum revenue institutions have contributed to the persistence of rent-seeking practices. Their analysis emphasises the importance of historical and political processes in shaping resource governance and argues that clear fiscal rules can reduce excessive political discretion. The theory therefore provides a basis for examining not only the availability of petroleum revenues but also the political arrangements through which those revenues influence institutional performance.

The principal limitation of Rentier State Theory is that it may overemphasise resource dependence while underestimating other influences on institutional development, including colonial legacies, political leadership, insecurity, administrative capacity and social inequalities. It may also imply that taxation necessarily produces accountability, although tax-based systems can equally suffer from corruption and weak representation. To address these limitations, the article applies the theory as an explanatory framework rather than assuming that oil wealth automatically causes institutional decay. The central analytical concern is how Nigeria's resource dependence interacts with political incentives and institutional weaknesses to shape governance outcomes.

Research Methodology

The article adopts a qualitative documentary research design to examine the relationship between rentier-state dynamics and institutional decay in Nigeria between 2015 and 2025. The approach is appropriate because the study focuses on political and institutional processes, including revenue distribution, patronage, fiscal accountability and the management of petroleum resources. It does not seek to estimate a statistical causal relationship but to explain the mechanisms through which resource dependence may influence institutional performance.

Data were drawn from peer-reviewed journal articles, official government publications, reports from the International Monetary Fund and the World Bank, and publications of the Nigeria Extractive Industries Transparency Initiative (NEITI). Sources were selected based on their relevance to the research objectives, institutional credibility, publication period and contribution to understanding Nigeria's political economy. Particular attention was given to evidence concerning petroleum revenue governance, fiscal federalism, public expenditure, domestic revenue mobilisation and accountability reforms.

The analysis involved thematic review and interpretation of the selected documents. Evidence was organised around five themes: resource dependence, revenue allocation, patronage and rent-seeking, institutional performance, and reform options. The themes were examined in relation to Rentier State Theory, while alternative explanations were considered to avoid treating petroleum dependence as the sole cause of institutional weakness.

The study is limited by its reliance on secondary sources and by differences in the coverage and methods of the documents examined. It does not include interviews, original survey data or direct observation of government institutions. Consequently, the findings are analytical interpretations of documentary evidence rather than results of original fieldwork or statistical hypothesis testing.

Research Findings and Results

The findings are organised around the five research objectives, examining Nigeria's rentier political economy, the relationship between revenue distribution and accountability, the role of patronage, the implications for institutional performance, and reforms required to strengthen governance. The discussion combines documentary analysis with available numerical evidence from official fiscal reports and recognised governance indicators. These data provide an empirical basis for assessing resource dependence and institutional accountability, although they do not independently establish that petroleum dependence causes institutional decay.

Nigeria's Rentier Political Economy and Petroleum Revenue Dependence

The analysis indicates that petroleum remains a major influence on Nigeria's fiscal structure and political economy, even though non-oil sectors contribute substantially to national output. The distinction between economic production and government revenue is important because a sector may account for a relatively modest share of GDP while contributing disproportionately to export earnings and public finances. Nigeria's exposure to petroleum-market fluctuations therefore reflects not only the size of the oil sector but also the extent to which government revenues and foreign exchange availability are affected by its performance.

Evidence from NEITI's oil and gas industry reporting illustrates the financial significance and volatility of petroleum-related revenue. Total revenue received from the oil and gas sector declined from approximately US$35.77 billion in 2022 to US$30.85 billion in 2023, a reduction of about 13.8%. Of the US$30.85 billion reported for 2023, approximately US$20.74 billion, or 67.2%, flowed into the Federation Account, while US$10.12 billion, or 32.8%, was recorded as subnational flows (NEITI, 2024). These figures demonstrate the substantial scale of petroleum-related financial flows and their importance to intergovernmental public finance.

Table 1: Selected Petroleum-Sector Revenue Indicators in Nigeria, 2022–2023

Indicator	2022	2023	Change
Total oil and gas sector revenue received	US$35.77 billion	US$30.85 billion	−13.8%
Revenue flowing into the Federation Account	—	US$20.74 billion	—
Reported subnational flows	—	US$10.12 billion	—
Federation Account share of reported 2023 sector revenue	—	67.2%	—
Subnational share of reported 2023 sector revenue	—	32.8%	—

Source: NEITI (2024), *2023 Oil and Gas Industry Report*. Dashes indicate figures not presented in this comparison; they do not mean zero revenue. The Federation Account and subnational flows are components of the reported 2023 total, not additional revenue to be added to it.

Table 1 demonstrates the importance of petroleum revenue to Nigeria's intergovernmental fiscal system. The 13.8% decline in total sector revenue between 2022 and 2023 illustrates the potential volatility of resource-related receipts. At the same time, the distribution of the reported 2023 revenue shows that petroleum-sector financial flows reached both the Federation Account and subnational governments. These figures support the argument that petroleum revenue management is central to Nigeria's political economy, although the revenue decline alone does not demonstrate institutional decay.

The vulnerability of subnational public finance is also illustrated by the experience of the State Fiscal Transparency, Accountability and Sustainability programme. According to the World Bank (2025), the programme provided approximately US$1.5 billion in performance-based grants to Nigeria's 36 states between 2018 and 2022, supporting reforms in fiscal transparency, expenditure efficiency and debt management. The programme responded to longstanding weaknesses in state-level public financial management that became particularly visible during periods of fiscal pressure.

The evidence suggests that Nigeria's rentier character extends beyond petroleum earnings to the institutions and political relationships through which public revenue is managed. Federal transfers provide essential resources for public administration and service delivery, but heavy dependence on them may reduce incentives to develop independent revenue sources. The extent of this problem varies among states and should not be assumed to be uniform across the federation.

Asiegbu et al. (2024) further argue that the institutionalisation of rent-seeking is shaped by the political and historical arrangements governing petroleum revenues. The central issue is therefore not resource abundance alone, but the rules and discretionary practices through which revenues are

collected, distributed and spent. Nigeria's rentier character should consequently be understood as a political and institutional arrangement that can be reformed.

Revenue Distribution, Fiscal Federalism and Institutional Accountability

The second finding is that Nigeria's federal revenue system creates opportunities for development but also presents accountability challenges. Revenue sharing enables the different tiers of government to finance public administration and provide essential services. However, excessive dependence on centrally collected revenue may weaken incentives to improve internally generated revenue and strengthen accountability to local taxpayers.

NEITI (2024) reported that approximately ₦10.143 trillion was shared among the three tiers of government in 2023, compared with ₦8.209 trillion in 2022 under the report's stated comparison. The 2023 allocation comprised approximately ₦3.99 trillion for the federal government, ₦3.59 trillion for state governments and ₦2.56 trillion for local governments. Oil-producing states received an additional ₦763.25 billion in derivation revenue.

Table 2: Federation Account Allocations to the Three Tiers of Government, 2023

Recipient	Reported allocation
Federal Government	₦3.99 trillion
State governments	₦3.59 trillion
Local governments	₦2.56 trillion
Total shared among the three tiers	₦10.143 trillion
Additional derivation revenue to oil-producing states	₦763.25 billion

Source: NEITI (2024), Federation Account Revenues and Allocations, 2023. Figures are rounded. Derivation revenue is reported separately and excluded from the three-tier total.

Table 2 demonstrates the substantial resources channelled through Nigeria's intergovernmental revenue system. Although these allocations support public administration and development, the amounts received do not establish whether funds were efficiently utilised. Their developmental value depends on transparent budgeting, effective expenditure monitoring, independent auditing and accountable public institutions.

State-level internally generated revenue provides further insight into fiscal autonomy. The National Bureau of Statistics (NBS, 2023, 2024) reported that internally generated revenue by the 36 states and the Federal Capital Territory increased from approximately ₦1.896 trillion in 2021 to ₦1.926 trillion in 2022 and ₦2.43 trillion in 2023.

Table 2 also highlights the importance of strengthening accountability across all tiers of government. Revenue sharing can promote equitable development, particularly where states have unequal revenue-generating capacities. However, when transfers are not accompanied by effective expenditure scrutiny and credible sanctions for financial misconduct, opportunities for patronage and resource mismanagement may persist. The appropriate response is therefore to strengthen the institutions governing revenue collection, allocation and expenditure while encouraging subnational governments to improve internally generated revenue and public financial accountability.

Political Patronage, Rent-Seeking and Institutional Decay

The third finding is that rent-seeking and political patronage can contribute to institutional decay when public resources are used to reward political loyalty, protect influential interests or secure privileged access to economic opportunities. In such circumstances, appointments, contracts and regulatory decisions may become less responsive to merit, transparent procedures and public-service objectives. This can weaken professional standards, reduce public confidence and discourage productive investment by individuals and businesses without privileged access to decision-makers.

Asiegbu et al. (2024) argue that political and historical processes have helped embed rent-seeking practices in Nigeria's petroleum revenue management. Institutional decay may therefore be reproduced by arrangements that reward discretionary control, make oversight difficult or allow established beneficiaries to resist reforms.

A numerical indicator that can provide context for this discussion is Transparency International's Corruption Perceptions Index (CPI). Nigeria received a score of 26 out of 100 in the 2015 CPI and also scored 26 out of 100 in the 2025 CPI. In the 2025 edition, Nigeria ranked 142nd among 182 countries and territories (Transparency International, 2015, 2026).

Table 3: Nigeria's Corruption Perceptions Index, 2015 and 2025

Indicator	2015	2025
CPI score, on a 0–100 scale	26	26
International ranking	136th of 168	142nd of 182
Interpretation	Perceived public-sector corruption remained a governance concern.	Perceived public-sector corruption remained a governance concern.

Source: Transparency International (2015, 2026). Higher CPI scores indicate lower perceived corruption; rankings are affected by the number of countries and territories included.

Table 3 provides contextual evidence of persistent concerns about public-sector corruption over the period. Nigeria's score remained at 26 in the two editions, while its numerical ranking changed in a comparison involving different numbers of countries and territories. The ranking should therefore not be interpreted in isolation as a direct measure of deterioration. The CPI measures perceptions of public-sector corruption; it does not directly measure institutional decay, the volume of stolen public funds or the causal effect of petroleum dependence.

Nevertheless, the persistently low score is consistent with the argument that formal institutions and anti-corruption measures have not eliminated concerns about public-sector integrity. In a rent-dependent political system, weak oversight can increase the opportunities for public resources to be allocated through informal political networks. However, the CPI data alone cannot establish that rent-seeking caused the observed perceptions.

Patronage can weaken institutions through several connected pathways. Political considerations may displace competence in appointments and promotions, procurement can become vulnerable to favouritism, and regulatory institutions may face pressure to protect influential interests. Where allegations of misconduct do not result in credible investigations or corrective action, the deterrent effect of anti-corruption rules may also be weakened.

These relationships must be interpreted carefully. Not every political appointment constitutes patronage, and not every procurement irregularity results from petroleum dependence. Institutional weaknesses may also arise from inadequate funding, staff shortages, poor coordination and insecurity. Rentier State Theory is most useful where control over public resources interacts with political influence and weak oversight to shape institutional behaviour.

The findings therefore suggest that addressing institutional decay requires more than establishing additional agencies. It requires strengthening the independence of oversight institutions, improving transparency in public transactions and reducing the benefits political actors can obtain from bypassing established rules.

Implications for Public Service Delivery, Fiscal Governance and Development

The fourth finding is that rentier-state dynamics can undermine development when resource revenues are not converted into effective public services and productive investment. Government revenue matters not simply because it finances expenditure, but because its management determines whether institutions can maintain infrastructure, support human development, improve security and create an environment conducive to private investment. Where expenditure is poorly prioritised or weakly monitored, resource wealth may coexist with persistent service-delivery challenges.

The fiscal evidence presented in Tables 1–3 illustrates why revenue management matters. Petroleum-sector revenue received declined by 13.8% between 2022 and 2023, while state and FCT internally generated revenue rose from approximately ₦1.93 trillion in 2022 to ₦2.43 trillion in 2023. These trends show that petroleum-related receipts and domestically generated revenue can move

differently over the same period. The increase in internally generated revenue may help strengthen fiscal resilience, but its adequacy depends on expenditure needs, inflation, debt obligations and the distribution of revenue among governments.

The International Monetary Fund's 2024 Article IV assessment identified economic and fiscal pressures, including inflation, security challenges and longstanding reform needs, while emphasising governance, transparency and anti-corruption enforcement (IMF, 2024). In 2025, the IMF acknowledged progress in macroeconomic reforms while noting that poverty remained high and the benefits of reform had not yet reached all Nigerians equally (IMF, 2025).

Table 4: Empirical Indicators and Their Implications for Institutional Performance

Empirical indicator	Observed evidence	Implication for the analysis	Important limitation
Petroleum-sector revenue	Declined from US$35.77 billion in 2022 to US$30.85 billion in 2023.	Demonstrates exposure to fluctuations in petroleum-related receipts.	Does not independently measure institutional quality.
Federation Account allocations	Approximately ₦10.143 trillion shared among the three tiers in 2023.	Demonstrates the scale of resources passing through intergovernmental institutions.	Allocations do not establish expenditure quality or service outcomes.
State and FCT internally generated revenue	Increased from ₦1.926 trillion in 2022 to ₦2.43 trillion in 2023.	Suggests an increase in nominal subnational revenue mobilisation.	Nominal growth does not automatically equal greater real fiscal autonomy.
Corruption Perceptions Index	Nigeria scored 26/100 in both 2015 and 2025.	Indicates persistent international perceptions of public-sector corruption.	Measures perceptions, not the full range of institutional performance.

Source: NEITI (2024), NBS (2023, 2024) and Transparency International (2015, 2026).

Table 4 brings together the main numerical indicators supporting the article's argument. Taken collectively, they demonstrate the importance of petroleum-sector revenue, the scale of intergovernmental transfers, changes in state-level revenue mobilisation and persistent concerns about public-sector corruption. They do not, however, establish a statistical causal relationship between rentierism and institutional decay. That conclusion rests on the interpretation of the evidence alongside the institutional mechanisms identified in the documentary literature.

Institutional decay can also create uncertainty for businesses and investors. Inconsistent regulations, weak contract enforcement, opaque procurement and unpredictable administrative decisions raise transaction costs and discourage long-term investment. When access to economic opportunities depends on political connections, firms may devote resources to securing privileges rather than improving productivity. This can distort competition and weaken the development of a diversified economic base capable of reducing dependence on petroleum.

Nevertheless, it would be misleading to attribute all Nigerian development challenges to rentierism. Insecurity, infrastructure deficits, demographic pressures, external economic shocks and weaknesses in policy implementation also influence outcomes. Rentier State Theory contributes by explaining how resource dependence may shape the incentives through which these challenges are managed. The development problem becomes particularly serious when institutions lack the capacity or independence to respond effectively to economic and social pressures.

Institutional Reforms for Reducing the Adverse Effects of Rent Dependence

The fifth finding is that institutional reform must focus on changing the incentives and procedures through which petroleum revenues are collected, distributed and spent. Nigeria has introduced fiscal transparency initiatives, petroleum-sector reporting mechanisms and reforms intended to improve public

financial management. NEITI's reporting and audit activities provide a framework for examining payments, revenues and accountability in the extractive industries, while state-level fiscal programmes have sought to improve budget transparency and financial sustainability.

However, the existence of transparency mechanisms does not automatically guarantee accountability. Published information must be accessible and usable by citizens, legislatures, auditors, civil society organisations and enforcement agencies. Effective reform requires clear responsibility for implementing audit recommendations and credible consequences for violations of financial rules.

Table 5: Evidence-Based Reform Priorities for Nigeria

Identified issue	Evidence informing the recommendation	Proposed reform	Suggested monitoring indicator
Volatility in petroleum-sector revenue	Reported oil and gas revenue fell by 13.8% between 2022 and 2023.	Strengthen fiscal planning, revenue forecasting and transparent stabilisation arrangements.	Annual revenue forecast accuracy and compliance with fiscal rules.
Uneven subnational revenue capacity	State and FCT IGR varied substantially, with Lagos reporting ₦815.86 billion in 2023 compared with much lower amounts in several states.	Improve fair tax administration and support sustainable local revenue generation.	Real IGR growth, tax compliance and cost of revenue collection.
Large intergovernmental transfers	Approximately ₦10.143 trillion was shared among the three tiers in 2023.	Strengthen expenditure reporting, independent audit and legislative scrutiny at all tiers.	Timeliness of budget publication and implementation of audit recommendations.
Persistent corruption concerns	Nigeria's CPI score was 26/100 in both 2015 and 2025.	Improve transparency in procurement, public appointments and enforcement of financial rules.	Procurement disclosure, audit resolution rates and enforcement outcomes.
Weak translation of revenue into public benefits	Fiscal allocations and revenue receipts do not themselves demonstrate service-delivery outcomes.	Link budget reporting to measurable infrastructure and service-delivery indicators.	Project completion rates, service coverage and expenditure performance.

Source: Author's recommendations based on NEITI (2024), NBS (2023, 2024), Transparency International (2015, 2026) and World Bank (2025).

Table 5 connects the empirical evidence to practical institutional reforms. The recommendations should be implemented as complementary measures rather than isolated interventions. Revenue diversification is unlikely to produce lasting accountability without expenditure transparency, while transparency has limited value if audit findings are ignored or violations carry no credible consequences.

Petroleum revenues should be managed through transparent fiscal rules that balance current expenditure with savings, stabilisation and long-term investment. Asiegbu et al. (2024) emphasise the importance of fiscal rules in limiting excessive discretion in resource management. Such rules must be credible, transparent and sufficiently flexible to respond to genuine economic emergencies without

becoming instruments for routine circumvention. Their effectiveness depends on public reporting, legislative oversight and clear conditions governing withdrawals and expenditure.

The findings ultimately suggest that institutional reform must address both formal procedures and the political incentives that influence their implementation. Nigeria's development challenge is not simply the availability of petroleum wealth, but the capacity to manage it transparently, equitably and productively. Reforms that improve fiscal accountability, reduce opportunities for patronage and strengthen professional public administration can help transform resource revenues into more sustainable development outcomes.

Discussion of Findings

The findings reveal that Nigeria's rentier political economy is associated with petroleum revenue dependence, weak accountability, persistent corruption concerns, and challenges in public resource management. Consistent with Rentier State Theory, the evidence suggests that excessive reliance on resource rents can weaken accountability when government revenue depends more on petroleum earnings than on broad-based taxation. However, resource dependence does not automatically produce institutional decay; its effects depend largely on the quality of governance and the effectiveness of oversight institutions.

The findings show that petroleum-sector revenue declined from approximately US$35.77 billion in 2022 to US$30.85 billion in 2023, representing a reduction of about 13.8% (NEITI, 2024). This decline illustrates the vulnerability of public finance to fluctuations in petroleum revenue. Such instability can complicate budget implementation and public service delivery, particularly where alternative revenue sources remain underdeveloped.

The analysis also highlights weaknesses in fiscal federalism and subnational revenue generation. Although approximately ₦10.143 trillion was distributed among the three tiers of government in 2023, substantial differences in internally generated revenue persisted across states (NEITI, 2024; National Bureau of Statistics, 2024). These disparities suggest unequal fiscal capacity and continued dependence on federal allocations. Strengthening state revenue administration and improving accountability for public expenditure are therefore essential for reducing fiscal vulnerability.

Furthermore, Nigeria's Corruption Perceptions Index score remained at 26 out of 100 between 2015 and 2025 (Transparency International, 2015, 2026). This indicates no improvement in its perceived public-sector corruption score over the period. Although the index does not directly measure institutional decay or establish causation, it reinforces concerns about persistent governance challenges. Where procurement, auditing, and enforcement mechanisms are weak, control over public resources may encourage patronage and rent-seeking.

The findings further suggest that resource revenue does not automatically translate into improved public services and development. Weak expenditure monitoring, limited transparency, and inadequate sanctions for financial misconduct can reduce the developmental benefits of government spending. Consequently, institutional reform must extend beyond revenue generation to include transparent budgeting, effective legislative oversight, independent auditing, revenue diversification, and measurable service-delivery outcomes.

Finally, the findings indicate that Nigeria's institutional challenges arise not simply from petroleum dependence but from weaknesses in managing and distributing resource revenue. Reducing institutional decay requires stronger accountability mechanisms, improved fiscal governance, and institutions capable of ensuring that public resources contribute more effectively to sustainable development.

Conclusion

This article examined the relationship between the rentier state and institutional decay in Nigeria from 2015 to 2025. The analysis shows that petroleum dependence has shaped public finance, federal revenue distribution and political competition, creating both opportunities for development and risks for institutional accountability. Where resource revenues are managed through weak oversight, excessive discretion and patronage-based relationships, institutions may struggle to enforce rules consistently and

convert public resources into effective services. However, resource dependence alone does not inevitably produce institutional decay; the outcomes depend on the political and institutional arrangements governing revenue collection, allocation and expenditure.

The article further demonstrates that institutional decay should be understood as a structural problem involving incentives, administrative capacity and power relationships, rather than solely as the consequence of individual corruption. Nigeria's experience with fiscal governance reforms illustrates the importance of transparency, domestic revenue mobilisation, expenditure efficiency and debt management. Yet formal policies and reporting mechanisms will have limited impact unless they are supported by effective enforcement, independent oversight and meaningful public participation.

The central argument is that Nigeria's development challenge is not simply the availability of petroleum wealth but the institutional capacity to govern that wealth in the public interest. Strengthening domestic revenue systems, professionalising public institutions, enforcing fiscal rules and making government expenditure more accountable can reduce the adverse effects of rent dependence. Ultimately, sustainable development requires a political economy in which public institutions are rewarded for delivering collective benefits rather than serving as instruments for distributing rents among privileged interests.

Policy Recommendations

Nigeria should strengthen petroleum revenue transparency by publishing timely information on collections, allocations, transfers and expenditure. NEITI reports and audit findings should be linked to clear remediation plans, with responsible agencies required to explain how identified weaknesses are addressed. Legislative committees, public audit institutions and civil society organisations should have practical opportunities to scrutinise these records. Transparency measures should be accompanied by enforceable sanctions where financial rules are deliberately violated.

The government should reduce excessive reliance on petroleum revenues by improving fair and efficient domestic revenue mobilisation. Federal and state authorities should strengthen tax administration, broaden appropriate revenue sources and support productive activities outside the oil sector. Revenue reforms should prioritise fairness, predictability and administrative efficiency rather than impose arbitrary burdens on households and businesses. Greater domestic revenue capacity can improve fiscal resilience and encourage stronger accountability for public spending.

Fiscal federalism should be supported by stronger links between revenue transfers, transparent budgeting and measurable public-service outcomes. Revenue sharing remains important for national cohesion and the provision of services across states with different economic capacities. However, all tiers of government should publish understandable budgets, expenditure reports and audit responses, while strengthening their capacity to mobilise legitimate internally generated revenue. Performance-based grants and technical assistance can encourage improvements without undermining constitutionally established revenue entitlements.

Public institutions should be protected from undue political interference through merit-based appointments, transparent procurement, professional standards and effective oversight. Anti-corruption agencies and audit institutions require adequate resources, operational independence and consistent enforcement of the law. Institutional reform should focus not only on detecting individual wrongdoing but also on changing procedures that allow discretionary control and patronage to persist. Public appointments and contract awards should be subject to clear criteria and accessible review mechanisms.

Petroleum revenues should also be managed through transparent fiscal rules that support stabilisation, savings and productive investment. Decisions concerning resource funds and major withdrawals should be publicly justified and subject to appropriate legislative and independent scrutiny. Medium-term fiscal planning should prioritise infrastructure maintenance, education, healthcare, agricultural productivity and economic diversification while ensuring that expenditure commitments remain sustainable. These measures would help shift public finance away from short-term political distribution towards long-term development.

Finally, citizens should be enabled to participate meaningfully in monitoring public expenditure and evaluating service delivery. Governments should publish accessible fiscal information, strengthen freedom-of-information procedures and support credible channels for reporting suspected misuse of public resources. Citizen participation cannot replace professional audits or legal enforcement, but it can improve the flow of information and increase the political cost of institutional failure. Together, these reforms can help ensure that petroleum wealth supports effective public institutions rather than reinforcing excessive discretion and rent-seeking.

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