

THE CHALLENGES, POTENTIALS, PROSPECTS AND DIVERSIFICATION OPTIONS OF OIL-DEPENDENT ECONOMIES IN THE 21ST CENTURY: A COMPARATIVE ANALYSIS OF NIGERIA AND KAZAKHSTAN

D.O. Olayungbo^{1,*} , A. Zhuparova² 

¹ Obafemi Awolowo University, Ile-Ife, Nigeria

² Almaty Management University, Almaty, Kazakhstan

*e-mail: aziza.zhuparova@gmail.com

Abstract. The explorations of crude oil in Nigeria and Kazakhstan have resulted in the neglect of other non-oil sectors of the economies and increased overdependence on oil as the sole source of exports and foreign exchange earnings. Over the years, the two countries have been able to survive and foster some level of growth from their reliance on oil revenues. However, given the rate of technological advancement and the discovery of alternative sources of fossil energy, coupled with incessant fall in the global oil price, it is only a matter of time before oil loses its relevance in the global economy. Thus, there is need for diversification of these economies. New and untapped sectors need to be explored; alternative sources of national revenue need to be discovered and invested into in order to enhance future growth and development. This study identifies the impacts of overdependence of these two countries on oil and suggests potential diversification options available to them. The findings of this are that the diversification policies were not successful in the two countries, despite the potential displacement of future oil demand. This paper, therefore, concludes that the two economies would still be susceptible to the global oil price.

Key words: Diversification, oil-dependent economies, Nigeria and Kazakhstan.

XXI ҒАСЫРДАҒЫ МҰНАЙҒА ТӘУЕЛДІ ЭКОНОМИКАЛАРДЫҢ ҚИЫНДЫҚТАРЫ, ӘЛЕУЕТТЕРІ, ПЕРСПЕКТИВАЛАРЫ ЖӘНЕ ӘРТҮРЛЕНДІРУ НҰСҚАУЛАРЫ: НИГЕРИЯ МЕН ҚАЗАҚСТАННЫҢ САЛЫСТЫРМАЛЫ ТАЛДАУЫ

Д.О. ОлаюнҒбо^{1,*}, А. Жупарова^{2,*}

¹ Обафемі Аволово Университеті, Иле-Ифе, Нигерия

² Алматы Менеджмент Университеті, Алматы, Қазақстан

*e-mail: aziza.zhuparova@gmail.com

Түсініктеме. Нигерия мен Қазақстандағы шикі мұнайды барлау экономиканың басқа мұнай емес секторларының назардан тыс қалуына және экспорт пен валюта түсімінің жалғыз көзі ретінде мұнайға шамадан тыс тәуелділіктің артуына әкелді. Жылдар бойы екі ел мұнай кірістеріне тәуелділіктен аман қалып, белгілі бір деңгейде өсуге қол жеткізді. Дегенмен, технологиялық даму қарқыны мен қазба энергиясының балама көздерінің ашылуын, сондай-ақ әлемдік мұнай бағасының үздіксіз төмендеуін ескере отырып, мұнайдың әлемдік экономикадағы өзектілігін жоғалтуы уақыт мәселесі ғана. Осылайша, бұл экономикаларды әртараптандыру қажет. Жаңа және пайдаланылмаған секторларды зерттеу, болашақ өсу мен дамуды күшейту үшін ұлттық кірістің балама көздерін табу және инвестициялау қажет. Бұл зерттеу осы екі елдің мұнайға шамадан тыс тәуелділігінің әсерін анықтайды және олар үшін қолжетімді әртараптандырудың әлеуетті нұсқаларын ұсынады. Нәтижесінде, болашақ мұнайға деген сұраныстың ықтимал ығысуына қарамастан, әртараптандыру саясаты екі елде де сәтті болған жоқ. Сондықтан, бұл мақалада екі экономиканың әлемдік мұнай бағасына әлі де сезімтал болатыны туралы қорытынды жасалады.

Кілт сөздер: экономиканы әртараптандыру, мұнайға тәуелді елдер, ресурстық қарғыс, Нигерия, Қазақстан.

ПРОБЛЕМЫ, ПОТЕНЦИАЛЫ, ПЕРСПЕКТИВЫ И ВАРИАНТЫ ДИВЕРСИФИКАЦИИ НЕФТЕЗАВИСИМЫХ ЭКОНОМИК В XXI ВЕКЕ: СРАВНИТЕЛЬНЫЙ АНАЛИЗ НИГЕРИИ И КАЗАХСТАНА

Д.О. Олаюнго¹, А. Жупарова^{2,*}

¹ Университет Обафеми Аволово, Иле-Ифе, Нигерия

² Алматы Менеджмент Университет, Алматы, Казахстан

*e-mail: {aziza.zhuparova@gmail.com}

Аннотация. Разведка сырой нефти в Нигерии и Казахстане привела к игнорированию других нефтяных секторов экономики и усилению чрезмерной зависимости от нефти как единственного источника экспорта и валютных поступлений. На протяжении многих лет обеим странам удавалось выживать и поддерживать определенный уровень роста благодаря своей зависимости от нефтяных доходов. Однако, учитывая темпы технического прогресса и открытие альтернативных источников ископаемой энергии в сочетании с непрекращающимся падением мировых цен на нефть, потеря нефтяной составляющей своей значимости в мировой экономике – лишь вопрос времени. Таким образом, существует необходимость в диверсификации экономики этих стран. Необходимо исследовать новые, неиспользованные секторы, находить альтернативные источники национального дохода и инвестировать в них для стимулирования будущего роста и развития. В настоящем исследовании рассматриваются последствия чрезмерной зависимости этих двух стран от нефти и предлагаются потенциальные варианты диверсификации. Результаты исследования показывают, что политика диверсификации не увенчалась успехом в обеих странах, несмотря на потенциальное смещение спроса на нефть в будущем. Таким образом, в статье делается вывод о том, что экономики обеих стран по-прежнему будут подвержены влиянию мировых цен на нефть.

Ключевые слова: диверсификация экономики, нефтезависимые страны, ресурсное проклятие, Нигерия, Казахстан.

Introduction

Currently, diversification is a course of state policy aimed at overcoming the dependence of the economy of a country or region on a deficient range of economic activities and creating a more balanced production structure in terms of possible sources of income, employment, as well as cyclical and market risks. Although the discourse of diversification is most often associated with developing countries and lagging regions that rely on commodity exports. Diversification of an economy provides a constant stream of revenue to the nation across sectors, thus increasing the resilience of the economy. As a result, negative shocks or downturns from a particular sector will not have much impact on the whole economy as other sectors would neutralize the effect of the shocks. This fact is not the case for an economy solely dependent on a particular source of revenue. In this case, any shock in the sector whether positive or negative would have large impacts

on the whole economy disrupting economic activities in the nation.

Excessive dependence on natural resources is generally associated with a number of problems. These incorporate the disintegration of economic and political institutions, the negative effect on the development and competitiveness of other sectors, and the slowdown in productivity growth, which in blend prompts increased macroeconomic instability. Indeed, there are numerous cases of confirmation that the abundance of natural resources tends to undermine the integrity and viability of the institutional framework, not least because it is easier to assign raw material rents or other payments when institutions are weak. In turn, the disintegration of institutions that include property rights or courts of General jurisdiction has delayed the growth of other sectors of the economy, often not related to natural resources, as businesses face higher transaction costs or fear illegal expropriation. It is particularly important that, in the absence of steady institutional support, the private

sector may not have motivating forces to attract investment or develop innovation. The data accessible for different countries also support the idea that there is a clear link between the quality of institutions of countries with more diversified economies tend not only to have a better institutional base, but the quality of institutions, in turn, is a key factor determining long-term changes in the complexity of the export structure (an increase of the share of industrial and agricultural products with high added value in the total volume of commodity exports). As shown by the results of cross-country analysis, adjusted for differences in the initial export structure, income level, and other relevant factors, countries with more diversified economy, as a rule, not only have the best institutional base, but the quality of institutions, in turn, is a key factor determining long-term changes in the complexity of the export structure

Another advantage of diversification is that the need to increase income from cost-sensitive sectors of tradable merchandise (such as manufacturing and agriculture) is likely to lead to increased discipline in the government to ensure increased efficiency of public expenditure and quality of public services. A huge number of available indicators show that the quality of institutions in Kazakhstan is relatively low and has not improved significantly in recent years. For instance, in different frequently cited world rankings of political and economic institutions, Kazakhstan ranks from 78th (the index of economic freedom calculated by the heritage Foundation in 2010) to 167th (the index of political rights calculated by Freedom House) in the world. Dependence on natural resources is also usually related with strengthening of economic inequality, since raw material rents (i.e., revenues from the sale of raw materials minus production costs) are usually distributed among a limited number of people. High levels of inequality

Literature review

Majority of countries where main income stream comes from oil exports

can, in turn, negatively affect long-term development, not least by limiting access to education, assets, and other less material resources. As can be seen from standard indicators of inequality, such as the Gini coefficient, Kazakhstan and Nigeria have fairly similar inequality (in Kazakhstan and Nigeria, the Gini coefficient are 33.9% and 35.1% compared to 25% in Sweden and 54% in Brazil). However, the moderate Gini coefficient in both Kazakhstan and Nigeria hides a very significant concentration of wealth at the very top of the income scale. For instance, the list of the world's wealthiest people according to the Forbes classification includes 5 Kazakhstanis a population of only 18 million people. In addition, for its income level, Kazakhstan has a relatively small middle class, which is estimated to make up about a quarter of the population. Also, in Nigeria, the poverty level is about 42.5% of the people with almost 190 million population (World Development Indicator, 2019).

Materials and Methods

The main research method used in writing this article was comparative analysis. Where the methodological basis was formed by the theoretical concepts of the resource curse (Auty, 1993; Sachs and Warner, 1995), Dutch disease (Corden and Neary, 1982), and the theory of rent-seeking behaviour (Gelb, 1988; Ross, 2001). In particular, the comparative analysis included a review of the economic indicators of Nigeria and Kazakhstan. For the analysis, secondary source data were used, namely statistical data from international organisations (World Bank, OPEC, EIA, IEA, Eurostat) and national statistical services of Kazakhstan and Nigeria. The study also examined state diversification programs (the State Program for Accelerated Industrial and Innovative Development of Kazakhstan, 2010-2014, 2015-2019).

despite the high and fast profitability of hydrocarbons have long stated the need to diversify their economies through hydrocarbons. The need to diversify

economy through hydrocarbons has become clear in face of global demand and high volatility in hydrocarbon prices, as well as the latest fundamental changes that have affected energy markets around the world. As a result, policymakers started to seriously question the stability of oil dependence and thus accelerated fiscal and structural reforms to make necessary changes (Shehabi, 2019).

Connection between economic diversification and economic growth has been observed in different literature, since economic diversification depends on the trajectory of movement (Mania and Rieber, 2019), as well as research on the structure of diversification across countries as a whole, without taking into consideration the role of oil wealth (Charfeddine and Barkat, 2020). However, research about the link between diversification and oil wealth is limited. While assessing the contribution of oil in promoting or containing structural change and export diversification, Alsharif and Bhattacharya (2019) proved that the concentration of oil exports 8 years after the discovery does not have any effects on the structure of employment in the resource and manufacturing sectors. Nevertheless, according to those authors, the quality of political institutions influences the relationship between oil wealth and structural change with democratic and inclusive political institutions mitigating the impact of oil discovery on exports, but not on the labor market. However, Omgba (2014) argues that the start date of oil production in a country is positively correlated with export diversification.

However, at the same time many studies emphasizing the negative correlation between the availability of a large amount of resources and the economic well-being of a country have been released. According to Matallah (2020), oil rent affects economic growth having taken into account the main symptoms of the resource curse phenomenon in the oil-rich MENA countries while public administration plays a significant role in preventing the resource curse and replacing oil rent in an instrument of economic

diversification. Without doubts, oil and gas exporters regularly support diversification of their economies to protect themselves from falling commodity prices, to create new jobs in the resource sector, and to develop the resource sector (Auty, 2001).

It is obvious that the price of oil is the main influencing factor on the level of oil exports. It has been revealed that countries where oil dominates national production industry are more likely to see more critical growth in their production as oil prices recover and this would mean that their economies will recover faster. Given that economies were falling faster due to lower prices, we can expect that the higher oil prices will have a recovering effect on the economies of developed countries anyway.

There are problems associated with diversifying the economies of oil countries. Djimeu and Omgba (2019) study the factors that influence export diversification of countries whose economies depend on oil exports. They found out that the extent to which oil affects the diversification process can be reflected on country's volatile export nature.

Consequently, the homogeneity of the economic structure, in particular the specialization in mineral resources such as oil, can obstruct diversification. In the broader economic literature, economic diversification is mainly explained in the context of the Dutch disease (Alsharif et al, 2017; Bahar and Santos, 2018; Corden and Neary, 1982; Corden, 1984), often expressed as a manifestation of the resource curse. This means that the discovery of large resources will lead to an increased dependance on resources both through the direct channel (an increase in the cost of exporting resources) and through an indirect channel (a decrease in the cost of exporting non-resource resources). It is therefore claimed that there is strong evidence for the empirical and significant importance of the Dutch disease effect.

According to Elbre (2013), the resource curse can be perceived as “a paradox when countries rich in natural resources do not

dedicate time and resources on dealing with other economic spheres that do not involve minerals,” which means that countries where there is an abundance of natural resources does not allow them to achieve high rates of sustainable growth and poverty reduction (Costa and Santos, 2013). In addition, such countries experience a lack of robust property rights, persistently high unemployment rates and income inequality that are often misrepresented in real statistics. Sachs and Warner (1999) argued that resource-rich countries suffer from a weak manufacturing sector compared to resource-poor countries because resources prompt economic agents to seek rent which again is in the way of economic development (Matallah, 2020).

Overdependence on resource rents has detrimental effects on the institutional context of a resource-rich country. This relationship can be characterized by the following: often lasts for long periods of time thereby threatening long-term economic growth; common among many countries with transitioning economies that are undergoing significant institutional change; the availability of different sources of natural resources often discourages governments from pursuing the necessary institutional reforms and, as a consequence, exacerbates signs of growth instability. In fact, the experience of many countries shows that resource-poor countries tend to grow faster than resource-rich countries. It is also necessary to take into consideration the fact that in economically advanced countries, the main driving force behind economic prosperity was not the availability of natural resources. This is confirmed by the experience of countries with abundant natural resources such as Norway and Botswana which use their natural resources to support sustainable growth, and their experience is exemplary illustration for resource-rich countries. In the Norwegian experience, the government has decoupled oil rents from political goals by channeling them towards productive investments in a transparent operating environment (Tsani, 2013). Likewise, the government of Botswana

successfully managed resource rents through good governance practices and high quality institutions, especially with regard to property rights, which have so far been heavily influenced by pre-colonial institution. This demonstrates that first of all, countries dependent on natural resources shall first intensify institutional reforms and build good governance, which is a way out of the resource curse since it is capable of converting natural resource wealth into goods and allows countries with abundant resources to ensure reliable and sustainable economic growth. Thus, the weakness of institutional reform is a disturbing truth underlying the synchronization between resource abundance and the vicious cycle of unsustainable economic growth, as it ensures that resource leases are misleading and used for productive purposes rather than productive ones.

There is evidence suggesting that the resource curse reflects a case where natural resource wealth is directly proportional to a low economic performance. Costa and Santos (2013) outline the following main symptoms of the resource curse phenomenon: (1) overdependence on natural resources; (2) the disappointing effect of real appreciation from natural resource exports to other sectors of the economy; (3) short-term growth in inflation; (4) a commensurate drop in consumption in response to high commodity prices; (5) ineffective control of government spending; (6) widespread corruption. As a positive example, consider the experience of resource-rich countries such as Chile, Brazil, Indonesia, Malaysia, Mexico and Sweden, where governments have been able to reduce dependence on resources and successfully diversify their economies (Joya, 2015). Diversification of the economy is the basis for sustainable economic growth; it is the process by which a country's rich resources counter instability and avoid a global fall in resource prices.

Furthermore, the development of human capital is considered to be a key component of economic diversification, which requires more than the existing human capital which is already being used to grow

oil production without much difficulty. Human capital tends to grow only within the framework of an appropriate institutional structure that loosens the tight link between resource rent and corruption.

In sum, oil-exporting countries diversify their economy more slowly than the rest of the world, although this pattern is time dependent. At the same time, poor governance at significant level largely contributes to the depletion and deterioration of natural resources instead of using them for the creation of the new basis for economic diversification and sustainable growth. In fact, building strong institutions is the only intermediary that can coordinate the dual goals of diversifying economic activities and deriving benefits from natural resources. The results of the Alley study (2018) show that economic diversification can be achieved through various incentive measures such as monetary policy (e.g. lowering interest rates), fiscal policy (e.g. tax breaks), and infrastructure development policies. Diversifying the economy and exports will allow the country to make use of the benefits of trade competitiveness through a depreciation of the exchange rate. In a benchmarking analysis, Elwerfelli and Benhin (2018) examined benchmarking across Nigeria, Norway, and the United Arab Emirates (UAE). The study found that Nigeria is not diversifying from oil as the country still has the effects of the resource curse. On the other hand, the UAE and Norway have been able to diversify their economies, moving from oil to tourism, education, agriculture and services. The study used two measures of GDP volatility due to oil price fluctuations and the relative contribution of the population, and the contribution of the private sector to GDP in its analysis. The study found out that the pace of economic diversification in Saudi Arabia is slow while private sector participation is still strong, and the economy is still heavily dependent on oil export revenues.

Results and Discussions

There are some measures that clearly show the extent of diversification of an economy. These measures are as follows:

i) Oil sector as a percentage of GDP, if this is high then such country is yet to diversify.

Economic growth in Kazakhstan is associated with an increase in oil production. In 2019, Kazakhstan produced 90.4 million tons of oil, and Kazakhstan's GDP growth for 2019 was 4.2%. By 2025, Kazakhstan plans to produce 105 million tons of oil per year. At the same time, Kazakhstan was not able to overcome the 20-year decline in productivity growth, as evidenced by the decline in production. The industry structure observed in 1992 has now changed to almost the opposite: services now account for almost two-thirds of GDP, while manufacturing in particular accounts for only 11%. (Figure 1). In Nigeria, on the other hand, oil constitutes only 9,61% to GDP, while it contributes 90% of the foreign exchange. The reason for the less contribution to GDP in Nigeria is because few Nigerian are engaged in the oil companies. Agriculture is however the largest contribution to GDP with 21.65% contribution (National Bureau of Statistics, 2019). This is because the larger percentage of the workforce are involved in Agriculture.

Official statistics do not provide official estimates of full contribution of the oil and gas sector to GDP, despite the importance of these figures. Therefore, one has to rely on expert estimates of the size of this sector. In 2018, the share of oil revenues to the budget of Kazakhstan amounted to 61.4%. The government expects that by 2022, it will increase to 71.2%. In 2018, 30 largest companies in Kazakhstan paid almost 60% of all taxes to the budget, and 90% of these companies work in the field of oil production sector of Budget financing tied to global oil price. Kazakhstan's economy remains highly dependent on world oil prices. The size of the National Fund also directly depends on the price of oil. Hence, according to the results of modeling conducted as part of this study, an increase in oil prices by \$ 1 leads to an increase in the Fund's revenues by \$ 282

million. At the same time, the minimum oil price to ensure the growth of the Fund's assets is \$ 30 per barrel. Due to the decrease in oil prices from \$ 60 to \$ 55 per barrel in

2019, the decrease in revenues to the National Fund amounted to 137.7 billion tenge (\$ 375 million).

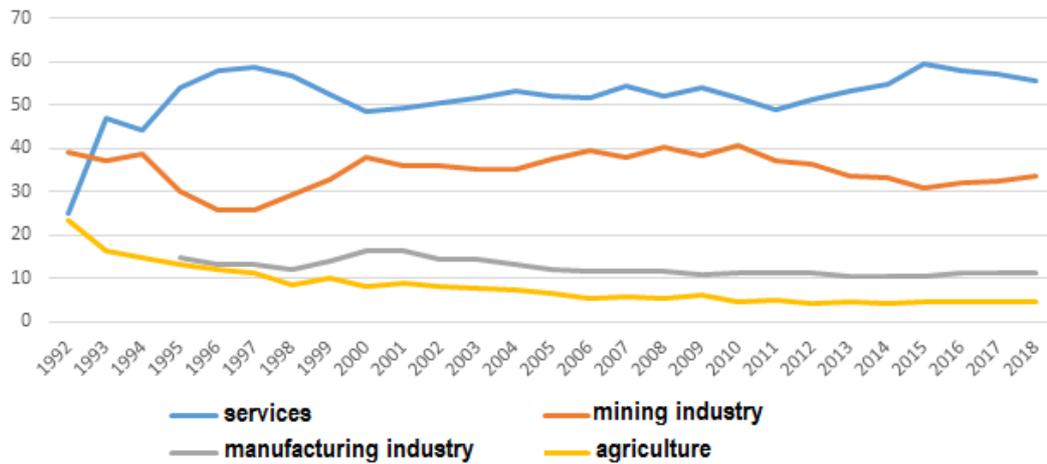


Fig. 1. GDP of Kazakhstan by industries, 1992-2018 years.

In Nigeria, the execution of the budget is usually tied to the oil revenue and the expected global oil price. The oil revenue constitutes 65% of the government revenue in Nigeria. Historically, oil revenue rose from N166.6 million in 1970 to N1,591,675.00 million in the year 2000 and to N6,530,430.00 million in 2008, by 2015, it was already N3,082,405.55 million while it increased tremendously to N516 billion in 2019 (OPEC Annual Statistical Bulletin, 2019). With the continuous rise in oil

revenue, government spending through its budgetary allocation also increased from N299 billion in 1999 to N1.06 trillion, N3.05 trillion and N4.4 trillion in the year 2002, 2009 and 2015 respectively, by 2019 the budget increased to N10.33 trillion (National Bureau of Statistics, 2019). The petroleum tax royalties have been a major contribution to the increase in government revenue in Nigeria. In 2019 the petroleum tax royalty paid to the government was N4.6 trillion.

Oil production forms 17% of Kazakhstan's GDP

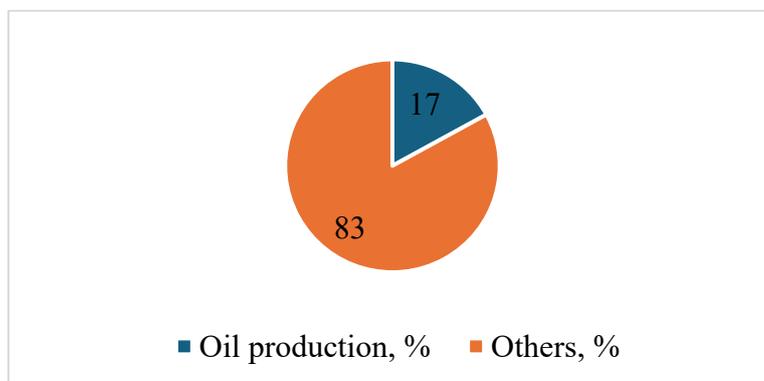


Fig. 2. Share of oil production in GDP of Kazakhstan ii) Oil revenue as a percentage of total revenue

iii) Oil export as a percentage of country's exports

Despite the fact that net exports, supported by increased oil production and improved terms of trade, as well as the influx of investments, which grew by 30% over the year, contribute to overall economic growth,

domestic consumption continues to decline. The export structure is shown in Figure 3. According to statistics, large proportion of the country's income is still formed by the raw material base, while the distribution of these incomes is no longer able to stop the decline in other sectors.

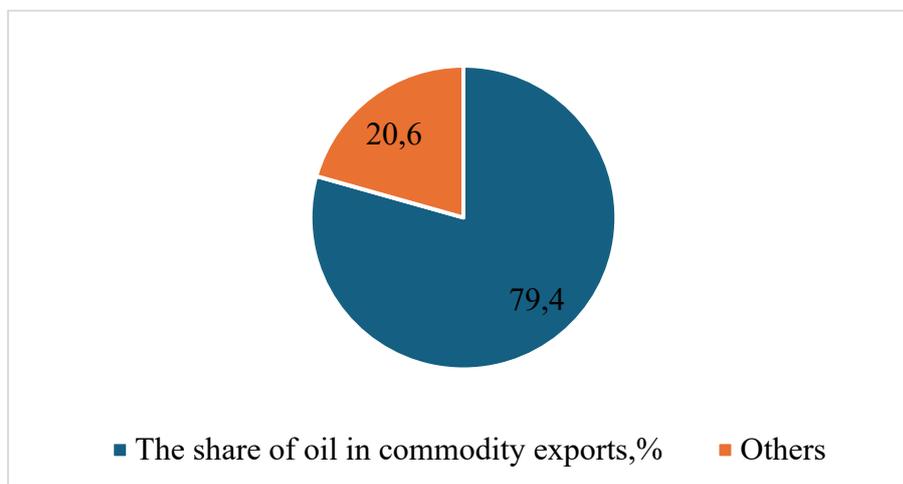


Fig 3. Structure of exports of Kazakhstan

The oil sector in Nigeria accounts for 93.8% of the total exports. The production and exports of the oil commodity is at the detriment of non-oil sectors in Nigeria. The non-oil export has increased marginally from N1 trillion to N2 trillion between 2018 to 2019 while oil export has fallen hugely from N9.4 trillion to N4.62 trillion from 2018 to 2019. This is as a result of fall in oil price in 2019. This results in expansion of government revenues and spending capacity. For instance, crude oil export rose from 11300.52 billion gallons in 2010 to 14323.15 billion gallons in 2011 but declined to 8184.48 billion gallons in 2015 and rose to 9475 billion gallons (Central Bank of Nigeria, 2017). In the same vein, oil export barrel has risen from 1 million barrels per day in 1970 to close to 2 million barrel per day in 2019 (OPEC Statistical Bulletin, 2019).

iv) Private sector as a percentage of GDP, low private participation signifies low diversification efforts.

There is no generally accepted methodology for assessing the share of the private sector in GDP, and any such calculations depend to a large extent on the regime applicable to enterprises that are in

mixed (public-private) ownership or are fully or partially controlled by state organizations, and on the distribution of cost over large state-owned hydrocarbon contracts. Moreover, almost all estimates show that the subjects of the public and quasi-public sector play a much more important role than in OECD countries (OECD, 2017). Enterprises owned by NWF Samruk-Kazyna JSC occupy a dominant position in many leading sectors of the national economy, including in the raw materials sector, transport, warehousing, and information and telecommunications. Private organizations predominate in the banking system, and yet, according to the IFC for 2017, the state (through enterprises with state participation) is their largest contributor and at the same time the largest borrower (IFC, 2017). In total, the Samruk-Kazyna Fund and its subsidiaries provide approximately 30% of all jobs in the country (IFC, 2017). As of January 1, 2015, 27 6726 legal entities with state participation were registered, of which 1.002 have more than 250 people.

The government has developed a privatization program that aims to reduce the share of gross value added by state owned enterprises (SOEs) in GDP to 15% by 2020.

Despite this, many key sectors of the economy continue to remain under the direct control of the state. A rise in agricultural production in the country can result in reduced The Total asset value of SKGS is estimated at about two-thirds of GDP, and the gross value added provided by the quasi-public sector in 2018 amounted to 8.1 percent of GDP.

Over 750 quasi-public sector companies are registered in Kazakhstan, and most of these companies are grouped in three large national holdings, which represent more than 90 percent of the assets of the quasi-public sector. 17 Many quasi-public sector dominate the provision of public services, including information and communication technology (ICT), rail transport, electricity and water, education and health. According to the OECD State Control Index, in the Kazakh economy, the quasi-public sector is represented more than in any of the OECD countries, as well as in most major countries outside the OECD, including China and Brazil. The dominant role of a large quasi-public sector in the economy indicates that, in all likelihood, they are provided with preferential terms (mainly due to access to subsidized loans), which impedes the work of private enterprises in some sectors.

SOEs as recipients of public investment, have initiated the industrial development of the manufacturing sector in Kazakhstan. They prevail in a number of key sectors, and their contribution to GDP reaches 50%, which is significantly higher than the OECD average of 15% of GDP.

The public sector in Kazakhstan plays a significant role in providing employment, while the private sector is generally considered underdeveloped. In 2016, about a quarter of the workforce was employed in the public sector. (including quasi-public sector).49 percent of the Kazakhstan workforce was in the category of individual entrepreneurs and self-employed citizens (on average, 1.5 employees per entrepreneur). Foreign companies provided employment. 3 percent of the workforce. The rest of the private sector provided employment for

almost 23 percent of the total workforce (an average of 11 workers per private enterprise). The majority (80 per cent) of private enterprises in Kazakhstan are SMEs (including individual entrepreneurs and farms), while SMEs provide only one third of all jobs By comparison, SMEs account for 51 per cent of employment in Saudi Arabia and 86 per cent in the United Arab Emirates The data show that the private sector in Kazakhstan lacks dynamism in creating a sufficient number of jobs.

Nigeria, on the other hand recorded 90% private sector contribution to GDP recently while the public sector contributed 10% to the GDP. However, privatization has not been extended appropriately to the oil sector in the country. The Nigerian National Petroleum Corporation (NNPC) which is the government parastatal that controls the downstream sector (production of crude oil) with the petroleum ministry in the oil industry. The failure to liberalize the sector might have responsible for the low accumulation of Nigerian nationals in the industry. The lack of political will and commitment on the part of the government as regards to the privatization policy has resulted in the low production capacity of the existing oil refineries in the country. It is sad and unfortunate for a resource-rich economy like Nigeria to export crude to countries with high capacity refineries and import refined products at higher prices. This is the reason for high price of domestic fuel in the country.

Conclusion

Based on this study, it can be inferred that abnormal income from the export of mineral resources, as well as an excess of such a resource within the country, can cause deformation of the economy in all cases, regardless of the political system and the applied economic policy. In both countries, Nigeria and Kazakhstan, there is a high correlation between the growth rate of Kazakhstan's GDP and the growth rate of oil prices in world markets. It is important to emphasize that we are also talking about the high dependence of the Kazakhstani national

currency - the tenge, where at least for the last 18 years, it has shown an amazing dependence on the price of oil - only two factors affect its exchange rate against the dollar. This is also true for Nigeria. Oil price and inflation also move together in these countries. Moreover, the impact of changes in the cost of oil is so great that during their rapid growth, the tenge was overestimated almost twice in relation to its estimated inflation rate. The impact of petrodollar revenues on the economies was reflected not only on the dependence of domestic investment on oil prices, but also on the ability of the economy to produce export-oriented products, regardless of the revenues from hydrocarbon sales.

In this regard, the main problem of the economy of Nigeria and Kazakhstan is its lack of diversification. The measures taken by the governments to improve the degree of diversification of the economy do not bring significant success. Strategies aimed at diversifying economy from the oil were unsuccessful, while oil production, even against the background of lower prices, made it possible to maintain the structure of the economy without social upheavals. On the other hand, measures aimed at increasing the level of competitiveness of the economy, its

diversification, involving more economic entities in economic processes, export development, are practically not implemented well in the two countries; on the contrary, there are successive processes of concentration of capital and business around and in the hands of the state, a protectionist policy is being applied with respect to selected industries and enterprises, which reduces their competitiveness and forces wide sections of the business to fight not for improving the quality and reducing the cost of production, but for increasing benefits and barriers to enter the industry. Moreover, Kazakhstan still holds a high position in the ratio of high per capita production of hydrocarbons and the share of natural rent in GDP. This is also true for Nigeria.

Move-away from raw material dependency in Nigeria and Kazakhstan is possible only in case of revision of economic policy. At the same time, the key drivers of an effective transition should be the experience and ability of management authorized to develop and implement reforms (and therefore, attracting foreign management on a competitive basis has a positive effect on efficiency) and reducing agent costs, in particular the level of corruption.

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About the authors:

1. D.O. Olayungbo - PhD, Professor, Obafemi Awolowo University, Ile-Ife, Nigeria, (e-mail: doolayungbo@gmail.com, Orcid <https://orcid.org/0000-0001-6658-9426>).

2. A. Zhuparova - PhD, Associate Professor, Researcher, Almaty Management University, Almaty, Kazakhstan (e-mail: aziza.zhuparova@gmail.com; Orcid <https://orcid.org/0000-0002-5787-760X>).

Авторлар туралы ақпарат:

1. Д.О. Олаюнгбо - PhD, профессор, Обафемі Аволово Университеті, Нигерия, (e-mail: doolayungbo@gmail.com, Orcid <https://orcid.org/0000-0001-6658-9426>)

2. А. Жупарова - PhD, Доцент, исследователь, Алматы Менеджмент Университеті, Алматы, Қазақстан (e-mail: aziza.zhuparova@gmail.com; Orcid <https://orcid.org/0000-0002-5787-760X>).

Информация об авторах:

1. Д.О. Олаюнгбо - PhD, профессор, Университет Обафемі Аволово, Нигерия, (e-mail: doolayungbo@gmail.com, Orcid <https://orcid.org/0000-0001-6658-9426>).

2. А. Жупарова - PhD, Доцент, профессор-исследователь, Алматы Менеджмент Университет, Алматы, Казахстан (e-mail: aziza.zhuparova@gmail.com; Orcid <https://orcid.org/0000-0002-5787-760X>).