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Fiscal Management and Economic Diversification in Oil-Dependent Economies: Lessons from Nigeria, Canada, and Saudi Arabia

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ABSTRACT

This study examined the role of fiscal management in transforming oil-dependent economies, with a particular focus on Nigeria's efforts to implement the Petroleum Industry Act (PIA) 2021 for enhanced transparency and efficiency in the oil sector. The research adopted a qualitative methodology, utilizing in-depth case studies and group discussions with key stakeholders, alongside a comparative analysis of fiscal management and diversification strategies in Canada and Saudi Arabia. The study explored how these nations have managed their resource wealth and diversified their economies. Key findings suggested that while the PIA has the potential to optimize Nigeria's oil revenues, the country faced persistent challenges in effectively diversifying its economy, particularly in the underdeveloped solid minerals sector. The study concluded by offering actionable recommendations to improve revenue mobilisation, strengthen institutional frameworks, and promote long-term economic sustainability through effective fiscal reforms and diversification strategies.

INTRODUCTION

Nigeria, often referred to as the "Giant of Africa," is one of the continent's largest oil producers, with petroleum serving as the lifeblood of its economy. Over the decades, oil has accounted for over 70% of government revenues, 90% of export earnings, and a significant proportion of foreign exchange inflows. This centrality of oil to Nigeria's economic structure has yielded immense wealth, particularly during periods of high global oil prices. However, it has also exposed the country to profound vulnerabilities.

The heavy reliance on oil has entrenched a mono-product economy, making Nigeria susceptible to the volatility of international oil markets. Fluctuations in oil prices, driven by factors such as global economic conditions, geopolitical tensions, and advancements in renewable energy technologies, have repeatedly destabilized the Nigerian economy. The oil price crash of 2014-2016 plunged Nigeria into a recession, underscoring the risks of overdependence on a single commodity.

Beyond price volatility, systemic issues such as corruption, inefficiencies in oil revenue management, and security challenges in the Niger Delta have further eroded the potential benefits of oil wealth. Mismanagement of oil revenues has led to inadequate reinvestment in infrastructure, social services, and human capital, exacerbating poverty and inequality despite the country's natural resource wealth.

Recognizing these challenges, Nigeria enacted the Petroleum Industry Act (PIA) in 2021, a landmark legislation aimed at addressing the inefficiencies and lack of transparency in the oil and gas sector. The PIA seeks to attract foreign investment, restructure regulatory frameworks, enhance environmental sustainability, and improve revenue sharing mechanisms with host

communities. However, the effectiveness of the Act has been constrained by implementation challenges, political resistance, and continued security risks in oil-producing regions.

While the PIA represents a significant policy reform, the Act alone cannot insulate the Nigerian economy from the vulnerabilities associated with oil dependence. As global energy markets transition towards renewable sources, the urgency for Nigeria to diversify its economic base has never been greater.

Despite possessing vast reserves of solid minerals, fertile agricultural land, and a burgeoning services sector, Nigeria's non-oil sectors remain underdeveloped. Structural barriers such as inadequate infrastructure, regulatory bottlenecks, and limited access to finance have hindered the growth of industries outside the oil sector. This lack of diversification has left Nigeria ill-prepared to leverage its full economic potential, perpetuating a cycle of dependence on oil revenues.

The experiences of other resource-dependent nations, such as Canada and Saudi Arabia, offer valuable lessons for Nigeria. Canada has successfully balanced its reliance on oil with the development of other economic sectors through sound fiscal management, robust institutional frameworks, and environmental sustainability measures. Similarly, Saudi Arabia's Vision 2030 initiative represents a bold strategy to diversify its economy, reduce reliance on oil, and foster innovation across various industries.

Statement of the Problem

Nigeria's economy has been heavily reliant on oil revenues for decades, creating significant structural and fiscal vulnerabilities. This dependence has led to various economic, social, and institutional challenges that undermine the country's development prospects.

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Global oil price fluctuations have repeatedly destabilized Nigeria's economy, given that oil contributes over 70% of government revenue and 90% of export earnings. Periods of high oil prices, such as the early 2000s, have fostered complacency, leading to a lack of savings and reinvestment. Conversely, sharp declines, as witnessed in 2014-2016 and during the COVID-19 pandemic, have resulted in fiscal crises, recession, and heightened public debt. The inability to mitigate these shocks demonstrates a failure to establish effective fiscal buffers, such as a robust sovereign wealth fund or effective counter-cyclical policies.

The Nigerian oil sector has long been plagued by inefficiencies and systemic corruption. Regulatory frameworks have often lacked clarity and enforcement, creating opportunities for mismanagement of resources. Issues such as revenue leakages, opaque contract processes, and subsidy fraud have eroded public trust and denied the government substantial revenues. The passage of the Petroleum Industry Act (PIA) in 2021 sought to address some of these inefficiencies, but challenges in implementation, resistance from vested interests, and weak institutional capacity have hindered its full impact.

The Niger Delta, Nigeria's primary oil-producing region, has been a hotspot for security challenges, including militancy, vandalism, and oil theft. These activities have led to significant production losses, estimated at billions of dollars annually. Despite the establishment of initiatives such as the Niger Delta Development Commission (NDDC) and the Presidential Amnesty Program (PAP), the underlying issues of underdevelopment, environmental degradation, and inequitable resource distribution remain largely unresolved, perpetuating cycles of unrest.

Despite possessing vast reserves of solid minerals and a favourable climate for agriculture, Nigeria's non-oil sectors remain underdeveloped. Factors such as inadequate infrastructure, inconsistent policies, and limited access to finance have stifled growth in these sectors. This neglect has prevented Nigeria from leveraging its full economic potential, leaving the country overly dependent on oil revenues and vulnerable to external shocks.

Existing literature largely focuses on managing oil revenues without adequately addressing the linkages between oil-sector reforms and the development of non-oil sectors, such as solid minerals and agriculture. A few studies provide a comparative analysis of Nigeria's oil sector challenges with those of other resource-rich countries. There is insufficient exploration of best practices from nations like Canada and Saudi Arabia, which have implemented successful diversification strategies. While the PIA has been hailed as a transformative policy, research on its implementation, bottlenecks, and practical outcomes remains limited. There is a need to assess how the Act aligns with broader economic diversification goals. By examining the challenges in the oil sector alongside the underutilization of non-oil sectors, this research offers a comprehensive perspective on Nigeria's economic

vulnerabilities and opportunities for diversification. By drawing lessons from Canada and Saudi Arabia, the study identifies best practices in fiscal management, economic diversification, and resource governance that can be adapted to the Nigerian context.

Objectives of the Study

- i. To evaluate the impact of the Petroleum Industry Act on Nigeria's oil sector and revenue generation.
- ii. To explore fiscal management strategies for diversifying Nigeria's economy.
- iii. To compare Nigeria's oil and non-oil revenue strategies with those of Canada and Saudi Arabia.
- iv. To provide actionable recommendations for improving economic resilience in Nigeria.

LITERATURE REVIEW

Conceptual Issues

The study of fiscal management, economic diversification, and the Petroleum Industry Act (PIA) 2021 is rooted in several conceptual frameworks that provided the foundation for understanding the challenges and opportunities in resource-dependent economies like Nigeria.

Fiscal Management

Fiscal management is the strategies and policies employed by governments to mobilise, allocate, and utilize public resources effectively and efficiently. In resource-dependent economies, fiscal management encompasses managing revenues derived from natural resources to ensure economic stability, sustainability, and development. In economies like Nigeria, fiscal management plays a critical role in mitigating the volatility of resource revenues. The reliance on oil exposes these economies to boom-bust cycles driven by fluctuating commodity prices. Nigeria's fiscal management has been criticized for inadequate savings during boom periods, corruption, and inefficiencies in public expenditure. The lack of a robust fiscal framework has exacerbated economic vulnerabilities and hindered sustainable development.

Economic Diversification: Frameworks for Reducing Reliance on a Single Revenue Source

Economic diversification is the process of expanding an economy's revenue and production base by developing multiple sectors, thereby reducing dependence on a single source of income, such as oil. Diversification ensures economic resilience by creating alternative revenue streams and employment opportunities.

Diversification is critical for Nigeria because the country's overdependence on oil makes it vulnerable to price shocks and the solid minerals such as agriculture, and services have untapped potential to generate significant revenue and employment.

Case Studies of Success

United Arab Emirates

Diversified into tourism, finance, and aviation.

Saudi Arabia

Launched Vision 2030 to reduce oil dependency and develop sectors like technology and renewable energy.

Petroleum Industry Act (PIA): Key Provisions and Anticipated Impacts

The Petroleum Industry Act (PIA), passed in 2021, is a landmark legislation aimed at reforming Nigeria's oil and gas sector. The Act sought to address inefficiencies, attract investments, and improve transparency and accountability in resource management.

Key Provisions

Regulatory Reforms

Creation of distinct regulatory bodies, such as the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), to ensure better governance.

Host Community Development

Establishment of a Host Community Development Trust to channel 3% of oil companies' operating expenditure into local development.

Fiscal Reforms

Introduction of a competitive fiscal regime, including reduced royalties and taxes, to attract foreign investment.

Deregulation of the Downstream Sector

Removal of fuel subsidies to promote efficiency and reduce fiscal burden.

Environmental Sustainability

Provisions for gas flaring penalties and commitments to cleaner energy.

Anticipated Impacts

The PIA has the potential to transform Nigeria's oil and gas sector by:

- Increasing foreign direct investment (FDI) due to a more stable and competitive fiscal framework.
- Enhancing transparency and reducing revenue leakages through clearer regulatory roles.
- Promoting sustainable development in host communities, thereby addressing some of the root causes of militancy and unrest.
- Accelerating the transition to renewable energy by incentivizing investments in gas and cleaner energy projects.

Implementation Challenges

Despite its ambitious goals, the PIA faces several challenges:

- Resistance from vested interests, particularly regarding subsidy removal.
- Weak institutional capacity to enforce provisions.
- Security risks in the Niger Delta, which continue to undermine production and investor confidence.

Relevance to the Study

By analysing the PIA alongside fiscal management and diversification strategies, this study evaluates its effectiveness in addressing Nigeria's economic challenges. The Act's implementation will also be compared to policies in Canada and Saudi Arabia to draw lessons for improving resource governance and promoting diversification.

These conceptual frameworks provide the foundation for understanding the complexities of Nigeria's economic challenges and the pathways to sustainable development. The integration of fiscal management, economic diversification, and the PIA into this study allows for a comprehensive analysis of Nigeria's resource-dependent economy and the strategies needed for resilience and growth.

Empirical Review

Belkhir and Masaud (2024) examined the Effect of Strategic Management on Crisis Management in the Oil and Gas Sector in Libya, the study aimed to evaluate how strategic management impacts crisis management within Libya's oil sector. Utilizing survey data from 354 employees at Akakus Oil Operations and analyzing it through Structural Equation Modeling (SEM), the research demonstrates a significant positive relationship between strategic planning and crisis mitigation. A key finding reveals that strategic management enhances organizational resilience during crises. The study recommends implementing integrated long-term and short-term strategic frameworks to address sector-specific challenges effectively. However, its limitation lies in the focus on a single organization, suggesting the need for broader industry-wide research. This current study "Fiscal Management and Economic Diversification in Oil-Dependent Economies," the findings underscore how strategic management can bolster economic diversification efforts, providing insights relevant to fiscal strategies in oil-dependent economies like Nigeria, Canada, and Saudi Arabia.

Udoudo *et al.* (2023) study on "Nigeria's Inflation in the Era of Liquefied Natural Gas Exports: Insights from 2000-2021," examined the interplay between liquefied natural gas exports and inflation in Nigeria. Using secondary data from national economic reports and applying the ARDL cointegration methodology, the research explores long-term and short-term relationships. A key finding indicates that LNG exports significantly influence inflation, underscoring the need for targeted fiscal policies to stabilize the economy. The study recommended adopting fiscal diversification strategies and improving regulatory frameworks to mitigate inflationary pressures. However, its reliance on historical data without exploring external shocks limits the applicability of the findings to dynamic economic contexts. In this study "Fiscal Management and Economic Diversification in Oil-Dependent Economies: Lessons from Nigeria, Canada, and Saudi Arabia," this paper reinforces the importance of fiscal management and

diversification in reducing macroeconomic vulnerabilities and achieving sustainable economic growth in resource-dependent economies.

Empirical reviews provided a foundation for analysing real world applications and evidence related to a study's core issues. This section explored the success of Saudi Arabia's Vision 2030 in diversifying its economy, Canada's fiscal management in achieving a balance between oil production and environmental sustainability, and the challenges facing Nigeria's oil sector, drawing lessons from these economies.

Success of Saudi Arabia's Vision 2030 in Diversifying Its Economy

Overview of Vision 2030

Saudi Arabia's Vision 2030, launched in 2016, represents a strategic blueprint aimed at reducing the country's dependency on oil, diversifying its economy, and fostering sustainable development. The plan includes goals such as increasing non-oil government revenues, enhancing private sector participation, and creating a vibrant society driven by cultural and recreational initiatives (Saudi Vision 2030, 2016).

Saudi Arabia's Vision 2030: Empirical Evidence of Success in Economic Diversification

Khatib (2022) carried out study on the success of economic diversification in Saudi Arabia and found that between 2016 and 2022, Saudi Arabia's non-oil sector grew at an average annual rate of 3.5%, driven by tourism, retail, and entertainment. The study also stated that the introduction of mega-projects like NEOM and the Red Sea Project highlights the strategic shift toward infrastructure-led diversification.

Alshammari *et al.* (2021) evaluated the Vision 2030 in Saudi Arabia and found that Vision 2030 initiatives have created approximately 1.3 million jobs in non-oil sectors since its inception, with a significant focus on youth and women. Vision 2030 has spurred investments through PPPs, with over \$12 billion in private investments flowing into renewable energy projects as of 2023 (World Bank, 2023). Empirical analyses by the International Monetary Fund (IMF) highlighted improved regulatory efficiency under Vision 2030, particularly in tax collection and reducing corruption (IMF, 2021).

Relevance to Nigeria

Saudi Arabia's ability to implement structured diversification plans underscores the importance of aligning national goals with actionable policies. The empirical evidence demonstrated the need for:

- Developing robust institutional frameworks.
- Encouraging private sector participation in non-oil industries.
- Establishing clear metrics for diversification outcomes.

Lessons for Nigeria

Nigeria can adapt the following from Saudi Arabia:

Clear Vision and Policy Implementation

Establishing a long-term vision, supported by strong political will, to diversify the economy.

Sectorial Development

Targeted development of key sectors like solid minerals, agriculture, technology and tourism to complement resource revenues.

Institutional Reforms

Strengthening regulatory frameworks to ensure transparency and efficiency in non-oil revenue management.

Canada's Fiscal Management: Balancing Oil Production with Environmental Sustainability

Canada, a major oil producer, has demonstrated a unique ability to balance the economic benefits of oil production with environmental sustainability. The country's approach emphasizes robust fiscal frameworks, environmental policies, and community engagement.

Key Practices

Carbon Pricing

Canada implemented a carbon tax as part of its commitment to reducing greenhouse gas emissions, showing how resource-rich economies can integrate environmental sustainability into fiscal management (Government of Canada, 2020).

Sovereign Wealth Fund

Alberta's Heritage Fund is an instance of how resource revenues can be saved and reinvested to benefit future generations (Boadway, 2019).

Community Involvement

Indigenous communities are actively involved in decision-making processes related to resource projects, ensuring inclusivity and conflict mitigation.

Canada's Fiscal Management and Environmental Sustainability

A study by Rivers and Schaufele (2020) analysed Canada's carbon pricing policy and found a reduction of greenhouse gas emissions by 5% annually since 2019. This demonstrated how fiscal tools can balance resource utilization with environmental goals. The Alberta Heritage Fund has been a case study in resource revenue savings of \$18 billion allocated to infrastructure and education between 2015 and 2022 (Boadway, 2019). Jenkins *et al.* (2020) highlighted Canada's ability to maintain GDP growth at an average rate of 2% during oil price slumps between 2014 and 2019, supported by a diversified economy. The Indigenous participation in resource management has mitigated conflicts, as evidenced by the success of the Trans Mountain Expansion Project, where agreements with Indigenous communities led to timely project completion (Indigenous Relations Canada, 2022).

Relevance to Nigeria

Empirical evidence from Canada reinforces the importance of:

- Adopting sustainable fiscal policies like carbon pricing.
- Establishing savings mechanisms to buffer economic shocks.
- Actively engaging stakeholders in resource planning and management.

Lessons for Nigeria

- Sustainability Frameworks: Introduce policies like carbon pricing to encourage sustainable practices in the oil sector.
- Stakeholder Engagement: Involve local communities in resource management to mitigate conflicts and ensure equitable benefits.

Theoretical Framework

The study is underpinned by Resource Curse Theory and Diversification and Economic Development Theory. The two theories served as the foundation for understanding the interplay between resource wealth, economic diversification, and fiscal management. This study leverages on the two primary theories to provide insights into the challenges and opportunities for resource-dependent economies like Nigeria.

Resource Curse Theory

The Resource Curse Theory, also known as the “Paradox of Plenty,” was popularized by Richard Auty (1993). The theory suggests that countries rich in natural resources, especially oil and minerals, often experience slower economic growth, weaker democratic institutions, and heightened corruption compared to resource-scarce nations.

Core Tenets

Economic Volatility

Resource dependency exposes economies to global price shocks, leading to fiscal instability (Sachs and Warner, 2001).

Dutch Disease

Large inflows of resource revenues can cause currency appreciation, making non-resource exports less competitive (Corden and Neary, 1982).

Weak Institutions

Resource wealth often leads to rent-seeking behaviour and corruption, undermining governance and institutional effectiveness.

Neglect of Non-Resource Sectors

Resource revenues create a false sense of security, leading to underinvestment in other productive sectors like agriculture and manufacturing.

Relevance of the theory to the Study

Nigeria epitomizes the resource curse, as its reliance on

oil has contributed to economic volatility, corruption, and the underdevelopment of non-oil sectors such as solid minerals. The theory underscores the need for robust fiscal management to mitigate resource dependency and foster diversification. Proper implementation of the Petroleum Industry Act (PIA) could help address inefficiencies in the oil sector and reduce the negative impact of the resource curse.

Diversification and Economic Development Theory

Diversification and Economic Development Theory has its roots in classical economic thought, with contributions from Adam Smith (1776) in “The Wealth of Nations,” which emphasized the benefits of specialization and trade. Modern proponents like Hirschman (1958) expanded on the idea, advocating for balanced sectorial growth to ensure economic stability and development.

Core Tenets

Economic Stability

Diversification reduces reliance on a single revenue source, insulating economies from sector-specific shocks (Prebisch-Singer Hypothesis, 1950).

Sustainable Growth

Developing non-resource sectors fosters innovation, job creation, and long-term economic sustainability (Hausmann *et al.*, 2007).

Enhanced Revenue Base

Diversification broadens the tax base, reducing fiscal deficits and dependency on volatile resource revenues.

Relevance to the Study

This theory is highly relevant to Nigeria, where the overreliance on oil revenues has limited economic growth and exposed the country to global oil price fluctuations. Evidence from countries like Canada and Saudi Arabia demonstrates that strategic diversification can stabilize economies and promote inclusive growth. The study applies this theory to advocate for leveraging Nigeria’s solid minerals and other non-oil sectors as pathways to diversification.

Integration of Theories

Both theories complement each other in addressing the central issues of the study:

Resource Curse Theory

Explains the challenges posed by resource dependency, particularly in the context of Nigeria’s oil sector.

Diversification and Economic Development Theory

Provides a roadmap for overcoming these challenges by emphasizing the importance of a diversified economy. The integration of these theories supports the argument that effective fiscal management and economic diversification are critical for Nigeria to break free from

the resource curse and achieve sustainable development. These frameworks also guide the comparative analysis of Saudi Arabia, Canada, and Nigeria, highlighting best practices that Nigeria can adopt.

MATERIAL AND METHODS

This study employed a qualitative research methodology to explore the dynamics of fiscal management, economic diversification, and resource dependency in Nigeria, Saudi Arabia, and Canada. The qualitative approach is chosen to provide a deep, contextual understanding of the complexities surrounding the topic, focusing on policies, historical trends, institutional frameworks, and stakeholder perspectives.

Research Design

The research design is exploratory and comparative in nature, focusing on understanding:

- i. Nigeria's fiscal management and economic diversification challenges.
- ii. The success stories and lessons from Saudi Arabia's Vision 2030 and Canada's fiscal and environmental policies.
- iii. The implications of these comparative insights for Nigeria's policy reform efforts.

The study used a case study approach, as this design allows for an in-depth examination of each country's strategies and outcomes in managing resource dependency and driving economic diversification.

Data Collection Methods

The data was sourced from academic journals, policy reports, government publications, International organizations such as the IMF, World Bank, NEITI, Saudi Vision 2030 progress reports, Case studies and empirical evidence from Canada, Saudi Arabia, and Nigeria.

Document Analysis

The research involved a comprehensive review of policy documents, including:

- Nigeria's Petroleum Industry Act (PIA).
- Saudi Arabia's Vision 2030 framework.
- Canada's fiscal management and carbon tax policies.

By analysing these documents, the study identifies critical themes, policies, and outcomes related to fiscal management and diversification.

Expert Opinions and Historical Accounts

Qualitative data from group discussions, expert commentaries, and historical analyses was integrated to contextualize the findings. These sources offer insights into the practical challenges and opportunities in implementing fiscal policies and diversification strategies.

Data Analysis Techniques

The collected qualitative data was analysed using the thematic analysis method, which involves:

Coding and Categorization

Identifying recurring themes such as resource dependency, fiscal stability, and institutional reforms.

Comparative Analysis

Comparing the strategies and outcomes of Nigeria, Saudi Arabia, and Canada to highlight differences and shared lessons.

Triangulation

Ensuring validity by cross-referencing findings from multiple sources, including academic studies, policy documents, and expert opinions.

Rationale for Adopting a Qualitative Methodology Complexity of the Topic

The issues of resource dependency, fiscal management, and economic diversification are multifaceted and require a detailed exploration that goes beyond numerical analysis.

Context-Specific Insights

Qualitative methods are ideal for understanding the unique historical, institutional, and political contexts of the three countries studied.

Policy Relevance

The study aimed to inform policy decisions, and qualitative findings provide actionable recommendations based on in-depth analysis rather than generalized quantitative trends.

Strengths and Limitations

Strengths

Rich, Contextual Data

Enables a nuanced understanding of the dynamics in each country.

Flexibility

Allows for exploring emerging themes during the research process.

Relevance to Policymaking

Focuses on real-world implications and policy design.

The qualitative methodology provides a robust framework for analysing Nigeria's fiscal management and diversification challenges in comparison to Saudi Arabia and Canada. By focusing on secondary data, document analysis, and thematic exploration, the study generates insights that are directly relevant to policymakers and stakeholders in resource-dependent economies.

Limitations

Findings may not be universally applicable due to the specific focus on three countries.

RESULTS AND DISCUSSIONS

Table 1: Comparative Analysis on Fiscal Framework and Challenges

Feature	Nigeria	Canada	Saudi Arabia
Revenue Dependence	High on oil	Balanced (oil and non-oil)	High on oil
Fiscal Management	Weak, reforms in progress	Strong	Strengthening via Vision 2030
Diversification Efforts	Limited	Advanced	Aggressive under Vision 2030
Regulatory Framework	PIA (2021)	Transparent and efficient	Modernizing regulatory systems
Security Challenges	Significant in oil regions	Minimal	Moderate, under control

Sources: PLA, SA Vision 2030, Canada, FM

Cross-Country Comparative Evidence

Table 2: Comparative Table: Key Metrics from Saudi Arabia, Canada, and Nigeria

Metric	Saudi Arabia (Vision 2030)	Canada	Nigeria
Non-Oil Revenue Growth	25% increase (2016–2022)	70% of GDP from non-oil sectors	Under 10%
Employment Generation	1.3 million new jobs in non-oil sectors (2022)	High employment in technology and services	High unemployment in non-oil sectors
Carbon Emissions Policy	Investments in renewable energy projects	Carbon tax reducing emissions by 5% annually	Weak enforcement of environmental policies
Resource Governance	Institutional reforms under Vision 2030	Transparent resource revenue management	Inefficiencies and corruption persist

Sources: PLA, SA Vision 2030, Canada, FM

Discussion of Table I: Comparative Analysis on Fiscal Framework and Challenges

Table I provided a concise yet critical examination of the fiscal framework and associated challenges in three countries: Nigeria, Canada, and Saudi Arabia. These countries represent diverse approaches to managing resource wealth, offering key lessons for resource-dependent economies like Nigeria. Below is an expanded discussion of each feature.

Revenue Dependence

Nigeria

With high dependency on oil revenue (over 70% of government revenue), Nigeria’s economy remains vulnerable to fluctuations in global oil prices. This has hindered fiscal stability and limited funding for non-oil sectors.

Canada

Canada exhibits a balanced revenue model, combining oil revenues with substantial contributions from non-oil sectors such as manufacturing, technology, and services. This diversification insulates the Canadian economy from global oil price volatility.

Saudi Arabia

Historically, Saudi Arabia has relied heavily on oil revenues. However, the government is proactively reducing this dependence through its Vision 2030 strategy, focusing on non-oil sectors like tourism, technology, and renewable energy.

Fiscal Management

Nigeria

Fiscal management remains weak, with ongoing reforms such as the Petroleum Industry Act (PIA) aimed at improving transparency and efficiency. However, challenges like corruption and poor implementation continue to undermine progress.

Canada

Canada demonstrates robust fiscal management, underpinned by strong institutions and transparent systems. These frameworks ensure that resource wealth is prudently managed to support long-term economic stability.

Saudi Arabia

Under Vision 2030, Saudi Arabia is actively strengthening its fiscal management through modernized budgeting practices, targeted investments, and enhanced institutional accountability.

Diversification Efforts

Nigeria

Despite the potential in agriculture and solid minerals, diversification efforts remain limited. Most economic activities are still concentrated in the oil sector.

Canada

Canada has advanced diversification, with thriving industries beyond oil, including technology, financial services, and environmental innovation.

Saudi Arabia

Saudi Arabia's aggressive diversification, led by Vision 2030, emphasized developing tourism, technology, and renewable energy sectors to complement its oil-driven economy.

Regulatory Framework

Nigeria

The Petroleum Industry Act (PIA) (2021) represents a step toward modernization but faces implementation bottlenecks and stakeholder resistance.

Canada

Canada's regulatory framework is transparent, efficient, and supportive of sustainable resource development, fostering investor confidence.

Saudi Arabia

Saudi Arabia is modernizing its regulatory systems to align with Vision 2030 goals, encouraging private sector participation and foreign investment.

Security Challenges

Nigeria

Security risks in oil-producing regions are significant, with issues such as pipeline vandalism, theft, and militancy disrupting production and revenue generation.

Canada

Canada experiences minimal security challenges, ensuring stable oil production and resource governance.

Saudi Arabia

Saudi Arabia faces moderate security risks, including geopolitical tensions, but maintains control through strong state mechanisms and international alliances.

Discussion of Table II: Comparative Table: Key Metrics from Saudi Arabia, Canada, and Nigeria

Table II provides a critical assessment of key performance metrics related to non-oil revenue growth, employment generation, carbon emissions policy, and resource governance across Saudi Arabia, Canada, and Nigeria. The comparative analysis underscores the disparities in economic strategies and policy implementations in these nations.

Non-Oil Revenue Growth

Saudi Arabia

The implementation of Vision 2030 has led to a 25% increase in non-oil revenue between 2016 and 2022, driven by aggressive diversification into sectors like tourism, entertainment, and technology.

Canada

With 70% of its GDP originating from non-oil sectors, Canada exemplifies a well-diversified economy. Industries such as manufacturing, financial services, and technology contribute significantly to its economic resilience.

Nigeria

Non-oil revenue remains under 10% of total revenue, reflecting a heavy reliance on oil and a failure to develop

Findings

The findings from the study indicated that effective fiscal policies ensure that oil revenues are collected efficiently and transparently. In countries like Canada and Saudi Arabia, strong mechanisms are in place to ensure that oil revenues are appropriately accounted for, avoiding mismanagement and corruption.

In the case of diversification of Revenue Streams of Saudi Arabia, fiscal management is coupled with a deliberate strategy of diversifying the economy to reduce over-reliance on oil. The establishment of stabilization funds, as practiced in Canada, ensured that a portion of oil revenue was saved for future generations or to weather global price fluctuations.

The study also found that strong fiscal reforms are crucial to ensuring that oil revenues are not only optimized but also used efficiently for development purposes. In Canada, oil revenues were channelled into key sectors like healthcare, infrastructure, and education, thus contributing to the country's overall economic resilience. For Nigeria, the passage of the Petroleum Industry Act (PIA) was intended to be a significant step toward optimizing oil revenue management. However, the study revealed that the implementation challenges facing the PIA, such as institutional inefficiencies and corruption, have reduced its impact. Fiscal management reforms are needed to streamline oil revenue collection and ensure that the funds are directed toward diversification and long-term economic development.

The study found that Saudi Arabia's Vision 2030 aggressive diversification strategies has reduced its reliance on oil revenue by focusing on sectors such as tourism, technology, and renewable energy. The diversification has not only made the economy more resilient but has also opened up new avenues for job creation and innovation. In the case of Canada, the Study found that Canada has created a diversified economic structure that buffers the economy from oil price shocks and fosters sustainable growth through agriculture, manufacturing, and services, alongside oil extraction. This is particularly evident in provinces like British Columbia and Quebec, which have successfully developed their non-oil industries.

The study found that Nigeria is yet to Unlocking the Potential of Solid Minerals and Agriculture: The solid minerals and agriculture offered significant potential for diversification. Nigeria has vast untapped resources in solid minerals, such as coal, tin, and gold, yet it remains underdeveloped in these areas. This untapped potential could provide new revenue sources, reduce vulnerability to oil price volatility, and create new industries and employment opportunities.

The study also revealed the following, that:

- In Canada, strong institutions and a commitment to transparency have ensured that the oil sector is well-

regulated and that revenues are managed effectively. Regulatory frameworks that prioritize transparency, accountability, and efficiency in the resource extraction process are essential for minimizing corruption and mismanagement. These frameworks also foster investor confidence and promote long-term sustainability.

- Saudi Arabia's successful implementation of Vision 2030 is heavily supported by strong political will and institutional reforms. The government has worked to create an efficient and transparent regulatory environment that encourages private sector investment while ensuring that revenues from the oil sector are channelled into diversification efforts.

- Nigeria's oil sector, on the other hand, has been plagued by institutional weaknesses, including corruption, lack of transparency, and inefficiency. Despite efforts to reform the sector through the PIA, the implementation of these reforms has been slow due to resistance from entrenched political and economic interests. For Nigeria to optimize its oil revenues and drive diversification, it must strengthen its institutions, improve regulatory frameworks, and increase transparency in the oil sector.

CONCLUSION

This study examined the role of fiscal management in transforming oil-dependent economies, with a particular focus on Nigeria's efforts to implement the Petroleum Industry Act (PIA) for enhanced transparency and efficiency in the oil sector. The findings from this study emphasized the critical need for Nigeria to strategically leverage its existing resources, particularly through the Petroleum Industry Act (PIA), while pursuing a multifaceted approach to economic diversification. The lessons drawn from Canada and Saudi Arabia revealed that sustainable economic development in oil-dependent countries is not solely reliant on resource extraction but required proactive measures that address fiscal management, institutional development, and diversification efforts.

Nigeria must capitalize on the PIA while aggressively pursuing economic diversification. Lessons from Canada and Saudi Arabia underscore the importance of robust fiscal management, strong institutions, and proactive policies to transition from dependence on oil revenues to a more sustainable economic model.

RECOMMENDATIONS

The following are recommended for Nigeria optimize its oil revenues, diversify its economy, and transition toward a more sustainable development model.

Enhance Revenue Management

Implement transparent revenue collection mechanisms, strengthen RMAFC's oversight, and train public officials in fiscal management to ensure proper allocation and tracking of oil revenues.

Diversify the Economy

Develop key non-oil sectors including solid minerals,

agriculture, and manufacturing by improving infrastructure, providing tax incentives, and supporting SMEs through capacity-building programs.

Invest in Renewable Energy

Transition toward sustainable energy production through solar, wind, and hydroelectric power while adopting environmental protection measures like Canada's model.

Address Regional Security

Combine enhanced security measures with community engagement, mandated CSR initiatives, and alternative livelihood programs to reduce tensions in oil-producing regions.

Strengthen Human Capital

Reform educational systems, particularly vocational training and higher education, to create a skilled workforce capable of supporting a diversified economy across multiple sectors.

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