

**Globalization, Sustainable Democracy and Deregulation in
Nigeria: A Case Study of the Downstream Oil Sector**

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‘Our problem is leadership and not petroleum’

(Interviewee Number Sixteen, July 2013)



Source: <http://www.vanguardngr.com/2014/04/nigerias-refining-capacity-rises-26/>

DECLARATION

I, *Adeoye Ologuntoye Akinola*, declare that:

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DEDICATION

This dissertation is dedicated to my late wife, Sarah Faith Akinola who passed away in January 2013. I missed you so much.

Abstract

The collapse of communism in the Soviet Union in the late 1980s signified an end to organized impediments to the spread of globalization and this invariably led to the triumph of liberal democracy as the promoter of good governance. Globalization actually provides an impetus for socio-economic and political development. Successive Nigerian governments have found it challenging to institutionalize democratic principles and embark upon sound socio-economic policy initiatives in the country. This has led to questions being raised about the convergence between globalization, sustainable democracy and the implementation of deregulation policy in the Nigerian oil sector.

Therefore, the study engages in the crux of Nigeria's development dilemma under the weight of globalization. It explores the "pseudo-deregulation" in the oil industry, examines the capacity of Nigeria's state to embark on policy transformation. Furthermore, the study relates the roles of local and international actors involved in the deregulation to economic development and quality of democracy in the country. In achieving this, the dependency, dependent development and new public management theories are utilized as frameworks of analysis. Although the government maintains that the deregulation of the distribution and marketing sector of the oil industry is germane for fiscal balance and socio-economic development. However, based on the influence of global actors, the character of the Nigerian state and its primordial political elites, there is compelling evidence to attribute the deregulation policy to mismanagement and corruption that characterizes the oil industry. This explains the continued resistance to the policy by the majority of Nigerians.

I found, in this study, that fraudulent data was generated by the government to justify subsidy-cuts and the announcement of deregulation. The timing and implementation of the policy has left much to be desired. Hence there is a need for a phased deregulation process that provides 'safety nets' for the masses and satisfies other criteria for deregulation. State incapacity, structural problems and the underlining political economy of Nigeria remain a challenge to effective reform in the oil sector. I conclude the dissertation by reinforcing the argument that deregulation in the sector is a systematic mechanism by the government to expand the orbit of corruption in the downstream oil sector. Therefore, complete deregulation and subsidy removal, under the prevailing socio-economic realities, would be politically costly and this would endanger political stability in Nigeria.

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List of Abbreviation

AD	Alliance for Democracy
AG	Action Group
ASUU	Academic Staff Union of Universities
DAPPMAN	Depot and Petroleum Products Marketers Association of Nigeria
EITI	Extractive Industries Transparency Initiative
CBA	Collective Bargaining Agreement
CBN	Central Bank of Nigeria
CSOs	Civil Society Organizations
DPR	Directorate for Petroleum Resources
EFCC	Economic and Financial Crime Commission
ECN	Energy Commission of Nigeria
ECOWAS	Economic Community of West African States
GDP	Gross Domestic Product
GSM	Global System for Mobile Communication
IBRD	International Bank for Reconstruction and Development
ICPC	Independent Corrupt Practices Commission
ICT	Information and Communication Technology
IFI	International Financial Institutions
IGO	International Governmental Association
INEC	Independent Electoral Commission
IMF	International Monetary Fund
IPMAN	Independent Petroleum Marketers Association of Nigeria
LDC	Less Developed Country
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
JTF	Joint Military Task Force
MAN	Manufacturers Association of Nigeria
MNC	Multinational Corporation
MPC	Monetary Policy Committee

MOMAN	Major Oil Marketers of Nigeria
NACCIMA	National Association of Chambers of Commerce, Industry, the Mines and Agriculture
NAPIMS	National Petroleum Investments Management Services
NARTO	National Association of Road Transport Owners
NCNC	National Council of Nigeria and the Cameroons
NEEDS	National Economic Empowerment and Development Strategy
NEITI	Nigeria Extractive Industries Transparency Initiative
NEPA	National Electric Power Authority
NGO	Non-Governmental Organization
NIPP	Nigerian Integrated Power Project
NLC	Nigeria Labour Congress
NNOC	Nigerian National Oil Corporation
NNPC	Nigerian National Petroleum Corporation
NPC	Nigerian People's Congress
NPM	New Public Management Theory
NRSTF	National Refineries Special Task Force
NUPENG	Nigerian Union of Petroleum and Natural Gas Workers
NURTW	National Union of Road Transport Workers
OPEC	Organization of Petroleum Exporting Countries
PAC	House of Representatives Committee on Public Accounts
PDP	Peoples Democratic Party
PEF	Petroleum Equalization Fund
PENGASSAN	Petroleum and Natural Gas Workers Senior Staff Association
PHCN	Power Holding Corporation of Nigeria
PIB	Petroleum Industry Bill
PMC	Petroleum Marketing Corporation
PMS	Petrol Motor Spirit
PSF	Petroleum Subsidy Fund
PSI	Policy Support Instrument
PPPRA	Petroleum Product Price Regulatory Agency

PPMC	Pipeline and Product Marketing Company
PTDF	Petroleum Technology Development Fund
RMAFC	Revenue Mobilization, Allocation, and Fiscal Commission
SAP	Structural Adjustment Programme
SDP	Social Democratic Party
SNC	Sovereign National Conference
SPDC	Shell Petroleum and Development Commission
SURE-P	Subsidy Reinvestment and Empowerment (SURE) Programme
TUC	Trade Union Congress
UK	United Kingdom
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission of Africa
USA	United States of America
USSR	United States for Soviet Republic
WB	World Bank
WTO	World Trade Organization

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INTRODUCTION

At the centre of the study of politics has been the relationship between the political system, economy and society, which prompts the emergence of the term political economy. The continued intellectual debate generated by the politics-economy nexus and the quest to unravel the convergence motivated this study; hence, the research is situated in the broad spectrum of political economy. Lenin observes that politics is economics in tablet form (Amin, 1990: 126) but this proposition is only applicable to the capitalist epoch of history, where capitalism represents a mode of social organisation characterized by the hegemony of the economic dimension.

Rejai (1995: 12) reviews the work of Karl Marx, who divided society into a *substructure* and *superstructure* and argues that the substructure - economic foundation of society - contains the means of production (the resources), the forces of production (the machinery to control the resources), and the relations of production (the owners of the resources and the machinery). The superstructure (politics) is everything that is not part of the economic system: art, philosophy, games, and religion. According to the logic of economic determinism, the substructure shapes and determines the superstructure.¹ Therefore, re-integration of politics and economy enhances the study of political economy as a field of study, while globalization espouses the convergence of the twin concept of politics (democracy) and economy (capitalism).

Embedded in the discourse of globalization is economic development and democracy, the main question centres on whether economic development is a prerequisite or precondition to democracy and modernization of politics. There have been heated controversies on whether democracy or authoritarianism is the requirement for facilitating rapid socio-economic development in the underdeveloped countries. According to Smith (2003: 277), three perspectives responded to this recurrent debate in the corridors of political economy. The *conflict viewpoint* argues that economic development needs an authoritarian government to instigate policies required for rapid growth in the face of resistance.² It was inferred that democracy is conceived as intrinsically unstable and permits the expression of domineering pressures to

¹ For a more robust analysis of substructure and superstructure, see <http://www.neo-philosophy.com/Phil101Week1.html>.

² This view is exhaustively discussed under dependent development theory in Chapter Two.

redistribute and consume societal resources instead of ensuring their accumulation and investment.

The second perspective, the *compatibility viewpoint* asserts that democratic and authoritarian states are capable of aligning growth with distribution, which triggers expanded markets, economic growth and development. The assumption here is that democracy remains a requirement for a functioning market economy that accelerates growth, human development and social equality. Lastly, the *sceptical viewpoint* is not convinced of the existence of any relationship between democracy (politics) and economic development (economics), and believes that economic development is attainable under any form of political system.

Background and Outline of Research Problem

The collapse of communism in the Soviet Union in the late 1980s signified an end to organized impediments to the spread of globalization and this invariably led to the triumph of liberalism as the only alternative to “good governance” (Akinola, 2009: 1; Adesoji, 2006; Ojo, 2004, Ake, 2000: 1). Smith (2003) advances this further:

The apparent globalization of political values and institution of political values and institutions represented by the dissolution of the communist regimes in the Second World and their replacement by systems of government broadly subscribing to liberal democratic beliefs and practices, has lend credence to the view that there is an inevitable trend towards a universal form of government on which all societies will eventually converge (Smith, 2003: 276).

Globalization has promised to fast-track democratization and sustainable development in Africa, but it has not proffered solutions to the un-democratization of the world political-economic order, as evident in the plight of Africa (Ake, 1981: 178). The globalization-democratization nexus and its effect on economic development remains the core of intellectual discourse and passionate debate since the 1980s (Aghion et al, 2003). It becomes pertinent to draw a direct relationship between globalization and the “export” of market-based democracy to Africa, which was initiated by International Financial Institutions (IFIs) as “conditionality”³ to receiving financial assistance (Stone, 2007; Khor, 2001; Larbi, 1999; World Bank, 1997).

³ Conditionality is a term used to denote what a nation-state must do in return for receiving a loan, debt relief or financial assistance from IFIs and some bilateral creditors. The most sensitive of these conditions, in some parts of the world, is the insistence that the recipient nation must embark on democratization. The conditions attached to World Bank loans were called Structural Adjustment Credit, while IMF loans were called Structural Adjustment Facility. Over time the term structural adjustment became synonymous with failed policies that undermine

Since the beginning of the Huntington's (1991) "third wave" of democracy across the world, starting from Southern Europe to Eastern Europe, from South Asia to Latin America, and lately down to Africa, advocates of globalization continue to celebrate this relationship. It is thus important to examine the rationale behind the acceptance of neo-liberalism⁴ worldwide, and the "conditionality" clauses in the International Monetary Fund (IMF) and World Bank dealings with Africa (Stone, 2007; Ake, 2000: 128; Larbi, 1999; Otsubo, 1996; Stein and Nafziger, 1991: 173).

Although, protagonists of globalization highlight how the new international economic order would rapidly facilitate development (Dorcess, 2006; Dunklin, 2005; Kura 2005; Grugel, 2003, Stiglitz, 2002) it is surprising that since the mid-1980s, successive Nigerian governments have found it challenging to institutionalize democratic principles and embark on sound socio-economic policy initiatives in the country.⁵

This leads to questions around the convergence between democracy, democratization and liberalization that argues for deregulation⁶, and the potential of ensuring the effectiveness of the state, the utilization of its resources for the benefit of local population, and government's ability to discharge its responsibilities (Kura, 2005). Therefore, it is imperative to unravel how globalization would help enhance Nigeria's state capacity for economic transformation and utilize the oil wealth for the benefits of Nigerians and development of the state.

The 1970s oil boom transformed Nigeria's economy into a mono-cultural and what Oronto (2003) tagged "petrol-capitalism", while the mineral resources only benefited the Nigerian state and its business partners, the Multi-National Corporations (MNCs)⁷ operating in the Niger Delta

democracy. This led the World Bank to rename it as Poverty Reduction Support Credits (PRSC), while the IMF changed it to Poverty Reduction and Growth Facility (PRGF). The changes did not necessarily correspond to changes in conditionality; See Jones and Hardstaff (2005).

⁴ This is a new approach to politics, economics and social studies in which control of economic factors is transferred from the public domain to the private sector. It is founded on the idea that governments limit deficit spending, reduce or cancel subsidies, embark on the reform of tax law, remove fixed exchange rates, discourage protectionism by opening up markets to competitive trade, and instigate policies of privatization and deregulation.

⁵ Since the introduction of the IMF-controlled Structural Adjustment Programme (SAP) in Nigeria in the mid-1980s, the Nigerian government has failed to establish good governance in the country.

⁶ Deregulation (sometimes called "market loosening") in the context of this study means the removal of statutory barriers that prevents private operators from competing with state enterprises or ownership.

⁷ Examples of these MNCs operating in the oil regions are Shell, Exxon-Mobil, Chevron-Texaco, Total, and Agip.

region.⁸ The exploitative activities of the oil companies have impoverished the oil producing communities (Ojakorotu and Uzodike, 2006: 93), while corruption, inept leadership, systemic failure and dependence have constrained succeeding governments' capacity to partner the oil MNC for sustainable development in Nigeria and particularly the region. The environment of poverty and conflict engender alienation, oil-theft, terrorism and armed insurgency against the state (Akinola, 2011; Fagbadebo and Akinola, 2010; Mills, 2004). This differs from the Ghanaian experience in the mining sector, where mineral resources greatly benefit the extractive community (Ayee *et. al*, 2011: 10).⁹ Scholars have unanimously argued that developing states such as Nigeria exhibit several characteristics of state failure,¹⁰ but they differed on the factors responsible for this. Uzodike (2009: 4) posits that 'many African governments have remained either criminally blind to, or unable to redress, the harsh realities of life for most of their citizens'.

Nigeria got entangled in the web of globalization, historically through imperialism (Frank, 2004; Ake, 1981: 20) and her relations with the Bretton Woods institutions (IMF and World Bank) in the 1980s (Nabudere, 2000: 35). Despite the oil wealth of the late 1970s, by 1985, the state had surprisingly become bankrupt with the collapse of external reserves (Adedipe, 2004), and the urgency to instigate socio-economic development prompted the necessity to seek financial redress and economic assistance from the IMF and World Bank. This was in the guise of subsidizing the rapidly declining income from oil exports and facilitating non-oil sector growth (Ibanga, 2005; Bamiduro and Babatunde, 2005). Nigeria, therefore, formally joined the global network in 1986 with the adoption of a globalist-inspired Structural Adjustment Programme (SAP)¹¹ (Stone, 2007; Akinola, 2008: 55). Despite vehement opposition to SAP by Nigerians, during its public debate under the Babangida military regime, the government went ahead to

⁸ Niger Delta comprises of the oil producing communities in the South-Eastern and South-South region of Nigeria.

⁹ In Ghana, mining is acclaimed to benefit majorly the foreign interests and elites in Ghana. Conversely, the Chamber of Mines, the industry's business organization, argues that mining companies have contributed immensely to the country's development. See Ayee (2011).

¹⁰ The debate on whether Nigeria exhibits the attributes of state failure or collapse is presented in chapter four. For more information on state collapse and failure, see Clapham (2002); Englebert, (2000), UNECA, (2011); Olajide (2005), World Bank (1997); Ake, 1981; Mimiko, N. O. (2009) "Corruption and its Outcome: The Terra Nullius complex in Nigeria," *Osun College of Education Journal*; Mimiko, N.O. (2010) "Swimming against the Tide: Development Challenge for the Long-disadvantaged in a Global System, Inaugural Lecture Series, O.A.U, Ile-Ife.

¹¹ SAP was the brain child of Margaret Thatcher, the Prime Minister of The United Kingdom and Ronald Reagan, the President of the United States.

implement the policy (Ake, 1996: 32). The neo-liberal economic reforms were grounded on deregulation and privatization¹² policies.

The IMF exploited the opportunity to impose the “conditionality” of democratization on Nigeria (Robert, 2010). The conditionality later moved from specifying certain economic targets and acceptable policy tools to more direct involvement in the domestic politics of the borrower by insisting on the inculcation of democratization into the agenda of such states (Stone, 2007). The assumption was that the impact of economic reforms and the realization of meaningful transformation of the productive sectors were typically undermined by obstructionist political processes and systems (Uzodike, 1996). As such, it was imperative that political systems were reformed to facilitate the operation of effective economic reforms by embedding key principles such as transparency and accountability in the management of the economy. But, it was not until 1999 that Nigeria experienced an iota of political reform which expanded the political latitude that led to the adoption of democratic rule.

The protagonists of the “global village” insist that liberalization offers the most assured road-map to development in Africa (Adesoji, 2006; Iwilade, 2009: 4). Koelbe (2007) and Uzodike (1996: 5) emphasize that democracy that aims to bring greater socio-economic justice and equality is impossible in a context of open or free markets. SAP was acclaimed to have not only structured the Nigerian economy to the requirements of global capitalism but also established mass poverty (Eme and Onwuka, 2011; Akinola, 2008), which is antithetical to sustainable democracy.

The contradictions inherent in the globalization of African economies provide a nuanced argument about the instrumental role played by SAP in ensuring democratization, as citizens opposed to the economic programme combined forces with civil society organizations to oppose it and demand direct participation and democratic rights (Uzodike, 1996). In this way, SAP had the unintended consequence of instigating democracy in developing countries. In the case of Nigeria, the insincerity of the military regime truncated the attempt at democratization in 1993

¹² Privatization is the transfer of state owned business organization and shares to the public, which has become a worldwide strategy for achieving sustainable economic growth and development.

(Dowden, 1993).¹³ Nigerians violently reacted and turned the country into a site of mass protest, nation-wide strikes and insubordination by civil servants. This led to a chain reaction that disrupted governmental activities, which led to loss of government revenue. The human rights violations that ensued attracted sanctions from the international communities. With this, the country's debt profile escalated, basic infrastructure had collapsed, impoverishment heightened, while economic liberalization was intercepted under President Abacha (Adedipe, 2004), and between 1994 and 2003, there was no clear-cut economic policy.

The Obasanjo-led democratic regime in 2003, appointed a Presidential Economic Team, which developed a medium-term plan for economic recovery, growth and development known as the National Economic Empowerment Development Strategy (NEEDS)¹⁴. NEEDS sought to implement socio-economic reforms that would lay a solid foundation for a diversified Nigerian economy by 2007. Embedded in NEEDS was the policy of deregulation and privatization. Although the government has announced another socio-economic recovery plan tagged vision 20:2020, but as long as the institutions of governance are not reformed and based on the prevailing character of the Nigerian state, such policy would most likely end up like all its predecessors - SAP, Vision 2010, and NEEDS.

Subsequently, the government announced the deregulation of the downstream sector of oil, while the pump price of petroleum was increased in five successions in the guise of deregulation during President Obasanjo's administration. The exercise was adjudged unsuccessful; instead, the government, at various times, continued to allocate oil blocks and redistributed oil wealth without recourse to transparency (Idumange, 2012).

The processes for the deregulation of the oil industry was initiated in 2003 (Kupolokun, 2004), but surprisingly, there was no concrete policy change since 1999 (Enemenoh, 2004), and this caused excitement and apprehension across Nigeria. Deregulation was seen by Nigerians as an

¹³ The military regime embarked on democratization in the early 1990's, the climax of which was the June 12, 1993 presidential election that was adjudged "free and fair", but was annulled by President Ibrahim Babangida's military regime to perpetuate himself in power thereby elongating military dictatorship in Nigeria. For more information, see Dowden (1993).

¹⁴ For more understanding see the World Bank report on International Development Assistance Country Partnership Strategy for the Federal Republic of Nigeria (2010-2013), Report No: 46816-NG, July 2, 2009, p. 58. Many members of the Economic Team and Ministers in key government departments were former employees of the World Bank, i.e., Okonjo Iweala, Eze Kwesili, Olusola Soludo. This further substantiated Nigerians suspicion of the influence of IFIs in the government's deregulation programmes.

avenue to re-strengthen dependence and exploitation by MNCs and foreign interests involved in the oil business. Since oil earnings amount to 80% of government revenue; hence, the continued existence of Nigeria as a corporate entity, and her democratic survival depends on the management of oil resources.

Apart from the June 12, 1993 democratic “struggle”, oil related issues have continued to constitute the main threat to democratic governance in Nigeria. The execution of Ken Saro Wiwa in 1995 by the Abacha regime and militancy in Niger Delta (Akinola, 2011; Ojakorotu and Uzodike, 2006), the recurrent confrontations between the Nigerian Labour Congress (NLC) and government over increase in the price of oil, and failed promises of palliatives to cushion the effects of hikes in the fuel price, over the years, were oil-related concerns that had nearly derailed Nigeria’s democracy.¹⁵

On January 12th, 2012, the Goodluck Jonathan administration reiterated its commitment to fully implement the deregulation of the downstream sector with immediate effect. Hence, the government’s payment of fuel subsidies was abolished in a widely broadcasted message.¹⁶ Expectedly, Nigerians embarked on street protests, while the civil servants declared an indefinite strike action.¹⁷ The revelation that the Managing Director of the IMF, Christine Lagarde, was in Nigeria at around the time of the announcement, to persuade President Jonathan to commence deregulation further energized Nigerians, under the aegis of the Nigerian Labour Congress-Civil Society Coalition, to resist the move *by all means* (NewsRescue, 2012).

Against this backdrop I examine, in this dissertation, the deregulation of the downstream sector of the Nigerian oil industry, and the influence of IFIs and foreign actors as progenitors of globalization and democratization on the decision making power of the Nigerian state and society that bears the brunt of the policy. In a broader view, I address the following questions: What was the rationale for the deregulation of the oil sector? How much influence does globalization have on the policy? What part of the downstream sector was deregulated and why?

¹⁵ See This Day, (2010) “Theory of Deregulation: Landmines and Pitfalls,” October 26.

¹⁶ The price of diesel and kerosene oil was increased and deregulated under the administration of President Obasanjo, without any correspondent price parity with international markets. Nigerians felt deceived; hence their resistance to any form of fuel increase under the pretext of deregulation. The argument of increased productivity, gradual falls in prices due to market forces, and accountability that characterized deregulation fell on deaf ears. See Awoniyi, 2012.

¹⁷ Nigerians, under the leadership of the Nigeria Labour Congress (NLC), have a history of mass protest and civil disobedience in reaction to increases in the prices of petroleum products.

What has been its success so far? Why did deregulation happen at the time it did? Why was it implemented in the manner it was done? Who were the beneficiaries and what were their incentives, interests and resources at their disposal? Why were the refineries not viable?¹⁸ What were the implications of the deregulation for Nigeria's attempt at development, and for Nigerians? What role did civil society play in the democratization and deregulation project?

In specific terms, I address the following questions:

1. How capable is the Nigerian state in instigating policy reform in the oil sector?
2. What has been the motivations and trajectory of deregulation of the oil sector in Nigeria?
3. What has been the impact of deregulation of the oil industry on the state, democracy, good governance and living standards in Nigeria?
4. Who are the actors and stakeholders in the oil industry in Nigeria and what have been their roles, incentives and interests?
5. What lessons have been learnt from the study and what are the implications for theoretical literature on the globalization-democratization-deregulation nexus?

In this study I address these questions in an attempt to provide understanding of the crux of the "vexed" oil crisis. This I approach through a political economy framework. This requires a holistic understanding of the political economy of oil, identifying the major actors involved, exploring the government's rationale for deregulation of the oil sector and consequent subsidy removal, analyzing the cost-benefits of the policy, considering the socio-economic consequences of the policy on the average Nigerian and the implications for democratic consolidation. I therefore seek to contribute to the discourse on the impact of economic liberalization on enduring development in developing states. I further seek to contribute to a better understanding of the fuel subsidy regime and the complexities surrounding the management of oil wealth in Nigeria.

Rationale and Significance of Study

The study engages with the root-causes of Nigeria's development dilemma under the influence of globalization. The connection between globalization and political development offers an

¹⁸ Nigeria has four moribund refineries under the Nigerian National Petroleum Corporation (NNPC), which have been put up for sale without success. One wonders why the foreign oil companies that control the upstream section shows apathy towards investing in the downstream sector. In other countries, and as was the case up till the late 1990's, foreign MNCs involved in oil exploration were main players in the distributing and marketing of petroleum by-products, but local oil industries have dominated the downstream sector since the return to civilian rule in 1999.

understanding of the factors responsible for the inability of Nigeria and other Third World countries to compete in the global village.

Pevehouse (2002) decries the lack of empirical studies connecting international actors and democratization, while Frank notes that:

Studies suggest that the global extension and unity of the capitalist system, its monopoly structure and even development throughout its history, and the resulting persistence of commercial rather than industrial capitalism in the underdeveloped world deserve much more attention in the study of economic development and cultural change than they have hitherto received (Frank, 2004: 93).

Literature on the link between the two is not exhaustive (Stone, 2007); however, the exceptions are (Huntington, 1991; Kura, 2005; and Pevehouse, 2002). Therefore, this study seeks to make a contribution to the literature by focusing on the complexity of embarking on developmental projects in Nigeria; a country that relies on oil exports for major government revenues. It is important to explore the “pseudo-deregulation”¹⁹ in the oil industry, examine the capacity of Nigeria’s state to embark on policy transformation, and relate the roles of local and international actors involved in the deregulation to economic development and quality of democracy in the country.

Despite compelling evidence (discussed in chapter 6) from developed and developing countries that deregulation is viable and capable of injecting dynamism into previously disarticulated economies,²⁰ the underlying political economy of Nigeria remains a challenge. Umezurike (2011) notes the unresolved gap in the literature on the political economy of Africa, especially that of Nigeria. He also reiterates the dearth of studies on how the forces of globalization through the economic reforms of the Nigerian state have greatly undermined democracy in the country.

This dissertation is specifically significant on three levels – methodologically, theoretically and in terms of the practice of policy. *Methodologically*, in data collection, I adopt the method of participatory observation. This becomes necessary due to the fact that I experienced the effect of incessant hike in the prices of petroleum products over the years. As a Nigerian, residing in the country, I was also a witness to the 2012 announcement of deregulation and the attendant

¹⁹ I mean the complex deregulation in the sector that allegedly removes government subsidy from kerosene and diesel oil, while the government claims the sharing of the subsidy on PMS with consumers.

²⁰ Country-specific case studies are briefly discussed in chapter six.

conflict between the population and government. I made appreciable observation at the time as well as during my fieldwork in Nigeria specifically for this dissertation.

Existing studies of economic reform and deregulation mostly focus upon secondary data, and the few that adopt, seek and obtain, primary data often fail to consult widely. Studies, such as that of the Afrobarometer group, did not really accommodate all the stakeholders in the downstream oil sector Luqman and Lawal (2011: 72). They focused mainly on the masses and this was achieved through survey research, and the utilisation of close-ended questions rooted in a positivist methodology. In this dissertation, I approach this differently. I adopt an interpretive and qualitative methodology founded on semi-structured and unstructured interviews. The target populations comprise policy makers, masses, civil society, oil companies, academia and both protagonists and those who oppose of the liberalization agenda of the Nigerian government. In terms of data analysis, I employ discourse analyse based on the deep-rooted phenomenon under study.

Theory: Kombo presented five modes of deregulation: supply-side deregulation, demand-side deregulation, complete deregulation, phased deregulation starting from the upstream sector, and retention of the “status quo”, which he calls the “do nothing option” (Kombo, 2003: 7). With this consideration, I weave through the contending theories of development and underdevelopment to scrutinize the assumptions that globalization offers the most desirable path to Nigeria’s sustainable development, through the liberalization of the Nigerian economy, and in particular, the deregulation of the oil sector. By taking a critical standpoint and exploring radical political economy perspectives (dependency and dependent development theories) I unravel the inability of the oil-rich Nigerian state to convert the oil wealth to the benefits of the population.

Previous studies²¹ that address the policy shift in the oil sector have failed to reconcile deregulation in Nigeria with any of the modes of deregulation given by Kombo (2003) and successive governments seem confused on how to facilitate effective deregulation of the oil sector. This study bridges this gap by providing a practical framework for sustainable deregulation policy in the oil sector. Studies on this usually adopt the dependency school of thought as the basis of analysis, but I advance the frontier of knowledge by drawing from the

²¹ See Kombo, 2003; Luqman and Lawal, 2011; Umezurike, 2012; Olaopa, 2009; Omisule, 2007; Eme and Onwuka, 2011; and Lewis, Alemika and Bratton, 2002).

logic of dependency arguments and combining dependent development perspectives with new public management (NPM) theory as a more appropriate lens to understand and analyse the complex nature of the oil sector reform.

Literature on globalization-democratization nexus focuses mostly on the impact of globalization on developing economies, but there is a dearth of studies on how these countries, like Nigeria which is an oil exporting country, could maximize the benefits of globalization and reduce the challenges of democratization and policy transformation. Hence, the study fills this lacuna. Based on theoretical and empirical findings, this study provides theoretical understanding of the crux of the deregulation policy and robust analysis of the cost-benefits of the oil industry reform, especially in relation to democratic consolidation.

Practice of policy: The present Nigerian government has shown a commitment towards the deregulation of the downstream oil industry, but the implementation of the policy has left much to be desired. In this dissertation, I provide a practical policy framework for the successful deregulation of the sector. I hope that this study will serve as a resource tool for policy makers and stakeholders in the Nigerian downstream oil industry, and researchers interested in development, globalization and policy studies. My findings provide empirical and theoretical frameworks for other developing countries on the brink of embarking on economic or institutional reforms, especially in the natural resource sector.

Research Objectives

The over-reaching objective of the study is to explore how globalization affects the economic, social and political environment within which state and non-state actors operate in the Nigerian oil sector. Other objectives are to:

1. Assess Nigeria's state capacity to instigate sustainable deregulation of the oil sector.
2. Examine the rationale and implementation of the deregulation of the oil industry.
3. Assess the impact of deregulation on Nigeria's state, economy and society.
4. Analyse the roles of stakeholders in the deregulation of the oil sector.
5. Explore the convergence between globalization and democratization and its influence in the deregulation process in Nigeria.

Structure of the Study

This dissertation is divided into seven chapters. In Chapter one I explore the concepts of globalization, democracy and sustainable democracy, which is important for conceptual clarity.

Nigeria truly presents a case of young democracy, with all the associated crises of institutionalising the ethics and values of democracy across all the facets of society. However, the country has managed to maintain regime stability, prevent authoritarian relapse, while its democratic institutions mature - though at a slow pace. The state has also been able to prevent attempts at democratic reversals.²² There would be strains, but the country has demonstrated a willingness to stick to democratic governance towards attaining an appreciable level of economic development.

In chapter one – Concepts and Literature Review- I discuss the concepts of democracy, the globalization-democracy nexus, and the liberalization policy of deregulation. This, I do through the literature. I align with Li and Reuveny (2003) categorizations of the globalization-democratization convergence into three perspectives: globalization promotes democracy, globalization impedes democracy and globalization does not necessarily obstruct democracy, but I have reservations about some of the assumptions about democracy and globalization. I contend with the notion that presents globalization as the possible end of human development. The recent contradictions inherent in globalization, which led to the global financial and economic downturn of the late 2000s reinforced this position. This study examines the challenges of democratic governance in an oil-rich country and reveals the contradictions of implementing the deregulation of *essential public services*²³ in an impoverished society like Nigeria. It therefore becomes apparent that liberal democracy has been erroneously conceived as a path towards equity and equality in the distribution of resources and values. Liberal democracy, in a globalized world, furthers the socio-economic gap between the capitalists and the population. In

²² Democratic reversals represent a substantial reduction in the survival potential of democratic governments, the overthrow of a democratic regime or a breakdown of democratic governance. For instance, Svobik (2007: 1) reveals that out of 193 democratic transitions from 1789 to 2001, 74 failed as democracies. For more on democratic transitions and reversals, see theorists Svobik (2007); Huntington (1991); and O'Donnell, Schmitter and Whitehead (1986).

²³ Nigerians, due to the vast oil wealth, regard oil resources as their birth-right and consider the petroleum sector as a sensitive industry that should be protected from global forces. The population believes that the policy would result in the total neglect of Nigeria's four under-performing refineries. They also strongly hold that the effective management of the oil resources determines the level of improvement in their economic status.

chapter two – The Theoretical Framework- I provide a theoretical discussion of the modernization-dependency theory divide, and how dependent development theory tries to reconcile the controversy between the two theories. The dissertation, however, reveals the limitation of the dependent development theory in capturing the political economy of Nigeria. Its challenge of proffering a realistic solution to Nigeria’s developmental crisis informed my use of new public management theory, which recommends the transformation of the Nigerian bureaucracy from *public administration* to *public management*.²⁴

In chapter three, Reflection on Methodology and Methods of the Study, I reflect upon the methodology of the study and provide the justification for the method of data gathering and choice of analysis. I explain the motivations behind the choice of the research methods and techniques employed, and how the respondents are purposively chosen due to their active involvement in the Nigerian democratic and policy projects.

In chapter four, The Structure and Character of the Nigerian State, I interrogate the capacity of the Nigerian state to manage the oil wealth in the interests of the population. Across Africa, and particularly in Nigeria, the nature and character of the state has impeded many attempts to facilitate successful economic reforms and good governance (Yagboyaju, 2009; Aka, 2007; Ayee, 2005; Ake, 2000; Clapman, 2000; and Uzodike, 1996). Scholars from the South (Ake, 1981, 1996 and 2000; Amin, 2006; Rodney, 1972; Ferraro, 1996; Ake, 1981 and 1996; Frank, 2004; Nabudere, 2000) disagree with their Northern counterparts (Deutsch, 1961; Rostow, 1960; Lipset, 1959) about the root-causes of the weakness of developing states like Nigeria. Their arguments are embedded in the modernization-dependency perspectives which centre around locating the incapacity and weakness of the state on either endogenous factors (internal contradictions) or exogenous factors (external manipulations).

I locate Nigeria’s socio-economic and political crisis in historical perspectives – the history of slavery, imperialism, colonialism and exploitation - however, a crisis of leadership generated by inept and visionless ruling elites, and endorsed by the population, remains the major developmental challenge faced by the country. The need for a strong state, with functional

²⁴ The public administration-public management dichotomy is fully discussed in Chapter Two.

institutional frameworks, is required before Nigeria can reach an appreciable level of development.

In Chapter five, *Deregulation of the Downstream Oil Sector: Motivations, Implementation and Implications*, I present a critical analysis of the motivations and decision to deregulate the marketing and distribution aspect of the oil sector. Within this chapter I evaluate the realities and costs-benefits of the deregulation, assess the influence of globalization in the development project, and evaluate its effect on democratic governance. I review the strategies employed by government in the implementation of the economic policy, and examine the implications of the oil sector reform on Nigerian socio-economic and political realities. The section reconciles the intent of the policy with policy implementation and the implications for sustainable socio-economic and political development. I claim that the intent and implementation of the deregulation policy by government was greatly flawed and based on false assumptions. However, the reality in the oil sector and the reluctance of the Nigerian government to embark on public management - driven by effective institutional reforms – makes deregulation a matter of necessity and not of choice.

In chapter six, I review the activities and roles of actors (local and foreign) in the downstream oil sectors. The oil industry in Nigeria is a thriving and attractive business²⁵, hence, individuals, state institutions, companies, and even members of civil society scramble for participation and struggle to influence decisions in the sector. The pressures generated by these actors (civil society is an exception) led to the decision to fully deregulate the sector and remove subsidies on all petroleum products. Aside from the weight of corruption impeding the effectiveness of the Nigerian oil giant, NNPC, I discover that public institutions and state agencies in the oil sector were over-bloated, redundant and weak. There is an overlap of roles and responsibilities among these government institutions and agencies, which are not only counter-productive, costly, wasteful, and confusing, but explain the inefficiency and under-performance of the sector in terms of ensuring effective distribution and marketing of petroleum products in the country.

In the conclusion, I summarize the entire dissertation, draw conclusions and reveal the significant claims I make in the dissertation. It becomes clear that the current structure of

²⁵ See Alex (2009); Interviewee Number One, July 2013; and Interviewee Number Five, July 2013.

Nigeria's federation, the character of the ruling elites, institutional weaknesses and high level corruption constitutes an impediment to the implementation of sound policy in the downstream oil sector. I claim that deregulation and subsidy cuts or removal would not have arisen if the Nigerian government had dealt with the crisis in the oil sector. However, with the reality of subsidy-cuts and the full implementation of deregulation policy, it becomes very important for me to highlight some practical recommendations for sustainable oil sector reform in Nigeria.

CHAPTER ONE

CONCEPTUAL DEFINITIONS AND REVIEW OF LITERATURE

INTRODUCTION

The effect of globalization on economic development has been the subject of serious debate since the early 1990s (Aghion, 2003). Literature is replete with discussion of the concepts of globalization, democratization and economic liberalization (Grugel, 2002), mostly at a disparate level, but there remains inadequate studies on the convergence between these concepts. Rudra (2005: 706) reveals that systemic theories on the prospects of Less Developed Countries (LDC) democracy in the contemporary epoch of globalization are non-existent. In the light of this, it is imperative to explore how the globalization of liberalism and the activities of agencies of globalization have engendered contradictions in the attempt to ‘democratize’ Nigeria’s economy, especially in that of the downstream oil sector.

The study is not drawn into debates of the cost-benefits of globalization, nor does it provide all the answers to challenges of democracy. Rather, this study focuses upon the issues surrounding the impact of the deregulation of the oil sector on Nigeria’s democratic survival within the framework of globalization. In order to do this, it is thus pertinent to offer conceptual clarifications between democracy, sustainable democracy and democratic consolidation. Although these conceptual terms could sometimes be ascribed to the same usage, in strict terms, they allude to different meanings and interpretations.

1.1 GLOBALIZATION AND THE DEMOCRATIZATION NEXUS

1.1.1 Globalization as a Concept

Just like many concepts in political science, the meaning of the term globalization is very elusive. Clapman (2002) tries to capture the series of ideas that revolve around globalization as a phenomenon. Crockett (2011) reveals that the concept was established in the late 1800’s by American entrepreneur Charles Russell, but was only popularized in the 1960’s by economists

and social scientists. Globalization may be defined as an integrated set of developments which are in the process of creating a single global economic, social and political structure, and which necessarily, therefore, challenge and undermine the claims that have historically been made on behalf of the state (Clapman 2002: 775). Globalization represents a process of establishing a global system in which, important actions, occurrences and processes extend beyond a particular territory. It signifies the imposition of the global on the local, and this influenced Attina (nd: 2) to tag globalization as a synonym for homogenization, uniformization, Americanization and Westernization.

Globalization is regarded as the process that condenses countries to become more integrated into the global economy, which is characterized by a high degree of information and technological flow, trans-national cultural convergence and more trade and financial openness (Li and Reuveny, 2003). They Li and Reuveny further hold that the concept implies that nation-states are advancing towards greater integration into the world economy associated with increasing information flows, which engender unprecedented economic integration that breeds more trade and financial openness, and cultural convergence around the global environment.

Tsai (2007) concurs that the concept triggers increased global flows and exchanges that increases progress in human welfare. Globalization is also being seen, by Sirgy, as a multidimensional diffusion of goods and services, values, international capital, technology, labour force and human migration across national borders (Tsai, 2007; Asobie, 2001). Held *et al* (1999: 462) also opines that globalization is a process that embodies a transformation in the spatial organization of social relations and transactions, generating transcontinental or inter-territorial flows and networks of occurrences, interaction, and power.

It represents not just interconnectedness and internationalization, but a force which is bringing into existence a new world order that forcefully binds the entire globe together (Clapman, 2002). Globalization describes a widespread perception that the world is rapidly being molded into a shared social space by economic and technological forces, while development in one region of the world can have profound consequence for individual, states or communities on the other side of the globe (Kaarbo and Ray, 2011: 502).

Globalization facilitates a better understanding and appreciation of the forces dominating the international business and global economic environment and the critical economic and institutional variables in most of the national actors in the environment (Mimiko, 2012). This is made possible through the highly developed telecommunication initiatives that make the world smaller, closer and more inter-twined.

Globalization is promoted by the rapid development in information and communication Technology (ICT) (Yi, 2011) and the growing influence of international financial institutions (IFIs) like the IMF, World Bank, World Trade Organization, international non-governmental organizations and multinational corporations (MNCs) (Kura, 2005). Therefore, it presents an emerging system of governance where Bretton Woods institutions (the IMF and World Bank), international organizations and transnational corporations, serve as agents and agencies working within a quasi-constitutional framework (Dunklin, 2005).

These organisations further facilitate the interconnectedness of national economies in the global environment, which in itself remains a more potent way of exerting pressures on states than exploring military might. The global economic order, termed globalization, represents a regime in which states borders no longer impede the movement of resources, including capital, and in one which creates a direct linkage of differing national economies into an independent global economy, with the evolution of a shared set of global images (Mimiko, 2012: 43). The web of this global unification transcends national borders and constrains the political and coercive actions national governments take within state borders.

There are three major and broad perspectives on globalization namely hyper-globalizers, skeptics, and transformationists. The hyper-globalizers celebrate a new global dispensation in which people and economies everywhere are increasingly becoming subject to the global market (Obi, 2004: 443; Ohmae 1995). This school of thought argues for the supremacy of global market forces and the ascendancy of the institutions of global governance, which continue to impede states sovereignty (Foster, 2010). The skeptics see globalization as nothing but a myth (Obi, 2004). The skeptics hold the view that there is nothing like an international economic order and that the world economy is now less integrated than in the Gold Standard epoch, while the international patterns of inequality have only changed marginally (Foster, 2010; and Hirst and

Thompson, 1996). The transformationists, on the other hand, focus more on how people relate within a rapidly evolving world (Smith, 2003; and Obi, 2004: 443). None of the three viewpoints clearly capture the scope of globalization as conceived in this dissertation.

By globalization, I mean the exportation of liberal democracy and the open market economy, from the advanced capitalist countries to developing countries, with the effect of subjecting the politics economy of developing countries to the influence of global forces. This is achievable through the development of information and communication technology. The resulting effect of the domineering posture of the agencies of globalization (the IMF, World Bank and MNCs) align with Clapman's (2002: 775) argument about the reality of the withering away of state sovereignty, which condemns states to the 'role of managers or mediators of the impact of global forces on their domestic political, economic, and cultural arenas' (Clapman, 2002: 775).

Globalization is expected to result in democratization and establish conditions favourable to structural transformation and change from totalitarian political systems to the rule by the people (Cerny, 1999); the subsequent question addresses *the rule of and by the people*.

1.1.2 Sustainable Democracy

Government is always government by the few, whether in the name of the few, the one, or the many (Lasswel, 1952).

Democracy originated from a combination of two Greek terms: *demos*, meaning "the people", and *kratis*, which refers "to rule", and this represents a combination of an adjective, "demo" and a noun, "cracy" (Ostrowski, 2012: 2). Democracy is derived from the Ancient Greek word, *dēmokratía*, which ideally means majority rule. The Athenian democracy, otherwise tagged direct or ideal democracy and popularly defined as 'the government of the people, by the people, and for the people'²⁶, represents a direct form of political participation. There are many conception of democracy, but, the populist form of democracy seems the most commonly discussed. Groups must agree to disagree; they must accept a framework of institutions autonomy within the polity.

²⁶ See Finley, M.I. (1985) *Democracy Ancient and Modern*, London, The Hogarth Press., for the full interpretation and limitation of the definition.

Scholars like Przeworski (2004) see democracy as a multilateral political arrangement that involves agreement, consensus, compromise and negotiation. According to him, democracy “is a regime in which groups of people with conflicting interests process their conflicts according to some rules. To establish democracy, different they would process their conflicts. This is the foundation of the *democratic peace theory*, which posits that democracy remains a sure guarantee of world peace. The assumption behind this is that democracies do not attack another one, and that democratic government has conflict resolving institutions that evades war within the international system.

On the other hand, democracy is in operation where political rulers are selected by the people; while political rulers are imperfectly realized through the political process, and when certain supplementary constitutional rights (freedom of speech and assembly) and due process and accountability are upheld. However, these rights, in contemporary political realities, are interpreted and enforced by officials elected by majority of the population (Ostrowski, 2012). Drawing from the works of David Held, Crockett (2011:1) holds that democracy is usually regarded as the best form of government arrangement, the people’s rule and a “form of government in which the supreme power is vested in the people and exercised directly by them or by their elected agents under a free electoral system”.

The Lockean view²⁷ – supported by J.J Rousseau - ascribes democracy to a system where the will of the people reigns supreme. It is exists where the primary determinant of the powers of the state resides with the people have been contested based on the practicality of governance, irrationality and dictatorship of the majority. This is what Oyekan (2009: 218) referred to as ‘a rule of mob’. However, there is no denying the fact that what makes democracy distinct is the opportunity afforded the people to make significant input into governance.

Ideally, as Dye and Zeigler write, democracy ensures individual participation in the decisive decisions that affects their lives, while John Dewey feels that, ‘the keynote of democracy as a way of life may be expressed as the necessity for the participation of every matured human being in formation of the values that regulate the living of men together’ (Dye and Zeigler, 1990: 7).

²⁷ Oyekan aggregates the viewpoints of John Locke and J.J. Rousseau and other scholars on the contested notion of democracy. See Oyekan (2009).

This type of political system was typically held to apply to two very small states: the city-state of Greece and medieval Italy (Dahl, 1982). However, the vast size and complexities of contemporary states made it impossible to exercise the *modus operandi* of the ancient democracy: liberal democracy therefore becomes the closest to a democratic regime under global governance. Dahl (1982: 5) submits that new political institutions differ from the city-states era, and are therefore required to effectively operate the ambiguities of the contemporary nation-states.

Dahl (1982: 6) refers to such assertion of *people's rule* as an ideal, which would prove unattainable in a modern state. He was skeptical about the possibility of satisfying the criteria of the Athenian/direct democracy: equality in voting, effective participation, enlightened understanding, final control over agenda and inclusion. He maintains that people could only claim to govern themselves if their decision making power meets these criteria; and the practicality of modern democracy fell short of this. He claims that organization autonomy is “necessary to the functioning of the democratic process itself, to minimizing government coercion, to political liberty, and to human well-being” (Dahl, 1982: 1). Under such arrangements, the government cannot be highly participatory and the average citizen cannot have much influence over it.

Dahl's perspective on what constitutes democracy should not be taken out of context. Political institutions, to perform effectively, need to be autonomous and strengthened to respond to the rigours and complexities of democracy. However, the main object of democracy is individuals; therefore, individuals should be empowered and enlightened to either directly or indirectly have an effective control on the actions of these institutions of government.

This reinforced the assertion that the classical conception of democracy has truly shifted over-time. A more decisive factor in its evolution was the exportation of capitalist-inspired democracy promoted by the USA and other capitalist powers like France and Germany that favour limited government. This manifests in the form of economic and political liberalization, otherwise known as liberal democracy or pluralist democracy. Pluralist theory posits that individual participation in decision making is impossible in a complex, metropolitan, industrial, capitalist

society, and allows for interaction, compromise, accommodation and bargaining, among the representatives of the people (Dye and Zeigler, 1990: 11).

Liberal democracy is more than the people's rule. It represents a meaningful and broad competition for government positions and authority through regular, free, and fair elections. It also involves the guarantee of civil and political liberties, usually secured through political equality under a rule of law, sufficient enough to ensure that citizens could develop and advocate their views and interests and contest policies and offices in an enduring environment (Williams, 2003). James Mayall notes that democracy is:

Not just open representative government but also the fundamental human freedoms of association, speech and belief and the rule of law by which these goods are guaranteed to all members of the population whether supporters of the government or not (Grugel, 2003: 261).

Cammack (1998) re-echoes the notion of liberal democracy as an institutional arrangement for arriving at political decisions that ascribe to individuals, the power to decide through competitive elections. This represents indirect political participation, and what Almond and Verba refer to as limited advocacy; a constrained mode of political participation that replaces the hitherto ideal of active citizenship and the universal concern to guaranteeing effective governability in the contemporary market-based democratic arrangement.²⁸

Narizny (2006) defines democratization as the act of establishing institutional conditions of democratic rule. Some of the requisites include parliamentary responsibility for lawmaking, competitive elections for parliamentary representatives, expansion of the franchise, and the rule of law, judicial autonomy, civilian control of the military, and freedom of dissent. Deepening democracy therefore depends on the number and effectiveness of these political institutions. The goals and strategies of democratization provide the prerequisite for a transition to democracy; however, it need not produce instant regime change immediately, but is expected to facilitate a process that leads to the jettisoning of authoritarianism to a more democratic regime.

Democratization refers to improvements in the process of competitive elections, the existence of periodic elections and universal citizenship, open and equal participation and greater respect for civil liberties (Rudra, 2005; Ojo, 2004). Rudra (2005) holds that democratization is a movement toward implementing the values of democratic rule: political development, regular elections,

²⁸See Cammack (1998: 225) for more understanding of liberal democracy.

guarantee of civil liberties, economic and political rights. Democratization could mean more than this. It involves the process of institutional governance that facilitates the effective allocation of resources within a specific geo-political entity and socio-economic development (Olayode, 2005: 38; Ojo, 2004).

Democratization represents more than just building democratic institutions, which helps to prioritize the aspirations of diverse social groups and institutions in the formulation of development strategies; it involves building a democratic state (Grugel, 2002). Grugel further maintains that it must accommodate three variables: “institutional change (the form of the state), representative change (who has influence over policies and to whom the state is responsible) and functional transformation (what the state does or the range of state responsibilities)” (Grugel 2002: 70).

Democratization is a time-bound and gradual process that involves successive stages of transition, endurance and consolidation, which facilitates the institutionalization of democratic structures to facilitate structural transformation and change from authoritarian regime (Ojo, 2004; Dahl, 1971). Democratization could therefore be categorised into three phases: the liberalisation phase, when the preceding authoritarian regime opens up or crumbles; a transition phase, mostly culminating when the first competitive elections are conducted; and the consolidation phase, when democratic values are negotiated and expected to be enshrined and accepted by stakeholders in the democratic project (Linz and Stepan, 1996; Przeworski, 2004: 7).

The origination of democratization is easily traced to Portugal and Spain in the 1970s, but rapidly engulfed the developing world in the 1980s and 1990s. The fast rate at which the world yields to democratization prompted Huntington to tag it as the ‘Third Wave’, which later penetrated Latin America and Eastern Europe, and subsequently became fashionable in Asia and Africa. Samuel Huntington (cited in Russett, 1993: 132) identified five major factors that triggered the waves of democratization after the end of the Cold War: deepening legitimacy problems of authoritarian government unable to cope with military defeat and economic crisis; economic growth that raised the standard of living, educational attainment and urbanization; changes in religion institutions that constrained their capacity as defenders of the status quo; changes in other states’ policy and that of international organizations to favour democracy and

human rights; and the spill-over effect that entrenchment of democracy in one state has over neighbouring states.

Smith (2003: 250-252) sets the record straight by contending that the third waves of democratization actually started in Portugal in 1974, while the level of countries with some form of democratic government raised from 28 percent in 1974 to 61 per cent in 1998. He also notes the complexities of understanding the term democratic due to the degree of compliance or default across many acclaimed democracies. Accordingly, regimes may be categorized as emerging, new or consolidated democracies despite the circumvention by parliaments of presidential decrees (Argentina), the disregard of constitutional boundaries by the executive organ (Taiwan), the provision of veto powers to non-elective military officers (Chile and Thailand), and other deviations from the ideals and values of democracy. Smith (2003: 259) concludes thus, “the process of consolidating democracy entails strengthening democratic institutions (especially the rule of law and the protection of civil rights), extending democratic processes and preventing authoritarian reversals.”

Democratic consolidation, according to Pevehouse (2008), is the elimination of formal and informal institutions that are antithetical to democracy, which takes the form of a struggle between actors, who benefit, and those that think they could benefit from the existence of those institutions, and those who do not. In such situations, both winners and losers have the propensity to threaten democratic rule.

Aka (2007) has a similar but slightly deeper understanding of sustainable democracy. He sees it through the lens of conflict management, which represents ‘the process of progressive elimination or minimization of force and coercion, extreme repression, and related negative conflict management techniques antithetical to democracy,’ and this happens when ‘democracy becomes so broadly and profoundly legitimate and so habitually practiced and observed that it is very unlikely to break down’ (Aka, 2007: 236). This has been the thrust of Przeworski’s (2004) point of relating democracy with the bargaining and conflict management capacities of a state.

Aka was quick to insist that the Nigerian democratic experience is nowhere near democratic consolidation or sustainable democracy. There has been repeated and sustained arguments that Nigeria does not present the ideal of sustainable democracy, however, the country has managed

to maintain regime stability and uninterrupted electoral process since 1999, while its democratic institutions keep getting stronger, though at a slow pace. The state has also been able to suppress many attempts at democratic reversals.²⁹

Dahl (1971) takes a critical analysis at the seeming “mad rush” towards democratization in underdeveloped societies: a move been promoted by the IFIs. He builds on the writings of Lipset (1959), and Almond and Verba (1963), and argues for a modernisation approach to democratisation, emphasising that democracy has the tendency to emerge in countries with high(er) levels of social and economic development (Dahl 1971: 8; Przeworski 2004: 9). Dahl reveals that stakeholders in the democratization projects after the 1970s seem to be reaching a consensus that structural factors, like underlying economic, social and structural conditions and legacies, may have a strong effect on the prospects of democratic consolidation. Lipset warns that:

Only in a wealthy society in which relatively few citizens lived in real poverty could a situation exist in which the mass of the population could intelligently participate in politics and could develop the self-restraint necessary to avoid succumbing to the appeals of irresponsible demagogues (Lipset, 1959: 71).

The importance of periodic, free and fair elections in a consolidated democracy cannot be overemphasized. O’Donnell (1996: 37) maintains that democracy is “consolidated” and very likely to survive when elections and their surrounding freedoms are institutionalized. Linking the consolidation of democracy with electoral institutionalization, Schumpeter (1950: 269) advances the electoral struggle among political leaders and parties. Democracy is consolidated when all interests, groups, political elites and citizenry have only one aim: *securitization*³⁰ of democracy. Democracy is thus seen as a necessity and not a choice.

²⁹ Despite a series of armed confrontations against the state, civil protests especially during incessant hikes in the price of petroleum products, electoral violence, the state has tried to respond, within limited constraints, to these issues, while the country has made steady progress towards greater democratic governance. It could also be argued that these are the resultant effects of democratization, and should not be seen as democratic abnormality. See Ottaway, (2000) “Democratic Reversals”, *Georgetown Journal of International Affairs*, available on <http://carnegieleendowment.org/2000/07/01/democratic-reversals/4o7r>., for more understanding of democratic reversals. Also see, Azra, Naseem (2011) “The Long Shadow of Authoritarianism;” available at <http://himalmag.com/advertise/4349-the-long-shadow-of-authoritarianism.html>.

³⁰ This is an application of the Weaver’s (Copenhagen School) ‘securitization’ paradigm to the analyses of the quest for democracy. Securitization of democracy signifies the attempt by the political elites to tag democratization as a security concern; thus, the urgency to divert the state’s resources to the transition to democratic rule and its consolidation.

Based on the contradictions of democracy in relation to the electoral crisis in Nigeria and other states in Africa, it is valid to reiterate the danger democracy portends to societies that are so impoverished, with very low levels of literacy and where ethnic cleavages are very strong. Nigerians are still a long way from imbibing a democratic political culture and the ruling class³¹ has rejected compromise and negotiation. Despite this, the political institutions in Nigeria are becoming institutionalized to respond to the weight of demands associated with democracy. According to Smith (2003), recent studies have confirmed that political institutions, a key attribute of democracy have great implications for democratic stability; hence, institutional weaknesses constitute impediments to democratic consolidation in most of the developing world.

Democratic consolidation, as according to Dahl (1971), requires the evolution of a democratic political culture where all the main political actors, political parties, civil society and social forces view and accept democracy as the only alternative for good governance. One of the paradoxes emanating from ignoring the above assertion manifested in Nigeria, especially during the 1980s and 1990s, whereby democratization was reduced to a transition programme, without engaging in the institutionalization of democratic principles. The consequence was a botched democratization programme that led to the June 1993 annulment of the presidential election and the resultant crisis that ensued. It was not until 1999 that authoritarianism gave way to democratic rule. This was after eight years of military rule after the 1993 failed return to democracy.

Political leaders continue to praise democracy, but their subjects or followers often doubt its effectiveness in realizing the goals of the common man (Plamenatz, 1973). He further argues that representative democracy is feasible in communities that are economically advanced, in which both geographic and social mobility are comparatively great and the people generally are literate, and in which there is a large minority of politically active persons, drawn from existing social classes, competing for political power, influence and popular support

³¹ Gaetano Mosca painstakingly conceptualizes the ruling class as the organized minority strategically in the position of power over the majority, see <http://www.enotes.com/topics/gaetano-mosca>. The essay reveals that “the majority, or those being ruled are thus implicitly in compliance with their rulers and working together toward a common moral or legal goal is offered as democratic freedom”. For more on Mosca’s engagement of the “ruling class”, see Cook, Thomas I. (1939) “Gaetano Mosca’s “The Ruling Class””, *Political Science Quarterly*, Volume 54, No. 3, pp. 442-447.

Tordoff's (2002: 225) study reveals that the most accepted preconditions for successful democracy are a strong history of democratic institutions, competitive capitalism and a limited government that accommodates a small public sector, industrialization, high literacy levels, and the emergence of a relatively strong middle class. The Nigerian version of democracy succeeds to create a monopolistic and hegemonic capitalism that deliberately allocates every sensitive and major economic sector to a small political and economic elite and foreign capital. The level of illiteracy in the country is alarmingly high, while the level of economic advancement is low. The majority of Nigerians are downwardly mobile, while the economically active population is riddled with joblessness.

Ake (1981, 1993 and 2000) condemns the blatant adoption of liberal democracy by African states, insisting that such a political system is not sustainable based on their African realities. Nigeria is a communal, pre-capitalist and pre-industrial society where primordial loyalties and pre-capitalist social structures remain significant (Ake, 1993). Despite the years of relative industrialization and entrenchment of capitalism, Nigerians still maintain strong attachment to communal and primordial attachments. The strong attachment to communalism defines peoples' understanding of self-interest, freedom and their status in the social whole. Therefore, the foundations of liberal democracy do not hold in such a society. Notions such as individual sovereignty or individualism (a core value of liberalism) exists in abstraction in Nigeria, except in few urban centres. He warns that if the political system of a country like Nigeria is built around a Western conception of democracy, then what this would achieve is a democracy of alienation.

It becomes pertinent, accordingly, to de-emphasize abstract political rights and instead to advocate tangible economic rights, since separating political democracy from economic democracy or from economic well-being is alien to African society in general. Democratization to Nigerians, for instance, is seen as a means of ensuring socio-economic development, with effective and rewarding distributive strategies in favour of the masses; however, the Nigerian state have failed to engage in economic transformation in the interests of the population (Ojo, 2004).

Liberal democracy, according to Grugel (2003) is not directed to effect changes in the realities of the majority of people who suffer political marginalization in form of poverty and social

exclusion, and who remain victims of either autocratic or violent governments. State institutions in a country like Nigeria are accountable only to socio-economic and political elites, clans or cliques. Robert Dahl (1971: 10) stresses the importance of accountability in a democracy and presents three divergent modes of accountability: vertical, horizontal and societal accountability.

Vertical accountability creates an avenue for the citizens to hold their political leaders accountable through the electoral process, as and when required. Horizontal accountability deals with the possibility of institutionalizing accountability strategies within the political institutions of government itself, whereby state institutions act as watchdogs within the clusters of other state institutions. Lastly, societal accountability refers to the oversight roles of civic society, including that of the independent mass media over the actions and inactions of the state. This form of accountability is in the process of evolving in Nigeria, and this has severe consequence in the distribution and allocation of power and resources.

It was found that formal processes of democratization have insignificant value “unless they are accompanied by measures to redistribute social, economic and political power” (Grugel, 2003: 260). Ake (1981 and 1993) further argues that market-driven democracy highlights a different mode of political participation, and one that is inferior to the African idea of participation. In Nigeria, just like in other African states, participation by the local population is linked to communality. Africans do not generally see themselves as self-regarding atomized beings in a competitive and potentially hostile interaction with other members of the community. Instead, their consciousness is focused in belonging to an organic whole.³²

The contradictions between the feasibility of democracy in oil producing countries like Nigeria have been a focal point of discourse. Michael Ross, relying on an empirical study of many countries and regime types across the world, found that oil hinders democracy, and highlighted three major factors that informed it (Kock and Sturman, 2012). The first is the rentier effect, which explains how oil provides large revenues that governments could actually utilize to buy citizens’ will and consent through patronage and other forms of benefits. There is also the

³² See Murithi, Timothy (2006) *African approaches to building peace and social solidarity*, the International Conference on Strategies for Peace with Development in Africa, The University for Peace, & the African union, Addis Ababa, Ethiopia, 12 – 14 June.

repression effect which infers that governments with high oil revenues are more likely to increase their military expenditure, in the bid to suppress political dissent.

The third is what Ross (2001) called the modernization effect, which posits that economic growth based on the narrow sector of oil exports fails to engender social and cultural exchanges of broader forms of development. This could be tangible growth in the manufacturing or services sectors, which is antithetical to democratization. Accordingly, “oil rents ... provide the incumbent with a means of buying “social peace” via the corruption of politicians, the media and the intellectual community” (Kock and Sturman, 2012: 134), while oil wealth directly capacitates candidates of the ruling party in these states to buy votes during elections. The validity of this was evident in strong allegation of “vote buying” and electoral corruption during successive general elections in Nigeria (Akinola, 2009: 270).

Narizny (2006) rightly argues that the central contention of democracy is that, since the “third Wave”³³, the motivation for American loyalty in the export of democracy was not to foster equality within a state’s border but to further promote the interests of MNCs and to legitimize the rule of liberalizing economic elites, create a favourably environment for the spread of capitalism, and safeguard the security of the West. Western democracies, truly support the procedural elements of democratic rule in developing countries, such as competitive elections, individual sovereignty and judicial autonomy, but oppose any effort to level the socio-economic playing field, which is at the detriment for the majority that democracy is designed to protect (Ake, 2000).

Despite the avalanche of criticism towards both classical and contemporary democratic regimes, the benefits of democracy abound. Narizny (2006) provides the justification for the export of democratic values around the world. Aside from the promise of both human and material development, he identifies the promotion of security as the most important motive for democracy, and traces its logic from Immanuel Kant’s conception of a “perpetual peace” among states with republican constitutions. Despite the tendency for democracy to prevent every form of violent conflict within nation-states and the global adoption of democratic regimes remains a sure path to global peace and security, according to the central arguments of democratic peace

³³ See Huntington, Samuel P. (1993) *The Third Wave: Democratization in the Late Twentieth Century*, University of Oklahoma Press.

theory.³⁴ Furthermore, the expansion of transnational businesses requires the universal adoption of democratic governance for its sustenance. Hence, peace and stability must be entrenched in all potential investment countries to facilitate the expansion of business (Crocket, 2011). The propensity of democracy to guarantee peace is based on the assumption that:

Democratic institutions reveal information, constrain decision-makers, constitute norms, and represent preferences in ways that makes democracies unlikely to fight each other. Instead, states with democratic regimes tend to form security communities, in which violence between members is taboo and outside threats are faced collectively (Narizny, 2006: 17).

This aligns with Przeworski's (2004) argument for institutional autonomy as an essential corollary of democracy. Democratic states possess strong and independent political institutions, which are empowered with internal conflict resolution mechanisms.

1.1.3 Convergence of Globalization and Democracy

As explained earlier, globalization evolved through the process of internationalization of capitalism, which led to the creation of a global market government by market forces. The evolution of global capitalism was accelerated by the core states that embarked on centuries-long expansion of conquest and aggressive economic penetration of the developing states (Onigbinde, 2003; Ake, 1981). The drop in the consumption of products and goods in the advanced capitalist societies, over-production as a result of industrialization, incessant logic of capital to keep on expanding and accumulating, and the need to access mineral resources and cheap labour provided the motivations of capital, investment and business enterprises in the west to reach beyond its national borders.

Scholars like Li and Reuveny (2003); Grugel (2003); Kura (2005); Mubangizi (2010); Uzodike (2006); and Pevehouse (2008) have raised concerns about the spread and effect of globalization on democracy, and the pertinent question borders on how the deepening integration of the world economy influences democratization, especially in developing economies. In a related study, Mubangizi (2010) reflects upon the impact of globalisation on development and democratisation,

³⁴ Democratic Peace theory maintains that liberal/democratic states will not go to war with each other. But, there is the possibility these states will go to war with authoritarian regimes or stateless people. More information is available online at <http://www.faculty.maxwell.syr.edu/jbennett/124f04/A040930.doc>.

and explores the contradictions that arise out of the relationship. Gasiorowski and Power (1998: 741) hold that a comprehensive understanding of democratization must focus on both political processes (elite decision-making) and structural factors (globalization). Other studies reveal the associated challenges that further complicate this relationship in the specific context of African states (Pevehouse, 2008).

Grugel (2003) drawing from the works of Mann (1997), traces the evolution of studies on globalization and discovered that the concept was originally researched principally in relation to the concern about how globalizing financial, trade and productive practices impacted on the sovereignty and resources of the state, especially the western advanced capitalist states. The radical political economy school of thought presents Marxist-inspired accounts of globalization, which highlight the negative impact of the global spread of capitalism (Robinson 1998), while the liberal school of thought presents a more optimistic view about the possibility of inventing new forms of liberal internationalism.

This ideological and intense controversy has shifted towards acknowledging and identifying what Scholte (2000) refers to as the cultural and social implications of global change. This diverts attention from the ways in which globalization continues to reshape social and political activism and the new role of global social actors in generating post-sovereign forms of global governance, with the motive of facilitating democratization. Therefore, the direct linkages between globalization and democracy have become a recurrent controversy within the body of knowledge. Doces (2006) focuses on identifying the determinants of globalization's resurgence and democracy's rise, inquires if the resurgence of globalization constitutes a determinant of sustainable democracy, and tries to determine if the rise in democracy is a determinant of the resurgence of globalization. The study made attempts to disentangle the convergence between globalization and democracy. The simultaneous emergence of globalization and political liberalization has raised a number of questions among policy makers and researchers about the connection between the two concepts (Olayode, 2005).

The recurrent intellectual confrontations between the radical political economists, otherwise known as the dependency school of thoughts and the neo-liberalists, with a strong foundation in the modernization school of thought, led Grugel (2003: 262) to propose three connections between democratization and globalization. The first conceives *globalization as the politics of*

democratic disempowerment (Scholte, 2000). This viewpoint is generally pessimistic about the chances for democratization within the prevailing globalizing economic order. Grugel (2003: 262) maintains that democratic demands are squeezed out or suppressed by the hegemony of global liberalism.

The second viewpoint represents the neo-liberalists and other agents of globalization, and views *globalization as an opportunity for (liberal) democratic global governance* (O'Neil, 1991). This represents the tendency to promote global governance via the transformation of existing institutions, the establishment of new structures, or the introduction of mechanisms of institutional accountability to socially representative institutions. For instance, the United Nations and Amnesty International have been very prominent in the promotion of universal human rights across the world.

The third perspective regards *globalization as the radical remaking of citizenship* (Kaldor, 2000). Thus, globalization is seen an opportunity for democratization from below, through the articulation of radical and contemporary forms of transnational citizenship and social mobilization. For example, the Shack/Slum Dwellers International (SDI) has been very active in promoting the right to a quality of life for slum dwellers across the world.³⁵ This viewpoint also stresses the importance of creating and strengthening a global civil society. Global civil society represents an avenue for establishing regimes of tolerance, civility and pluralism under the assumption that activism within civil society will promote these values globally (Kaldor 2000).

Globalization has therefore provided a thought-provoking and novel avenue for questions and concerns in relation to contemporary democratization projects across the world (Grugel, 2003: 261). There is a disparity between what globalization signifies in the West and its impact in the developing and post-colonial world. After much scholarly debate on the convergence between globalization and democracy, I align with Li and Reuveny (2003) restriction of the arguments into three viewpoints:³⁶ globalization promotes democracy, globalization obstructs democracy, and globalization does not necessarily affect democracy. It is unanimously accepted that globalization conceived as trade openness or short-term portfolio flows negatively impacts

³⁵ For more information, see <http://www.sdinet.org>.

³⁶ Li and Reuveny (2003: 30-39) present a tabular presentation of these three perspectives along with scholarly citations and exhaustive discussion of each view.

democracy while the manifestation of globalization as Foreign Direct Investment (FDI) increases democracy (Doces, 2006; Rudra, 2005 and Li and Reuveny, 2003).

1.1.3. (i) *Globalization promotes Democracy*

The attractive prospects of globalization and the dynamism in international political economy that expands democratic governance across the world made globalization a mechanism for the entrenchment of the ideals of democracy (Rudra, 2005). This is based on the proposition that capital market development has the tendency to unseat authoritarian governments by preventing their rent-seeking activities and thereby increasing the bargaining power of business. Globalization promotes democracy by constraining authoritarian states with limited incentives to cling to power, while putting their radical policies in jeopardy (Crockett, 2011; Doces, 2006; Rudra, 2005; Kura, 2005; Li and Rauveney, 2003). Doces (2006) also strongly believe that openness to the benefits of foreign investment and trade brings prosperity that strengthens the middle class to the extent of confronting and abolishing authoritarianism.

Globalization has made life unbearable for undemocratic government, thereby impressing on authoritarian states the need to decentralize power as they relinquish their control to the workings and progress of the market.³⁷ Globalization could be said in this way to encourage democratic structures which promote democracy. Since the global market relies on a capitalist democratic value system, it becomes inevitable that organizations and institutions that support these values have the propensity to expand into other undemocratic countries to ultimately establish or promote democratic values.

Grugel (2003) asserts that globalization creates an enabling environment for democracy to thrive, because democracy is believed to be the pathway to development and social peace and seems, as an ordering mechanism, conducive to global peace, stability and development. Globalization strengthens the distribution of democratic values over state borders. The more democracies border non-democratic countries, the more the chances the country has of joining ‘the committee of democracies’.

³⁷ This process of allowing the economy to fluctuate is referred to as *laissez-faire*, a French expression meaning “let it be” which allows industries to be free from state involvement in restrictions such as taxes and state monopolies. See Crockett (2011).

Pro-globalist scholars argue that globalization has provided life-saving opportunities for the world population in different ways. Dunklin (cited in Held and McGrew, 2000) locates their argument around a few variables: increased trade, new and better technologies, expanded media, and economic growth as the tangible benefits of participating in a highly globalized economy. Their position goes further to eulogize the dominant capitalist global marketplace that creates wealth and some of the greatest innovations in world history. For instance, Stiglitz (2002: 18) attribute the longer human life-span and increased higher standards of living to social and technological advances made due to globalization.

Tsai (2007) contributes to the debate that unrestrained global flows and exchanges contribute to human development and progress in human welfare. If globalization in this sense means “the diffusion of goods, services, capital, technology, and people (workers) across national borders” (Sirgy et al. 2004: 253), then, it is logical to consider globalization as a multifaceted diffusion process that produces significant influences in human well-being (Li and Raveuney, 2003).

Sirgy et al. (2004: 271) articulates a proposition that global flows of goods and services create more jobs, increase wage levels especially in the export sectors, and lower the prices of imported goods, which increases the purchasing power of the exporting country. Sirgy et al. (2004) further highlights global flows through cultural interaction, and submits that an increase in MNCs and foreign workers provides the local population with opportunities to interact with people of diverse socio-cultural, racial and religious backgrounds.

1.1.3. (ii) Globalization impedes Democracy

Li and Reuveny’s (2003) study reveals that the theoretical literature presents both contradictory and complex expectations of the effects of globalization on national democratic governance. They found that globalization corrodes the prospects for democracy in the following ways:

The emerging democracies among the LDCs lack the financial and managerial resources needed to build social safety nets. As trade liberalization continues, the negative effect of trade on democracy may increase. Similarly, the growing capital mobility accompanying globalization produces a political dilemma for governments who want both economic competitiveness and democratic political accountability. Footloose capital is generally not accountable to the public. The mobility of capital reduces democratic governments' ability to respond to popular demands for social welfare and effective economic management. Our findings imply that under economic openness, the room for policy manoeuvring is obviously reduced. Hence, the threats to democracy from financial inflows and foreign direct investments are substantial (Li and Reuveny, 2003: 53).

Ake (2000) and Mimiko (2012) demonstrate clearly how cleverly conservative autocrats³⁸ and petty bourgeoisie, with foreign collaboration, have stolen the democratic message and subverted its major promises of effective governance. In general terms, research has found that despite the apparent spread of liberal democracy, the possibility of genuine democratic governance is greatly declining (Cerny, 1999: 1). This is more so because globalization generates a growth in inequalities and the fragmentation of effective governance structures.

In reality, the world has also evolved into uneven internationalization that erodes state sovereignty, policy transformation, responsiveness, and policy autonomy of democratic governance generally in place of global competitiveness (Khor, 2001; Cerny, 1999). However, the state is still the most important unit of analysis in the international system, but its decision-making power, authority and fiscal responsibilities have been hampered by the domineering influence of globalization. The essence of democracy is to subject state's policy to the people's control, but globalization has redefined the workings of democracy itself.

Globalization, an integrated set of developments, is in the process of creating a single global economic, social and political structure, which necessarily, therefore, challenge and undermine the claims that have historically been made on behalf of the state (Clapman, 2002: 775). It denotes not mere interconnectedness, but a dynamic force which is bringing into existence a new world order, from which no part of the globe can be excluded. The mythology of unfettered state autonomy may thus safely be consigned to the past: states can aspire only to the role of managers or mediators of the impact of global forces on their domestic political, economic, and cultural arenas.

The consequence of an increasing economic interdependence and social interconnectedness, through the workings of globalization, is a tremendous loss of fiscal control and the growing authority of markets (Ojo, 2004). Globalization actually results in the decline of the nation state, as governments easily lose control over their economy, their trade and their borders, making the state obsolete and democracy hollow (Crockett, 2011).

In a related perspective, Beck (2000: 11) notes the devastating effect of the global economic order on state sovereignty and posits that sovereign nation-states are undermined by transitional

³⁸ An autocrat is a leader exercising absolute power on behalf of the government.

actors with different prospects of power, ideological orientation, identities and networks. It therefore becomes challenging for African states to democratize when the nature and strength of such states and the level of its activity and participation in the global market place has been restricted by globalization.

The impact of foreign capital undermines the essential requirements of state autonomy, patriotism and national identity. Scholars, such as Jens Bartelson believe that while globalization threatens the expansion of state, it promotes opportunity for growth and increase in wealth. But this has also heightened the socio-economic disparities between people, making nation-states less democratic and progressively more controlled by the wealthy multi-nationals (Crockett, 2011). Governments have to compete for foreign capital and restructure their policies to appease global investors and industries, who act against the best interests of the voters.

Pevehouse (2002) rightly sees democracy as the outcome of a domestic political process that is not influenced by actors within the nation-state, but became worried at the extent to which international factors greatly influence domestic political outcomes through the activities of the forces of globalization. Attina (n.d) stresses this point further by insisting that the global political system comprises of states, the state system and a plurality of non-state actors, who are interdependent and possess different abilities to influence the utility and distribution of global resources, goods and values. The interconnectedness of national economies in the global environment is seen as veritable means of exerting pressures on countries other than by military might (Dunklin, 2005).

The importance of states as a system of potent political regulation of social life is confronted by all manner of corrosive forces transforming and redefining the state's capacities, capability and competencies (Pevehouse, 2008). Thus, the state's autonomy is threatened, while the internal socio-political and the most sensitive economic affairs of a country are unprecedentedly dependent on occurrences in the political systems of distant states (Ojo, 2004). Furthermore, Grugel (2003: 267) and (Dunklin, 2005) acknowledge that globalization creates interdependence between, and among states. However, it restricts state's sovereignty and renders states less able to control the expansion of the global polity or to respond to the diverse demands made upon them. Globalization in this manner creates crises of governance and democracy. For instance, the

majority of the Nigerian population (led by the Nigerian Labour Congress³⁹ and a coalition of civil society) organizations vehemently opposed the removal or reduction of oil subsidies and the deregulation of the oil sector due to the strong belief it was a policy dictated by the IMF and World Bank, rather than a well-thought out plan of the Nigerian state.

Yi (2011) joins other scholars and confirms the perceptions of a large section of the Nigerian population whom accuse globalization of reducing nation-states' political latitude, which has led to a convergence of neoliberal economic and social policies worldwide. He builds his argument on the effectiveness hypothesis,⁴⁰ which posits that governments, either democratic or not, accept (or need to accept) the logic and workings of the market. This is without tinkering with market forces, and what Adam Smith once referred to as 'the invincible hands'.⁴¹

Globalization, at the stage of monopoly and transnational alignment, has actually made those hands visible. The exchange of goods and services are no longer mutually beneficial to all participants, while market imperfection reigns supreme. The erosion of state's economic power engenders an unguided market, bad economic performance and financial crisis and impedes governments' ability to maintain generous welfare spending such as subsidies. Tsai (2007: 108) also ascertains that agencies of globalization (the WTO, IMF, World Bank) pressurises

³⁹ The Nigerian Labour Congress is an umbrella organization of all employees in Nigeria. Its establishment pre-dated Nigerian independence in 1960. The Apena Cemetery Declaration of 1974 remains the most direct attempt to establish a unified union for the Nigerian employee. This brought together the Nigeria Workers' Congress (NWC), United Labour Congress (ULC), Nigeria Trade Union Congress (NTUC), and Labour Unity Front (LUF), which signed a document to form a single central organization. The declaration was premised upon the Trade Union Decree of 1973 which allowed for union mergers and federations. The merger was put into effect on the 18th of December, 1975 at Lagos City Hall. According to Onuoha, the main mission of the congress is to protect, defend and promote the rights, privileges, and the interests of all trade associations and unions affiliated to the congress, their individual members and the working class in general; see Onuoha, Frank (2013) "Nigeria Labour Congress: A brief History; available online at <http://allnigeriahistory.blogspot.com/2013/07/nigeria-labour-congress-brief-history.html#!/2013/07/nigeria-labour-congress-brief-history.html>

⁴⁰ Proponents of the "efficiency thesis," otherwise known as the "globalization thesis" hold that a greater exposure to trade puts national economies under intense competitive pressures. These efficiency-based perspectives predict that globalization may contribute to limited government, reduced government provision of social services, reduced government revenue-raising capacity, and lower levels of unionization. See Yi (2011: 476).

⁴¹ Adam Smith used this expression to describe the natural force that guides free market capitalism through competition for scarce resources. In a free market, each individual will try to maximize self-interest, and the interaction of market participants, leading to exchange of goods and services, enables each to be better off than when simply producing for himself/herself. He explains that in a free market, no regulation of any type would be needed to ensure that the mutually beneficial exchange of goods and services took place, acting under the assumption that this "invisible hand" would guide market participants to trade in the most mutually beneficial manner. See, http://www.investorwords.com/2633/invisible_hand.html#ixzz2fbAX3QrV.

governments to adopt market-oriented reforms by reducing fiscal expansion and cutting social spending.

The internationalization of democracy is expected to result (at some level) in the democratization of national economies (Nwabueze, 1993: 298). Ironically, the influence of world powers in the process has defeated its original purpose. With the liberalization of African economies by the Brettonwood agencies, Nabudere (2000: 37) argues that this brought 'a new departure ... not only for the restructuring and down-sizing of the state but also of redefining democracy in the new down-sized state'. Ake (1997) was sceptical about the trans-nationalization of more economic activities and argued that as long as important decisions are made in distant places, often anonymously by the agents and forces of globalization (IMF, World Bank, MNCs), which are uncontrolled by Africans. In such a situation, democratic choices become vacuous.

Globalization helps in the creation of a free market and represents a guise for the spread of Anglo-American capitalism throughout the world (Dunklin, 2005; Held and McGrew, 2000; Ake, 2000). The global capitalist system is characterised by inequalities and unequal trade orchestrated by the USA and other capitalist powers. The richer the USA becomes, the poorer the developing countries. For instance, per capita private consumption within the USA increased by 1.9 per cent per year from 1980 to 1998, while that of sub-Saharan Africa experienced a 1.2 per cent annual decline at the same period (Sachs, 2001).

The exportation of capitalism across the world has left half the world's population living on less than two dollars a day and more than a billion people are currently surviving on less than one dollar a day (Chua, 2003). Mubangizi (2010) further explains how globalization has transformed the world into a global market for goods and services produced and supplied by powerful transnational corporations and countries of the West. The business activities of these companies are aggressive and mainly driven by the maximisation of profit. The effect has been tremendous economic prosperity for developed countries, while it has 'intensified poverty, created unemployment and promoted social disintegration in the majority of developing countries' (Mubangizi, 2010: 9).

Narisy summarizes the assertion that democracy inspires the creation of an enabling environment for exploitation thus:

I argue that the grand historical trend of democratization is essentially endogenous to the game of great power politics. It is the successful realization of a strategy executed by the strongest states in the international system, Great Britain and the United States, to extend their own wealth and power. Through the promotion of democratic institutions, they have sought to advance their economic interests, create allies, propagate international norms, and reshape the international order in their own image. Thus, democratization has served as an instrument of hegemony (Narisny, 2006: 1).

In his own contribution, Umeruzike (2012: 25) explores how the forces of globalization have greatly undermined democratic struggles in Nigeria, particularly through its economic reforms. I note that the relationships between the forces of globalization and democracy in Nigeria are both hostile and confrontational. The effects of foreign direct investment and the multilateral management of the contemporary international economic order have collectively threatened the democratic struggles of domestic social forces in Nigeria (Umeruzike, 2012; Obi, 2004).

Schumpeter argues that globalization promotes economic development that amplifies the number of educated and well skilled citizens, which leads to the reduction of economic inequality (Crocket, 2011). However, globalization exacerbates social inequality and jeopardizes the progress democracy has made (Robertson 1992: 2). He insists that the inequality is not only prevalent within a nation-state but applicable in the international community, where the cleavage between the developed countries from the north and the developing countries from the south continue to widen.

There is a sustained contention that globalization facilitates uneven relations and unequal trade and development. It offers opportunities for development, if countries are able to take advantage; however, its overall impact is extremely uneven within and between nations (Gelb, 2001). Globalization corresponds to rising income inequalities within most countries, because it tends to raise the demand for a skilled work force in the national labour force, and reduce the demand for unskilled labour. Unskilled labour in industrial economies is increasingly being replaced by workers of equivalent competence in cheaper wage locations; workers who are themselves skilled within their own locations. This breeds inequality in both industrial and developing economies. By this, globalization contributes to social exclusion, the lack of access to autonomous livelihoods of a minimum socially acceptable standard, which is the bane of the problems ravaging Nigeria.

Tsai (2007) elucidates the need for caution in exposure to foreign goods, which is likely to generate a negative influence via loss of jobs in domestic firms. He maintains that:

Globalization is an omnipresent power of 'creative destruction' in that global trade, cross border investment and technological innovation enhance productive efficiency and generate extraordinary prosperity despite old jobs are replaced and the wages for unskilled workers necessarily fall (Tsai, 2007: 104).

Accordingly, globalization generates diverse forces and conflicting effects, whereby increased efficiency and opportunities are juxtaposed with deepened exploitation and risks. A country like Nigeria under the weight of global capital might encounter greater external exposures that lead to greater societal instability, which could manifest in massive losses of jobs, especially by unskilled employees.

It has been argued that globalized class structures lead to social and economic conflict (Hoogvert, 1998; Grugel, 2003: 265). Accordingly, democracy, which is a consequence of class conflict under industrial capitalism, is now blocked by the structures of globalized capitalism thereby overpowering the capitalist class, while the resources of labour are tremendously diminished. The growing globalization of international economic relations has certainly not shifted economic power towards poor countries. Trade liberalization benefits these “modern” societies rather than poor countries. Globalization generates internal social stratification by benefiting some classes in the third world through the creation of an alliance between an indigenous middle class, comprador bourgeoisie and foreign investors, MNCs and bankers (Smith, 2003: 19). This negatively affects the developing societies where democracy in practicality has become very challenging, if not almost impossible.

Kura (2005) agrees that global interconnectedness has stimulated the global upsurge and expansion of democracy in several manners, but that Nigeria’s democratic experience has been ambivalent. The effect of globalization on democratization in Nigeria is seen as a ‘two edged sword’: globalization facilitates the adoption of many neo-liberal economic and political policies, but its impact on the country’s democratization processes has been catastrophic. He maintains that Nigeria was coerced into joining the global village without little or no preparation, and submits that globalization breeds much discontent in Nigeria.

Globalization has engendered a shift from a search for national strategies for development to a competitive struggle for global positioning; hence, underdeveloped states are subjected to the authority of global management doctrines for implementing neoliberal economic reforms and thereby weakened as an agent of local social engineering (Grugel, 2003).

Despite expectations, globalization has failed the cause of the South, and successfully divides the populations of many countries into winners and losers, but it has also divided regions of the world into what Offiong (2001: 29) called “winners and sad losers”. Khor (2001) has thus highlighted the reasons why African states seem unprepared to cope with the expansionist character of the prevailing world order: weaknesses arising from the colonial hangover, heavy external indebtedness, dependence on foreign donors leading to limited capacity to embark on meaningful international bargaining and negotiations, among others.

In the case of Nigeria, as well as a few developing countries like South Africa, Umezurike (2012) notes that the country became entangled in the web of globalization in the following ways:

- a) Mercantilist capital whose phenomenal roles were mostly observable between the mid-15th and late 18th centuries.
- b) European national capital assisted by multinational corporations whose objects were mostly realized via colonisation especially between the 19th and mid-20th centuries.
- c) Transnationalism and multilateral institutions, such as the World Bank and IMF. The workings of transnationalism have been via foreign direct investments, including technological transfer and global financial management by the multilateral institutions.

Therefore, it might also be tenable to argue that the first confrontation between forces of globalization and democracy in Nigeria occurred during the pro-independence struggle by the mass-based nationalists during colonialism. Globalization endangers contradictory reactions leading to fragmentation of cultures, which was manifested during colonialism. The fragmentation results not only from the schism created by the global diffusion which has pitted the new found culture, economy and institutions against their local or domestic and pre-existing counterparts (Ojo, 2004). He notes that globalization also generates substantial social and cultural resistance because of its uneven and in some cases marginalizing consequences within, as well as between, countries and regions.

1.2.3. (iii) *Globalization does not necessarily obstruct Democracy*

There has been a dearth of studies to buttress the point that globalization does not impede democracy. It was found that literature on the effects of globalization on both developed and developing countries does not seem to reflect the actual realities; hence, there are tendencies of over-exaggerations and under-reporting the facts. After analysing a series of case studies, O'Donnell, Schmitter and Whitehead (1986: 5) conclude that the effect of international factors on democracy is indirect and marginal, unlike the general impression. Although, states have lost some of their powers to global capital and international institutions, states still exert tremendous control over their economy and state borders (Li and Reuveny, 2003). Li and Reuveny further posit that since developing countries are not active players in the global economic system, the effect of their economic openness on their democracy has been over-exaggerated, while noting that since the advanced capitalist countries already enjoy stable democracies, globalization would not impact upon their levels of democracy (Li and Reuveny, 2003: 38).

Others argue that globalization itself is not the problem, but instead, the problem lies in the inability of states to adhere to the rudiments of the modus operandi of the forces of globalization. Thus, they share the belief that if developing countries must reap bountifully from the opportunities offered by globalization, they must be actively dedicated to, and guided by, the policy directives of agencies of globalization (Omotola and Enejo, 2009). States have the choice to either restructure any globalist ideology or adhere strictly to it: the two choices are bound to yield different results.

Despite the pessimism of Rudra (2005: 708) towards globalization, he is of the opinion that under conditions of globalization, provided that governments expand the size of the welfare state, globalization could result in important advancements in human freedoms, which helps the cause of democracy. Scholte (2002, 293–294) shares Rudra's view and highlights six ways in which citizen involvement in global governance organisations can increase democracy: giving voice to stakeholders; enhancing democracy through public education activities; fuelling debate in and around questions of global governance; demanding public transparency; increasing the public accountability of global regulatory agencies; and granting governance agencies legitimacy.

In summary, the table below best captures the raging controversy and complexity in the globalization-democratization nexus:

Table 1: A summary of globalization-democratization convergence

	<i>Democracy Promotes Democracy</i>	<i>Democracy Impedes Democracy</i>	<i>Democracy Does not Necessarily Affect Democracy</i>
1.	Globalization promotes economic development.	Globalization reduces state policy autonomy and brings about public policies that please foreign investors instead of the common people.	The extent of globalization is greatly exaggerated. The world economy is not as integrated as believed.
2.	Globalization increases the demand of international business for democracy.	Globalization produces more domestic losers than winners, at least in the short run, and it also diminishes the ability of the state to compensate the losers financially	Globalization does not necessarily render the welfare state powerless. Increased national economic openness originates from the deliberate choices of states.
3.	Globalization reduces the incentives of the authoritarian leaders to cling to power.	Globalization enables the fast movement of money between countries, resulting in frequent balance of payment crises and unstable domestic economic performance.	The effects of globalization vary across countries, depending on many variables
4.	Globalization reduces information costs, increasing contacts with other democracies and making the pro-democracy international non-governmental organizations (INGOs) more effective.	Globalization deepens ethnic and class cleavages and diminishes the national-cultural basis of democracy.	
5.	Globalization pushes the authoritarian state to decentralize power.	Globalization enables the state and the multinational corporations (MNCs) to control and manipulate information supplied to the public	
6.	Globalization strengthens domestic institutions that support democracy.	Globalization degrades the concept of citizenship, which is an important prerequisite for a functioning and stable democracy	
7.	Globalization intensifies the diffusion of democratic ideas across borders.	Globalization widens the economic gap between the North and the South. Globalization involves mostly the DCs, draining capital, technology and skilled labour from the LDCs.	

Source: Li and Reuveny (2003).

1.2 THE POLICY OF DEREGULATION

1.2.1 *A Review of Deregulation*

The 'iron wall' that divides the twin concepts of liberalization - deregulation and privatization - is very thin: they are occasionally used interchangeably in some contexts but there are some levels of distinction between the two modes of economic policy⁴². Liberalization as a neo-liberal economic reform refers to the slackening of governmental controls over businesses. This ensures that businesses have more freedom to take decisions and can enter new areas with least intervention from government⁴³. The chief intent of liberalization was to dismantle the excessive regulatory framework which acted as a shackle on freedom of enterprise and free large private corporate sector from bureaucratic controls (Pathak, 2011).

Godwin and Dagogo (2011) strongly feel that deregulation of a state's economy could be conceptualized under three closely-knitted concepts: privatization, divestiture, and marketization of the economy. However, Umezurike (2012: 53) defines privatization as the process of gradual ceding to the private sector of such public enterprises which by nature and type of operations are best performed by the private sector. Privatization and public sector reform marks what have been termed "second generation" adjustment policies, an attempt at distinguishing them from "first generation" policies, which focused almost exclusively on economic stabilization that SAP propagates in Nigeria.⁴⁴

Despite the vast literature on privatization, the concept still reveals a lack of clear-cut understanding. It has become a generic term often employed to describe a range of policy initiatives designed to alter the mix in ownership and management of enterprises away from government and in favour of the private sector. It covers a continuum of possibilities, from decentralization to market discipline. Narrowly defined, privatization implies permanent transfer of control, as a consequence of change of ownership rights, from the public to the private sector. This is different from deregulation.

Under deregulation, a great bureaucratic state gradually dismantles and replaces its control with more effective and efficient governing of the private sector coming from the market itself

⁴² Economic policy is conceived as the action-statement of the government pertaining to specific sectors of the economy, describing the intended objectives and how to achieve them. In most cases, the object of economic policy is to improve the welfare of the people, either in the short-run or the long run. Theoretically, the formulation of an economic policy involves the collection, arrangement, analysis, summary and interpretation of economic data, while policy evaluation remains a critical part of the policy process. See Adedipe (2004) for more understanding.

⁴³ This is available in <http://in.answers.yahoo.com/question/index?qid=20071225104157AAbjodo>.

⁴⁴ See Baig et al. (2007) for robust analysis of privatization.

(Howitz, 1986). Amin (1999) conceives deregulation as a deliberate policy which must be consciously undertaken rather than a natural state of affairs that releases the strategies of large enterprises from the constraints that states' policies can otherwise represent.

Oparah (2005) is very optimistic about deregulation, and sees it as a corollary for sustainable political development. Accordingly, it entails opening up of the market and de-monopolisation of the hitherto state-owned and managed enterprises, which is part of the requirements of good and transparent governance that liberal democracy represents. He believes deregulation is not only essential for strengthening democracy but also for promoting economic prosperity. Deregulation seeks not only to open up African markets for FDI and to limit corruption (Ayee, 2005: 6-35), but also to abolish policy deficiencies, budget deficits and low productivity (Larbi, 1999).

According to Olaopa et al (2009), deregulation refers to the lifting of certain government controls (such as price controls) on several aspects of a specific industry, like the oil industry. As applicable to full deregulation in the oil sector, government is expected to not interfere with the pricing, export and importation of oil products, or the establishment of retail outlets (petrol stations); storage depots; ocean-receiving facilities; and refineries. Kupolokun (2004) lends voice to the inevitability of deregulation of the Nigerian downstream petroleum sector. According to him, it involves not just the removal of government control on the prices of petroleum products, but also the removal of restrictions on the establishment and operations including refining, jetties and depots, while allowing private sector players to be engaged in the importation and exportation of petroleum products and allowing market forces to prevail. These present a positive and developmental imagery of deregulation, but there were other protagonists that critique the whole idea of neo-liberal economic policies as exploitative and counter-productive in developing economies.

A full grasp of deregulation needs to be ideologically located within three major schools of thought, namely classical liberalism, radical political economy and the consolidation of the regime. The classical liberals, otherwise known as neo-classical economists or what Eme and Onwuka called 'economic internationalism' and what Olayode (2005) refers to as 'neo-liberal orthodoxy', support staunchly the liberalization policy of deregulation. The radical political economy school of thought sharply opposes deregulation, labels it as a foreign construct, and links it to a form of neo-imperialism. Pevehouse (2008) offers another perspective, which I term

the *regime consolidationist viewpoint*. This school of thought queries the possibility of the societal elites to accept such a policy in newly democratized societies. This is based on the fear that deregulation might generate forces that would eventually truncate the progression into the democratic political system.

The neo-classical economic tradition provides the ideological motivation for deregulation and other globalist's economic policies (Friedman, 1962; Boron, Horwitz, 1986; Boron, 1995; Tabulewa, 2003; Eme and Onwuka, 2011; Luqman and Lawal, 2011). Their position is premised on an open and competitive economy in which the forces of the market determine the working of key economic variables. Relying on the postulations of the neo-classical economists, the Bretton Wood Institutions (IBRD and IMF) advocate and promote the idea of a minimalist government in their structural adjustment programme policy prescriptions in many developing countries starting from the 1980s.

This perspective - built on Friedman's, Adam Smith's and David Ricardo's ideas - is at the core of prevailing neo-liberal policies, which now became the rationalizing principles of the neo-classical liberals advocating economic liberalization (Baron, 1995: 34). They contend that the best way to create political and economic prosperity is by freeing economic interchange from political restrictions (Eme and Onwuka, 2011).

The school of thought resonates with the idea of non-government interference in economic activities, and propagates individual sovereignty. Friedman presents the market as an opposition to the state, treating the two as intrinsically antagonistic. Boron (1995) emphasizes the state's coercive and authoritarian posture, while the market is the cradle of freedom and democracy. It follows that where the state is heavily involved in economic activities there cannot be talk of individual autonomy and freedom. The inseparability of liberal democracy and capitalism reinforces the contraction of *state business in the act of doing business*.

This viewpoint, in more recent times, gets inspiration from the adoption and successes of such policies in the developed societies. Between the end of the 1970s and early 1990s, conservative parties in the United Kingdom and the United States embarked on a sustained ideological and policy agenda to dismantle the capacity, scope and role of the state in the bid for a return to the 'free market' dogmatism of the eighteenth and nineteenth centuries (Olayode, 2005: 26). Starting

from the 1980s, liberalization policies in the form of public sector reforms were introduced in favour of a market economy. According to Olayode (2005), these market economies were tagged as 'lean and mean state' or 'less government' and a neo-liberal alliance of conservative governments. The state was conceived as the stumbling block for sustainable development in Africa by obstructing the free functioning of markets, impeding private enterprise, consuming a disproportionate share of investible resources, extending its reach beyond what was desirable or necessary, over-centralising the development process, and stifling private initiative (Olukoshi, 1996). State protectionist policies and interventionism were judged to be antithetical to economic growth and development.

The radical political economy approach vehemently rejected the assumptions of the neo-classical and neo-liberal theoretical rationale for deregulation and justification of other liberal economic policies as a panacea for tremendous economic development in developing countries like Nigeria (Frank, 2004; Ake, 1981; Samin, 1996; Gillies, 2009; Akinola, 2008; Robert, 2010; Ihonvbere, 1989; Nabudere 2000; Godwin and Dagogo 2011). Samir (1996) posits that economic openness destroys local industry and creates new technology that breeds unemployment.⁴⁵ The local population, who are mostly the targets of economic relief packages, becomes incapacitated and stripped of their means of livelihood through the loss of jobs.

It was ascertained that the global push for liberalization as an instrument to accelerate economic growth in Less Developed Countries (LDC) is a myth. Levine and Singh (Robert, 2010) believe the World Bank and IMF sponsored financial, monetary or economic reforms would not benefit the mass of the people in these societies. More importantly, this is so due to the variation in the socio-economic structure of both developed and underdeveloped countries. Therefore, policy reforms that tend to work in the developed societies would likely fail in developing countries.

Godwin and Dagogo (2011) capture their submission and argue that there is indeed a strong convergence between capitalism, colonialism and imperialism, which presents a theoretical milieu underpinning deregulation. According to this school of thought, colonialism severally de-capitalized the developing economies, distorted and dislocated their socio-economic and emerging political systems. This aligns with the dependency school of thought that the African

⁴⁵ Many Nigerians lost their jobs after the privatization of the telecommunication sector as a result of a change in ownership from government to private ownership; former government employees were relieved of their jobs.

economy was disarticulated and specialized consciously in the production of raw materials to the advanced capitalist countries in an international market with unequal exchange and gross inequality. Thus, the colonized societies in the periphery depend on the metropolis for economic survival in a profit driven and aggressive capitalist international system.

Political independence that characterized the early 1960's and thereafter in many African countries, like Nigeria, did not halt the tide of dependency, domination or exploitation; instead what emerged became neo-colonialism and neo-imperialism⁴⁶. Therefore, it becomes apparent that the deregulation and liberalization of the Nigerian economy is an idea packaged, masterminded and exported by the metropolis through the agencies of globalization such as the World Bank and IMF to further the interests of the hitherto colonial powers and other advanced capitalist countries (Thonvbere, 1989).

The local political and economic elites, inspired by economic nationalism were willing to lend their support to any attempt to adopt a state minimalist ideology and insist that the state should continue to play a crucial and major role in directing the development agenda of the state (Olayode, 2005). This is founded on the far-reaching consequences of the success of the Russian revolution, the social degradation caused by the great depression of the 1930s and the political impact and outcomes of the two world wars, which led to the first serious pendulum shift towards a more activist and interventionist role for the state.

Olayode (2005) buttresses this point by making references to the political economy of many countries from the mid-1940s up to the mid-1970s, where states assumed greater functions and responsibilities in the provision of public services, policy coordination and macro-economic management and involvement in sectors of the economy, most importantly sensitive sectors, through state-owned enterprises. The economic depression experienced in the late 21st century (2008-2010), the triumph of the Socialist Party in France, the frantic resuscitating efforts of the

⁴⁶ The two terms – neo-colonialism and neo-imperialism represent a new form of colonialism and imperialism. Imperialism led to colonialism, and the end of colonialism was occasioned by political independence of the colonies without outright economic autonomy. The sustained domination of the economy of the periphery by the former colonial powers and their Western counterparts through exportation of capitals and dominations of MNC connotes neo-imperialism. This is similar to neo-colonialism which was designed to use the weapons of economy in influencing the political and economic decisions of former colonies. It is an act of reclaiming “lost kingdom and protectorates” without affirming direct political authority on the hitherto colonized countries.

President Obama-led regime in the United States Banking Sector and other state-protectionist policies ignited by advanced capitalist countries tend to reinforce this trend.

The *regime consolidationists* are very skeptical about the survival tendency of the democratization process when subjected to strain, which they attribute to the un-democratic activities of some political elites that reaps the benefits of authoritarianism. The question they usually raise, according to Pevehouse (2008: 3) is how emerging democracies would overcome challenges to nascent institutions posed by anti-democratic forces that previously benefited from undemocratic regimes that were authoritarian. The survival rate of contemporary democracies in their infancy has been judged as low. Power and Gasiorowski (1997) found that one-third of all young democracies fail within five years.

This is possibly one of the reasons why a deregulation policy was not introduced in Nigeria until 2003, four years of President Obasanjo's regime. The societal elites (not necessarily political) needed to be re-assured of the workability and credibility of the economic reforms before supporting such action. Pevehouse (2008) further posits that if the elites are not convinced about the sincerity of reforms, they are unlikely to lend support to the government. This lack of support could easily lead to the mobilization of the masses to resist deregulation to the point of jeopardizing democratic consolidation. The strong resistance against the deregulation of the downstream oil sector by the Nigerian masses, civil society and a cross-section of Nigerian elites should also be understood within this context.

Despite the oil wealth, Nigeria continues to grapple with economic development and struggles to combat poverty. Alex (2011: 17) associates the endemic impoverishment with corruption, lack of transparency and institutional incapacity. To reclaim the oil rich country from a "successful failed state", (Obi, 2011: 103) provides the motivation to deregulate the oil sector. According to Obi, deregulation prevents parastatal losses and increases the environment for efficiency. A free market economy, devoid of state intervention, will instigate economic prosperity that will "trickle down" to the poorest members of society (Ayee, 2008: 83). This has been the position of the international creditors that initiated liberalization across Africa in the 1980s and 1990s. The IFIs responded to Sub-Saharan poverty, mismanagement and economic malaise by instigating a refocus on economic growth through a structural reversal of state-imposed obstacles to the

efficient operations of markets.⁴⁷ This was one of the government's rationales for the deregulation of the Nigerian downstream oil sector⁴⁸ in 2003⁴⁹.

The Nigerian oil industry⁵⁰ was not subjected to market forces until 1973 when uniform oil pricing was introduced throughout the country. This is one of the defaults of Nigeria's federalism, and what a respondent tagged 'onward federalism'⁵¹. This injected complicity into oil governance for many reasons, among which are: fluctuations in the price of oil in the international market, crisis in the Niger Delta region, recurring increases in the price of fuel, corruption and mismanagement, institutional weaknesses, bureaucratic incompetence, and the insincerity of both local and international actors involved in the oil business (Kupolokun, 2004).

The government has raised alarm over the huge cost of subsidies, and the attempts to remove subsidies have generated opposition from consumers already used to cheap energy prices due to the presumption that any price increase will fuel inflation and reduce economic welfare. In 2006 the subsidy on oil was N261.1 billion (US\$2.03 billion) or 1.4% of GDP, it rose to N278.9 billion (US\$2.3 billion) in 2007 or 1.3% of GDP, and tripled to N633.2 billion in 2008 (US\$5.37 billion) due mainly to a rising oil price and depreciating exchange rate. Thus, between 2006 and 2008, government subsidy payments to NNPC and other marketers of petroleum products was N1, 173.2 billion (US\$9.7 billion) (Adenikinju, 2009: 4).

Olayode (2005: 28) attributes institutional failures against good governance to over-staffing and an over-bureaucratized public sector, while Alex (2011: 7) argues for the inability to establish

⁴⁷ See Stein and Nafziger, (1991: 173); Ayee, (2005); World Bank, (1997).

⁴⁸ Nigeria's downstream oil industry comprises four refineries with a nameplate capacity of 445,000 billion barrels per day (bbl/d), eight oil companies and about 750 independents all active in marketing petroleum products; See Afeikhena, 2008; Kupolokun, 2004; Enenmoh, 2004; Operah, 2005.

⁴⁹ See President Olusegun Obasanjo's broadcast announcing the deregulation of oil sector on October 8, 2003.

⁵⁰ Crude oil is the mainstay of the Nigerian economy; it shapes the economy and political destiny of the country. This comprises crude oil and gas, including the upstream and downstream sectors. The upstream sector deals with oil exploration, operated by MNCs, while the downstream sector deals with the distribution and management of diesel, kerosene and PMS (petrol). The government has awarded oil blocs to marketers to import and distribute oil under the management of state institutions. The Niger Delta basin is the largest along the West African coast; it has 246 production fields and 3,446 active wells. It has recoverable carbon of over 20 billion barrels of oil and 120 TCF of gas. The confirmed deposit of the offshore is 6 billion barrels of oil. The estimated potential of the basin is 70 billion barrels. The crude oil reserve base was mere 25 million barrels in 1959; in 2012, it stood at 32.5 billion barrels of oil and 187 trillion cubic feet of gas.

⁵¹ The principle of uniformity in the country is alien to effective governance. For instance, the same price is attached to petroleum products across the country. This has generated complicity in oil governance due to variation in the landing cost of petroleum products in locations that are very far from oil-depot. More of this is discussed in Chapter Five, under *The Subsidy Regime*.

responsive institutions that would ensure governance in the public interest. Gillies (2009) reiterates the lack of transparency in the award process and insists that subsidy on petroleum products creates further avenue for corruption via imports/exports deals, black-market sales, delays on paying reimbursements, etc. She posits that the sector restructuring is germane and involves introducing a new legal framework with new institutions, clear roles and cost effective Nigerian National Petroleum Corporation (NNPC), strong and independent regulatory institutions and is one that embraces less political interference.

In sharp contrast, a review of Robert's study (2010: 3) raised some pertinent observations and advised against Nigeria joining the privatization "train". Robert (2010) made reference to Wade's work in 2009, which advocated that the West should jettison the attempt to frame universal operational rules and rather promote the principle of "subsidiarity" and the legitimacy of a diversity of regulatory frameworks that respond to differences in country preferences and in levels of development. The spread of a single variety of capitalism through the World Trade Organization (WTO), the IMF and the World Bank is harmful to developing states.

The study also reinforces the argument that deregulation increases fragility and inequality. A key point here is that economic behaviour does not necessarily replicate identically in all countries; hence economic structures, institutions and history play sensitive roles. Robert (2010: 4) also made reference to Minsky's model, insisting that deregulated market economies are not dynamically stable systems that converge to full-employment equilibrium, but systems that are cyclical in nature, in which crises are not unusual events. He attributed the collapse of the East Asian economy in the mid-1990s to the IMF implementation of pro-USA policies.

A nationwide survey in 2000 by the Afrobarometer group, reported that 60 per cent of respondents were of the opinion that the regime economic reform programme and policies have "hurt most people and only benefited a few", while 84 percent were of the opinion that "people close to the government" have benefited the most from these reform programmes (Luqman and Lawal, 2011: 72; Lewis, Alemika and Bratton (2002: 33). There are strong insinuations within the public sphere that the deregulation of the oil sector is purported to *deregulate the oil wealth* - in the form of corruption - and allocate the oil resource to new political elites.

The report also reveals unanimous perceptions by the mass of the people that public policies have failed to reduce social inequalities and have even aggravated such socio-economic imbalances. There was a follow up study in 2001, which reveals that a cross section of Nigerians are ambivalent about the course of economic reform as many are dissatisfied with the record of liberalization policies. The report also found that about three-quarters of respondents believe that these reforms programme have been detrimental to the majority of Nigerians and that the burdens of economic reform have been unfairly and unjustly distributed (Lewis, Alemika and Bratton, 2002).

Another opinion survey by the same group (Afrobarometer) in 2005 reports a persistent disappointment and frustration with Nigeria's emerging democracy and economic reform policies. Using a measure of performance and legitimacy based on survey reports from 2000, 2001, 2003 and 2005, the Afrobarometer group stated that Nigerians are increasingly downbeat about government's efforts to manage the economy, encourage equity, provide quality education, and limit crime.⁵²

Research conducted by the Strategic Union of Professionals for the Advancement of Nigeria (SUPA)⁵³ reveals that the fuel importation-driven deregulation would only boost the investments of the operators, at the detriment of the users of the petroleum products (Ejiofor, 2010). A total reliance on the importation of petroleum products, when the cost of refining locally (put at N31.50k) is far less than the imported ones would result in more impoverishment of the masses. The policy would undermine the utility of national assets and investments in refineries as it would lead to the abandonment of colossal national investments in the four existing refineries.

The study also found that there would be increase in unemployment as employment opportunities in domestic refineries and through industrialization would not be harnessed by the operators, who jettison building domestic refineries but focus on importation, thereby subjecting the masses to the dictates of international market dynamics like other non-oil producing countries. This development, according to the professional body, would undermine Vision

⁵² See Luqman and Lawal (2011) and Lewis, Alemika and Bratton (2002) for the full report.

⁵³ SUPA is an organization of Nigerian professionals whose membership is drawn from all disciplines committed to professional excellence, ethical integrity, social cooperation, justice, selfless service and national progress. It is a network for attaining professional cooperation, social integration, self-development and national services through collaborative efforts and individual contributions; see <http://www.supanigeria.org/>.

20:2020 and trigger hyper-inflation in the economy. The Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC) recently confirmed that the Nigerian economy is experiencing hyper-inflation.⁵⁴

Deregulation leads to increases in the prices of petroleum products, energy, transportation, while the spill-over effects would be felt in other sectors, thereby worsening the situation. These would aggravate political and socio-economic problems due to increased poverty; incessant labour and industrial crises; increased crime and hopelessness. The study concludes that with the deregulation of the downstream sector:

Projects Costs will have to be reviewed and revised and this will hinder progress of infrastructural development projects associated with government's 7 Point Agenda. Since local refining experts will have lesser opportunities in the face of reliance on importation, full deregulation under this present circumstance, will undermine Nigeria's technological development (Ejiofor, 2010).

It is consequential to review the rationale and conditions necessary for genuine deregulation policy.

1.2.2. Rationale and Conditions for Deregulation Policy

Gelb (2001: 3) traces the adoption of liberalization policies to the 1980s, which were characterized by slow economic growth and financial crisis in Africa. He attributes the primary cause to inappropriate policies adopted in the post-independence phase, in particular prices which discriminated against exporters and rural areas, and excessive involvement by the state in economic activities. In a related vein, Umezurike (2012) attributes the introduction of deregulation as an avenue to unravel the limitations of democratic governance, especially in the area of accountability, efficient public management and opening up of the hitherto central economy to willing private enterprises and investors. Olaopa (2009: 206) opines that greater efficiency, renewed investment, budgetary savings and the preservation of scarce resources for the improvement of public finance serves as motivation for the deregulation option in many developing countries.

⁵⁴ See <http://www.cenbank.org/rates/inflrates.asp>.

Larbi's (1999) position is close to the preceding perspectives. According to him, and in line with neo-liberal arguments, the domineering roles of governments, their interventionist's influence on the economy and the negative performance of the state-owned enterprises (SOE), added to the quality of economic management promised by liberalization and more output-driven policy-making were seen as the key rationale for the deregulation policy. The urge for deregulation became more established with series of policy deficiencies, bad and excessive management of the economy, large-scale political and institutionalized corruption, weak unprofessional and demoralized public services, low productivity and economic crisis (Larbi, 1999).

Verr tries to highlight fifteen important requirements before embarking on the deregulation exercise, which are as follows (Olaopa, 2009):

- (i) Defining the broad extent of deregulation privatization;
- (ii) Stating clearly the political, economic and social objectives to be achieved;
- (iii) Establishing clear guidelines or criteria for valuation; the choice of public enterprises for privatization and for the choice of buyers;
- (iv) Selecting techniques and, as necessary, their sequence appropriate to the policy objectives to be attained and the needs of the public enterprises to be privatized; creating confidence in the process, for example by starting with privatization that have a high prospect of success; promoting effective corporate government, for example, through the participation of "core" investors;
- (v) Ensuring transparency and accountability in the privatization process and using competitive bidding to the fullest extent possible;
- (vi) Mounting a programme to promote public awareness of the value of privatization to the economy so as to contribute to the building up of a broad-based consensus;
- (vii) Building marketing up front in each privatization operation in order to stimulate potential interest among investors and thus to enhance the value of the public enterprise to be privatized; remembering that, apart from "small privatizations" no two privatizations are the same;
- (viii) Promoting popular participation in the privatization process through the allocation of a proportion of corporate shares to small investors ("popular capitalism") or through mass privatization;

- (ix) Addressing the concerns of employees by paying particular attention to their acquired rights, compensation measures for retrenched workers and to employment protection and job creation measures;
- (x) Promoting employee participation in the privatization process through the allocation of a proportion of corporate shares, as reflected in the special provision of 10% equity to employees of the privatized entity;
- (xi) Addressing the concerns of consumers through appropriate regulation of privatized monopolies and machinery to handle consumer complaints;
- (xii) Taking steps, for example, by specifying conditions in sales agreements, in order to prevent abuses such as unauthorized transfers to third parties of privatized enterprises immediately after their divestiture;
- (xiii) Defining the role of foreign participation with regard to large scale or strategic enterprises;
- (xiv) Providing for safeguards in strategic enterprises in order, for example, to prevent hostile takeovers; and
- (xv) Establishing a mechanism of procedures for monitoring the progress and results of privatization, including compliance with commitments made by private investors.

Ibanga (2005) also believes that for an effective deregulation exercise, there must be an institutional constraint against collusion by the different investors and owners of the hitherto government enterprises. The state must still be able to influence price mechanisms without actually fixing any price ceiling, which might otherwise jeopardize the privatization or deregulation exercise. Olaopa (2009) notes how important it is to create a supportive enabling environment, including favourable macroeconomic conditions, a well-functioning legal system and adequate financial markets and institutions for the private sector and enterprise development.

Furthermore, there must be the political will from the leadership to support the programme considering the severe resistance it is bound to receive from the bureaucrats, civil societies, some elites that are at the receiving end of the policy and the generality of the masses. It is still the opinion of some analysts⁵⁵ that the deregulation in most cases, like in the petroleum sector in Nigeria, should be implemented in phases to allow the state-owned enterprises to regain efficiency before considering full privatization. Deregulation implemented hurriedly might not

⁵⁵ See Olaopa (2009: 241).

achieve the desired intention and at the same time public enterprises have been so inefficient and unattractive to willing private investors.

Stiglitz and Hay (1998) stress the necessity for deregulation to spur economic growth but recognize the importance of creating an effective market economy in consonance with satisfying some important conditions. Accordingly, sound economic policy requires good public institutions, good laws, and effective financial institutions, which requires a vibrant judicial system⁵⁶ and capital markets for its effectiveness. It also requires a good Securities and Exchange Commission like the United States experience; good protection of minority shareholder rights, and what seems like trivialities; the institutional infrastructure that make market economies work and readiness of the governments to play the sensitive role as a complement to the market economy.

An associated reality of the deregulation in the downstream oil sector has been the complete removal of subsidies on local consumption of petroleum products. The reform of price subsidies remains an important element of IMF- supported programs across the globe. These initiatives have brought prices of subsidized items at par and sometimes closer to their market-clearing levels (Gupta, 2000). The study notes that subsidy reform is typically undertaken in the context of macroeconomic adjustment, with the intent to achieve fiscal savings consistent with stabilization of prices and exchange rates.

The reform of price subsidies would expectedly improve efficiency in allocation and promote economic growth, but the likelihood of generating socio-political adverse effects in the short-run was emphasized. However, these negative effects could be alleviated and eliminated by implementing the reform in phases or establishing what Gupta (2000) refers to as social 'safety nets'. The study tries to provide conditions before subsidy withdrawal and plot a road-map for successful reform but does not quite emphasize the divergence between subsidy withdrawal in oil-rich and non-oil rich societies.

Furthermore, Baig (2007) focuses on the review of international experiences on deregulation of domestic petroleum products and the cancellation of price subsidies and found that the following

⁵⁶ It takes more than the overturn of the ruling party's (PDP) victory in election - in some states - for the judiciary to be vibrant.

conditions must be met: liberalizing domestic petroleum product prices, or instituting a robust automatic adjustment formula, combining price increases with a well-publicized package of targeted measures to mitigate the impact on the poor, with at least some measures having immediate impact, making transparent and publicizing the costs and beneficiaries of the present system of subsidies, identifying priority public expenditures that are better targeted to poor and middle class constituencies, which could be financed with budgetary savings from reducing fuel subsidies, and getting the timing and size of price increases right.

1.2.3. Criticism of Deregulation Policy

Amin (1999) agrees that deregulation is a cautious policy, consciously initiated rather than a natural state of affairs, whereby private enterprises are given the opportunity to conduct business in their own ways, but according to the rules of engagement of a state. It was soon discovered that these independent strategies of private industries do not constitute the coherent and collaborative effort required for economic stability of a new reform order. Realities have shown, according to Amin, that by their very nature they create distortion and expose the vulnerability of the critical process of globalization.

Omisule (2007) also tries to see deregulation through the lens of globalization and concludes that the oil reforms in Nigeria would further enrich the ruling class at the expense of the mass of the people. He also queries the intellectual capacity of the Nigerian policy makers to fully comprehend the intrigues of deregulation. He posits that these advisers have a misconception about the strong forces inherent in the economy of the advanced capitalist countries that exports deregulation and why they may be properly positioned to encourage participation in economic liberalization. He appeals for caution in Nigeria's rush to deregulate the oil sector due to the sensitivity of the sector to the continued existence of the country as a wealthy nation.

Egbu (2009) queries any rationale for deregulation in the oil sector and is critical of successive administrations, at least for the past twenty years, making it a point of duty to prioritize correcting the wrongs in the petroleum sector. According to him, oil continues to determine whatever reform is implemented by government. He wonders why little attention is directed to resuscitating dying industries, fixing the erratic electricity supply, constructing world-class

hospitals with proper healthcare policies, creating a modern transport system and the construction of good roads.

He is so skeptical about the liberalization of the petroleum sector in Nigeria due to the high tendency to consolidate the interests of foreign and local capitalists against the interests of the national population. Omisule (2007) buttresses the above assertion and posits that complete removal of subsidies from oil would tilt the masses towards unimaginable impoverishment that would eventually trigger rebellion and mass protest. Egbu (2009) further explains that deregulation:

Will mean opening the space for everybody who thinks he has the capacity to import fuel into this country to do so. Mind you, the operational procedure is to import, so there will be capital flight, because the fuel would have to be bought with our currency but at the international price. So what happens is that we lose our money, they make the profits, and keep their companies going including providing high paying employment for their citizens (Egbu, 2009).

The acceptance of deregulation couched in liberalization of the economy has deepened poverty in the developing states, which creates economic tragedy in these societies (Dagogo and Godwin, 2011). The activities of the Bretton Woods institutions, in particular, have worsened the economic status of states like Nigeria and further contributed to the underdevelopment of the developing states in general. This repositions them as subservient economies that are entirely dependent on foreign powers for survival.

Efforts at economic reform in the guise of privatization and deregulation are particularly riddled in complexity and negativity. Nura (2003) claims that there is not a clear divergence between the business class and the ruling class in Nigeria. The capitalist class who invests in the economy as a result of liberalization policy are the same people occupying the most lucrative political positions and high ranking public officials, which create a multi-dimensional problem by successfully transforming public monopoly into private monopoly.

It was also discovered that the MNC conspires with the political elites to dominate and monopolise investment in key areas of the economy such as the banking, oil, communication and energy sectors that were hitherto liberalized. Their domineering posture impedes popular participation and distorts the political economy of the country.

CHAPTER CONCLUSION

The best contribution of globalization to the triumph of liberal democracy is the abolition of the USSR-led communism in the late 1980s. With the demise of the organised impediment to the global spread of democracy, globalization has taken its toll on the political economy of developing countries. This is made possible through the integration of national economies into that of the globalized centre under the control of the developed economies, such as that of the USA, the United Kingdom, China, Japan and France. However, it is imperative to note that the world economy was never globalized but concentrated in Europe, Japan and North America. Also, the contradictions inherent in globalization that led to the global financial and economic downturn of the late 2000s,⁵⁷ and the crack in democratic governance across the world signify a rethink of the basic assumption of globalization as the possible end of human development as posited by Akinboye (2008).

Despite the development of liberal democracy across the world, there might be a tactical withdrawal of IFIs insistence on “outright” liberalization of developing economies in the face of economic nationalism in the United States and other capitalist powers.⁵⁸ In the midst of these realities, democratic governance continued to spread across the global environment,⁵⁹ while the strong relationship between globalization and democracy does not seem to decline. What would remain contentious is the nature of the impact of globalization on democracy, especially on emerging democracies.

Democracy has been erroneously conceived as a bridge towards economic equity or a sure path to equality in the distribution of resources and societal value, or a means to equality in wealth; democracy does not seem to promise these. Democracy signifies the creation of an enabling environment of equal access to opportunities, and personal development, which would naturally result in divergent levels of personal accomplishment and differing economic aggrandizement.

⁵⁷ The world experienced an economic depression in countries like the United States, Britain, Germany, etc. This re-enacted mercantilism; states embarking on economic nationalism by injecting funds to the private sector.

⁵⁸ The Obama administration in the United States had to fund many banks, while the United Kingdom financially rescued private company's during the recent global economic crisis. This is a digression from the tenets of liberalization and capitalism, and “limited government” being promoted in Nigeria.

⁵⁹ The “Arab Spring” that resulted in regime change from a dictatorial government in Libya and Egypt to a more inclusive system of government is a witness to the seeming triumph of liberal democracy as the sure-path to both human and societal development.

Macpherson (1977) shares a similar view by emphasising that liberal democracy translates into the freedom of the stronger against the weaker based on market rules; or the equal freedom of everyone to use and develop their capabilities.

Although globalization tends to facilitate appreciable levels of economic and political development, it becomes worryingly contradictory that global expansion has impeded the expansion of democratic values in Nigeria.⁶⁰ It was ascertained that globalization could only flourish in an atmosphere of unhindered trade, liberalized markets and the unobstructed export of capital, political stability, and individual sovereignty; only liberal democracy could guarantee these. Globalization facilitates the opening up of Nigeria's economy to the world and also generates a paradox by strengthening the weight and units of opposition of organized labour union and mass movements against deregulation initiatives in the oil sector.

Studies on the deregulation of the Nigerian oil sector focus on oil governance and bureaucratic performance, without paying adequate attention to the impact of globalization and democratization on the socio-political environment in which public officials, in a weak state make decisions; this study fills this gap specifically in chapter four. In general terms, the literature is exhaustive on the link between globalization and democratization (Kura, 2005; Rudra, 2005; Grugel, 2003; Chua, 2002; Li and Reuveny, 2003), the nexus between economic reform and democracy (Uzodike, 1996), the political economy of oil governance (Alex, et. al, 2011; Eme and Onwuka, 2011), the cost-benefits of deregulation of the oil industry (Kupolokun, 2004), the underdevelopment of emerging democracies (Frank, 2004; Ake, 1981; Amin, 1996).

However, no existing study has reconciled the interface between globalization, democratization and deregulation of the downstream oil sector in a country with an oil-rich developing economy. This study tries to fill this lacuna in knowledge. This is achieved by formulating and testing causal mechanisms and linking the influence of globalization to deregulation policy, and relating the impact to the quality of democracy in Nigeria.

⁶⁰ UNDP in 2007 released the following as indices of sustenance of democracy; popular participation, governmental legitimacy and acceptance, promotion of equity and equality, promotion of gender balance, observation of rule of law, regulation rather than controlling governance, service oriented governance, and ability to define and take ownership of national solution; See Akinola (2009).

It has been observed that scholars and policymakers try to over-exaggerate the supra-nationalism of globalization and downplay the continued relevance of states that possesses the choice to regulate the activities of capital over its national domain. Although, the level of control a state could muster depends on the states' resources and the weight of MNCs involved. Without overlooking the triumph of the present global order and influence of global actors on state's behaviour, I align with the pronouncement of Smith:

If government caves in under pressure from multinational corporations over investment rights, environmental regulation, or food production, it is because they choose to favour corporate interests, not because they are subject to the natural laws of the international order (Smith, 2003: 133).

This is a clarion call to the Nigerian state.

In the next chapter I explore the theoretical expositions of the challenge of the Nigerian state in promoting good governance and living up to the expectations of its citizenry.

CHAPTER TWO

THEORETICAL FRAMEWORK

INTRODUCTION

The applicability of theories in the discipline of social sciences has lived above orthodox contestations, while theories on development continue to occupy a unique position in both Western and African scholarship, especially in explaining the underdevelopment of the Third World states. Two dominant theories that explain Africa's socio-economic crisis emerged: the modernization theory and theories within radical political economy (dependency theory and dependent development perspectives).

In this study I take cognisance of the modernization theory but utilize the radical political economy perspectives (dependency and dependent development theory) and New Public Management theory to unravel and analyse Nigeria's development dilemma. The modernization school adopts prescriptive and evolutionary analysis to tackle the economic crisis of developing countries; the radical political economy school of thought locates the cause of underdevelopment in imperialism, colonialism and neo-imperialism,⁶¹ while the New Public Management theory argues for a managerial approach to public administration. The applicability of the chosen theories become necessary in unravelling the factors responsible for state failure, institutional weaknesses and more importantly the consistent challenges of the Nigerian state to convert its oil wealth to improvements in the livelihoods of its citizenry.

2.1 MODERNIZATION THEORY

Some historians have traced modernization theory's intellectual lineage back to Aristotle, who first initiated the belief that states followed a natural pattern of growth. The assumption was that societies were ruled by certain universal economic laws, passing through recognizable stages along the path, which are tailored towards a common historical route (Cullather, nd). He refers to philosophers like Jean-Baptiste Say, Auguste Comte, and John Stuart Mill, who opines that societies passed through uninterrupted stages from savagery through barbarism to finally reach developed societies likened to industrial Europe. The final destination, the end, as conceived by development economists as "convergence", is the increased plateau of industrialism and consumerism prevalent in the urban societies of North America and Europe (Cullather, nd).

⁶¹ According to Rodney (1972: 19), "imperialism was in effect the extended capitalist system, which for many years embraced the whole world - one part being the exploiters and the other the exploited, one part being dominated and the other acting as overlords, one part making policy and the other being dependent."

This process of development is natural and could only be accelerated by contact with the industrialised societies in Northern America and Western Europe. The classical political economists maintain that colonialism presented an avenue for this contact (Larrain, 1989: 23). Accordingly, this is regarded as the only practical way of breaking the millennial pattern of stagnation of the developing countries and integrates them on to the road of progress and development. In this way, and despite the Nigeria's post-1960 de-colonialization, the integration of the country's economy into that of the capitalist industrial countries through the SAP, was supposed to trigger rapid development in Nigeria (Umezurike, 2012).

The theory attempts to explain the logic underpinning the inability of developing countries to record significant levels of development, even decades after political independence from the former colonial powers, and provides a road-map to development: a liberal approach to development. Smith (2003: 44) traces the origin of the modernization theory of development to the classical evolutionary conception of social change that was intellectually rooted in the European evolutionists of the 18th and 19th centuries, such as the works of Hebert Spencer and Emile Durkheim. These evolutionists tried to explain the transformation from pre-industrial to industrial society, since change implied advancement and improvement. Durkheim was more focused on how modern, industrial societies could be bound together in an increasingly individualistic world (Durkheim, 1982).⁶²

The main focus of the modernization theory was its insistence on internal contradictions as a lens to understanding Third World underdevelopment, while it insists that development occurs in stages and there is the need to differentiate between a traditional stage and a modern stage of social evolution. Larrain wrote:

All modernization theories start with an implicit or explicit reference to a dichotomy between two ideal types: the traditional society (which in other versions can also be called 'rural', 'backward' or 'underdeveloped') and the modern society (or 'urban', 'developed', 'industrial'). This distinction describes two ideal types of social structure which are somehow historically connected by means of a continuous evolutionary process which follows certain general laws (Larrain, 1989: 86).

The thirst for advancement is towards an end; industrial capitalist societies of the west, or better still, Westernization. It is believed that a traditional social structure is an impediment to

⁶² For more information see, http://www.sagepub.com/upm-data/30608_3.pdf.

modernization, while the values and institutions of traditional society engender underdevelopment. For instance, the northern part of Nigeria still denies women access to education and employment due to traditional and religious value systems. Such traits of women's dis-empowerment have furthered the economic crisis in Nigeria, and other developing countries, that promote gender inequality (Uzodike and Onapajo, 2013).

Walt Whitman Rostow (1960: 2-14) argues for a "conditional" development and prescribes six stages of economic growth - ranging from traditional society to the age of high mass consumption - which would lead to a modern society like those found in Western Europe. He points out that economic changes are just as much the effect of political and social forces as of economic forces, and highlights the five stages: traditional society, preconditions for take-off, take-off, road to maturity and the age of high consumption (Farrain, 1989: 96).

Karl Deutsch (1961) identifies social mobilization⁶³ as a condition for development and suggests two stages: breaking from the old (traditional) and forming stable new patterns (modern). The theory assumes that there is one general process of which democratization is but the final stage (Przeworski and Fernando, 1997). That is, there is a strong relationship between economic development and democracy: democracy results from development. The theory justifies imperialism, colonialism, liberal democracy and attempts to divert Africa's attention from locating the cause of Nigeria's developmental dilemma in external manipulations. Rather, internally generated impediments to development – corruption, bad leadership, cultural affinity, un-industrialization, dictatorship - are responsible for the economic despair in the country.

The Nigerian state has been notorious for corruption, noted for distorted federalism and fiscal crises, and characterised by 'large government'⁶⁴ under dictatorial regimes for the larger part of its statehood. The state is driven by weak public institutions and inept political leadership, which explain its underdeveloped status (Yaqub, 2003; Suberu and Diamond, 2003; Yahaya, 2004;

⁶³ He meant the process in which major clusters of old social, economic and psychological commitments are eroded or broken and people become available for new patterns of socialization and behaviour.

⁶⁴ The Nigerian states, like other developing countries, has been condemned by proponents of modernization theory for operating a 'large government', which is in contrary to the 'limited government' proposed by the liberals. Accordingly, the state reduces the role of the government to that of guaranteeing of law and order, and the provision of an enabling environment for business to thrive.

Yagboyaju, 2009). The modernization school of thought would be quick to highlight these internal traits as the sole determinants of Nigeria socio-political and economic problems.

2.2 DEPENDENCY THEORY

Before the emergence of dependency theory, the Annales school of thought as well as the *Longue Duree* analytical tool has dislodged the assumptions of the modernization school by emphasizing that phenomena do not repeat themselves. Therefore the coercive advocacy to globalize Westernization and European social, economic and political system is adjudged antithetical to the development of the non-Western societies. This perspective notes that national socio-economic and political realities are different; hence, social scientists recognize the historical uniqueness of any social phenomena under study (Tomich, 2008). Expanding on this, dependency theory emerged as a response to the attempt by an earlier theory, modernization theory, to explain the underdevelopment of the Third World and justifies the continued progress in the development of the advanced capitalist powers.

Dependency theorists vehemently criticize the theory for substituting European modernity with development, without considering the socio-political history of developing states, which is linked to imperialism and colonialism. In other words, they argue that any attempt to study the political systems of the underdeveloped states must recognize the realities of Western intervention in these societies (Amin, 2006; Rodney, 1972; Ferraro, 1996; Ake, 1981 & 1996; Frank, 2004; Nabudere, 2000). Chua (2002) notes that the history of socio-economic and political development in advanced societies were different from that which had occurred in developing states. The modernization theory has also been seen as promoting the security of the USA, which depends on the process of modernization being conducted in such a manner that no developing countries opt for communism, or joined the socialist bloc.

The theory digs deep into the works of Karl Marx, who linked the process of capital accumulation by the Western countries to 'primitive accumulation', which preceded outright capitalist production. Marx wrote in *Capital*:

The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy

dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation (Cited in Larrain, 1989:45).

Frank argues that the condition of backwardness of the Third World arises from insubordination of poor countries to the development of the present wealthy capitalist countries (cited in Smith, 2003). The effect of colonialism and continued neo-colonialism, which the modernization schools ignored, relegated these societies to an impoverished status. He insists that the circumstances under which the Western societies developed no longer exist and cannot be replicated. Frank concludes that ‘the now developed countries were never *underdeveloped*, though they might have been *undeveloped*’ (cited in Smith 2003: 89).

Dependency theory was rooted in the crisis of US liberalism in the late 1960’s, the failure of many Third World states to move in a pre-described condition, the development of Marxism-Leninism, the successful Cuban revolution and claims of social science to be neutral and value free (Smith, 2003). To expand Marxism, Lenin saw imperialism as the highest state in the development of capitalism, associated with the dominance of monopolies, dominance of finance capitals, the export of capitals rather than the export of commodities, the formation of international monopolies and the partition of the world among the imperial powers (Roxborough, 1979: 56).

O’Connor refers to this mode of relationship (imperialism) as the formal or informal control over local economic resources in a manner advantageous to the metropolitan powers, and at the expense of the local economy (Roxborough, 1979: 57). This school of thought argues that imperialism was the softening up process designed by the industrial powers and international capitalism to facilitate colonialism. It was soon discovered that a direct or indirect political authority is required in the Third World countries to “coerce” obedience to the imperial exploitation of natural resources and the manipulation of the non-industrial economy.

Smith (2003: 88) agrees that this nature of relations between the subservient Third World economies with the capitalist countries has never been made to develop, but to under-develop these societies. He criticises international trade as an avenue for exploitation in which the chain of economic surplus, or what Marx called *surplus value*, are not available for reinvestment. The metropolis keeps expropriating economic surplus from its satellites and also appropriating a

major part for its own economic development; hence the satellite remains underdeveloped for lack of access to their own surplus (Frank, 1969: 33).

Conway and Heynen (2008: 90) posit that dependency theory, beyond a theoretical construct, is a way of understanding historically embedded political-economic relations of peripheral capitalist countries, especially Latin American countries, within the broader context of the global economy. It is essentially a critique of the modernization theory. It offers a critical lens through which the history of Latin American development, through the development of underdevelopment, could be better understood. The central argument of the radical political economy perspectives is that the integration of Africa's economy into the advanced capitalist system and the nature of that integration, coupled with the resulting unequal trade and exchange, engender dependency and underdevelopment. Ake (1996) contends that the spate of global transformation is a re-colonization that democratizes disempowerment in Africa and facilitates further exploitation.

According to Frank (cited in Larrain, 1989: 120), the process of exploiting and under-developing these poor countries is 'fuelled and oiled' by the international financial system and pointedly accused the IMF of promoting 'export-led growth' in developing countries. Export-oriented growth was intended for increased trade between developing and developed countries under a free-market economy (World Bank, 1993). But in the case of Nigeria, the strategy replaced food-crop agriculture with a cash-crop economy directed at the industrial need of developed countries (Ake, 1981). The advocates of export-led development and free trade argue that most developing states that adopted inward oriented policies, otherwise called the import substitution strategy, recorded poor economic growth (Balassa, 1980). Therefore, the socio-economic problems facing the developing countries could not just be reduced to internal contradictions (despite acknowledging there are internal challenges), but attributed to their dependence on the export of a limited range of primary commodities whose prices are liable to fluctuate severely (Smith, 2003: 5).

Apparently, the existing international economic order creates economies that are positively and actively underdeveloped by advanced capitalist economies. Nkrumah notes that "the essence of neo-colonialism is that the state which is subject to it is, in theory, independent and has all the

outward trappings of international sovereignty. In reality its economic system and thus its political policy is directed from outside” (Smith, 2003: 77). This might have inspired Roxborough (1979) to write about the endogenous (internal) and exogenous (external) factors, and that exogenous greatly influence endogenous factors.

Dependency theory perceives of a single global economy with unequal development for its constituent parts, while its basic hypothesis are that development and underdevelopment are partial, interdependent structures of one global system. In addition, it indicates that the position of states in the international division of labour facilitated the economic crisis in the periphery as well as political instability and authoritarianism (Stone, 2007). The poor states, operating in the periphery of the global economy, are so essential to the capitalist mode of production (Chase-Dunn, 1998). Historically, these states have served a very important function in terms of the shifting of raw materials to the core and strengthening the division of labour along the core-periphery division.

Developed countries benefited by selling cheap, capital-intensive consumable products for high prices. Peripheral countries, on the other hand, sold the tools of production to the core at very low prices and imported finished products from the core. The thought was that since there would always be a demand for consumables, richer countries would be assured a continued market for their higher-priced goods. Also, the exportation of labour-intensive, higher priced finished products to poorer states caused these poorer states to have less circulation of money in their own economies (Smith, 2003).

Drawing from Marxism, these theorists also highlight the unequal labour exchange between the North and South. Frank (cited in Larrain, 1989: 120) notes that the developing countries were constrained by the international economic order to provide cheap labour and contended with low wages. There is a subsisting proposition that labour is rewarded unequally across the world, which is detrimental to the cause of developing countries (Roxborough, 1979: 61). He further stresses that,

The mode of the articulation of the underdeveloped economies with the world economic system may result in the transfer of resources from the periphery to the center and/or this articulation may give rise to various ‘blocking mechanism’ which hold back or ‘distort’ the economies of the

periphery, thereby preventing an allocation of resources which will produce economic growth (Roxborough, 1979: 63).

The massive weight of foreign capital connects local capital increasingly under the control of MNCs in the modern, lucrative, sensitive and dynamic sectors of the economy, while the more unattractive and backward sectors of the economy are reserved for local capital. MNCs and banks are strategically located at the control points of the power and influence flow (energy and sometimes communication sectors as experienced in Nigeria), resisting and countering nationalistic economic pressures, and placing the economy in the hands of foreign companies (Smith, 2003). Roxborough (1979: 59) predicts a redress with the intervention of a massive state. Ironically, globalization has consistently eroded states sovereignty and weakens the existence of such massive states. Roxborough (1986) tries to differentiate between what Dos Santos referred to as dependency by relationship and dependency by structural imbalances. He feels the attempt to reconcile the two brought to the fore the real intent of dependency as experienced by the developing countries:

Either there is a mode of production in a dependent countries which is different from that of capitalism; or, while the dependent countries have a capitalist mode of production, the articulation of the capitalist mode of production with the other modes of production in the social formation and with the economies of the advanced countries results in a different manner of functioning of that mode of production (Roxborough, 1986: 66).

No doubt, the structure of political power is affected by economic dependency. The ruling class in the poor societies is an insignificant partner within the subsisting structure of international capital (Smith, 2003). Accordingly, these clientele classes have a vested interest in the prevailing international system and perform domestic political and economic functions on behalf of foreign powers; hence, state policies reflect the wishes of the ruling class, which is incompatible with that of the owners of foreign capital. Cardoso (cited in Smith, 2003: 92) presents evidence of how dependency constrains and manipulates the choices of development policies of developing states, particularly in Brazil in 1964.

In practical terms, the economy of the periphery was greatly disarticulated by the impact of imperialism, while its various sector reintegrated with that of the core states. This has a greater negative impact in a resource-exporting developing state, like Nigeria. The development of capitalism to that higher state of replacing exportation of goods and services with capital and

investment portrays *globalization as the highest stage of imperialism*. What seems practical, more importantly with the crack in the assumptions of globalization, remain stop-gap reforms or adjustments of the prevailing global economic order.

Aligning with Smith's (2003) submission, it remains undisputed that the dependency paradigm reveals that the required economic reform in the developing countries is less likely to succeed without a drastic restructuring of the mode of integration of underdeveloped societies with that of the capitalist powers. A 'revolution' and 'delinking' are the only solution, according to the proponents of the dependency orientation. Such possibility could have been probable but with the creation of a petty-bourgeoisie and contemporary waves of globalization, characterized by the establishment of a 'reform regimes' and aggressive subjugation of every other variable under the expanding exportation of capital across the globe, all hopes of a revolution was laid to rest, and this is one of the pacifying changing characters of capitalism.

Neo-Marxism engages the contradictions of the capitalist system that manipulates the very classes of people being exploited to grow to love it (Cuddy, 2008). This is because their values are shaped, through western education and the media, by the capitalists themselves. He surprisingly notes that the most direct objects of exploitation (the working class, otherwise called proletariat) are learning to love capitalism itself as many of them evolve into the petty-bourgeoisie. The owners of capital impress on their mind that they can rise to the top and enjoy a capitalist life. But capitalism has generated the logic of blocking their ascendancy into the bourgeoisie class. He explains further,

No matter what the workers are led to believe, they will always be kept in their place by the owners. They are also kept in place by the very things that their labor produces—games, movies, plays, and other forms of entertainment. But to Marx these are just other distractions that keep the proletariat down. Other distractions are when the workers fight against each other, failing to recognize their true enemies: the bourgeoisie (the owners) (Cuddy, 2008).

As sound as dependency theory appears, it has been riddled with divergent flaws. The first notable was generalizing the social, political and economic realities of the developing countries. It fails to account for the specifics of each country at a particular point in history, which is an analytic tool in the developmental discourse. The size and population of a country, ethnic cleavages, the degree of self-sustained mineral resources and the level of importance of the natural resources (crude oil and gas can be categorised as highly important), its geographical

location, its strategic importance to world powers are all factors that condition their prospects for development. Incidentally, the dependency schools have neglected this important consideration.

The theory has also presented dependency as unable to generate development in any form, and is thus silent on the development that has been recorded in many hitherto colonialized societies, as found in Latin American and some parts of Asia. It also becomes worrisome how dependency schools of thought downplay the evident internal weaknesses and poor governance that further impoverished many of the developing countries even after decades of political independence. Smith (2003: 105) did not mince words in condemning the inability of dependency theory to account for how dependent economies recorded significant growth in per capital incomes, especially in East Asia that experienced impressive industrial, growth in manufacturing, indigenous investment and technological assimilation.

The radical political economy perspectives offer two propositions to end the socio-economic misery in countries like Nigeria, which is attributed to the integration of the economy of the satellite and metropolis: the first, according to Farrain (1989: 120) is a total rejection of the current global economic order by ‘delinking’ and a possible internal socialist revolution as witnessed in Angola, Vietnam and Nicaragua. The other option is the model of acceptance that leads to the export-led growth of the newly industrializing states, such as Brazil, Taiwan, Vietnam, and Hong Kong. Dependency accepted the first model, while the proponents of dependent development perspectives rejected the notion of ‘delinking’ and embraced the second model, which focusses on ‘export-led growth’ development as the assured road-map to development within the realities of globalization.

2.3 DEPENDENT DEVELOPMENT THEORY

There has been a shift in scholarly exposition on the problems facing Africa, which was influenced by the inadequacies of dependency theory to explain some traces of development in former colonies. This led to the emergence of dependent development theory, a variant of radical

political economy.⁶⁵ In this study, I utilize the dependent development theory to understand the political economy of the quest for Nigeria to develop, and the steps required for such development to be attainable.

Dependent development theorists agree with some propositions of the modernization theory - that African underdevelopment should be understood in the context of inept leadership, unproductive socio-economic policies and bad governance (Amin, 2006). They concur with the exploitative nature of the integration of the two economies but affirm that the crucial roles of internal relations of production cannot be easily dismissed (Farrain, 1989: 160). Farrain (1989), interpreting Cardoso and Faletto, insists that dependency is not only an external factor that causes necessary internal effects but a general condition which can best express itself through different internal class conflicts, states policies, and local interests.

Cardoso and Faletto explain the difference in the mode, nature and structure of dependency of countries thus:

The very existence of an economic 'periphery' cannot be understood without reference to the economic drive of advanced capitalist economies, which were responsible for the formation of a capitalist periphery... Yet, the expansion of capitalism in Bolivia and Venezuela, in Mexico or Peru, in Brazil or Argentina, in spite of having been submitted to the same global dynamics of international capitalism, did not have the same history of consequences. The differences are rooted not only in the diversity of natural resources, nor just in the different periods in which these economies have been incorporated into the international system... Their explanation must also lie in the different moments at which sectors of local classes allied or clashed with foreign interests, organised different forms of state, sustained distinct ideologies, or tried to implement various policies or defined alternative strategies to cope with imperialist challenges in diverse moments of history (Larrain, 1989: 160).

The main assertion of the theory is that development is feasible despite the dependency syndrome, as many countries formerly located in the periphery advanced into semi-periphery through drastic adjustment in their political economy (Clapham, 2002: 11). This ideological school accepts the reality of dependency but argues that countries like South Korea, Singapore, and the United Arab Emirates have left the periphery for the semi-periphery by adopting drastic adjustments in their political economy (Akinboye, 2008). Though, the ability to develop depended on the location of such states. For instances, Brazil was close to the 'cover' of the United States and 'Asian Miracles' close to China or Japan; but the case of Nigeria was different.

⁶⁵ For more understanding see Amin, 1996 & 2006; Ayee, 2005).

The majority of African states like Nigeria, were outside the Cold War politics⁶⁶, neither was there an emergent world power on the majority of the continent during the ideological hostilities at that point in time.

The Cold War ideological conflict between the United States-led liberalism and USSR-led communism, which slowed down imperialism, enabled some Asian states like Hong Kong, Malaysia, Singapore, South Korea and Taiwan to develop through the “war on economy⁶⁷” created in the region and sponsored by the United States of America (USA). Dependency development opposes the assertion that colonialism and exploitation completely account for Nigeria’s socio-economic woes. As much as this perspective was criticised by scholars of a dependency orientation like Ake (1981) who posits that the absolute rejection of such a view is like ignoring the nature of politics in Africa as well as the character of African political elites.

These Asian states imitated the technology of USA and explored the markets to sell their products, unrestricted due to their support for capitalism against communism. Those dependent economies reduced their dependency by flexing their bargaining strength against the industrial nations, more so due to the dependency of the capitalist countries on their primary products and that they were fertile ground for markets. These societies maximised the advantages to further their quest for development. It needs to be emphasized that these societies digressed from liberalism and neglected most of the propositions and logic of the modernization school of thought; hence, the state became extremely authoritarian, and took the lead in the development strides of the state, against the notion of limited government and the withdrawal of government from the business sector.

The ‘Cold War politics’ explanation does not hold water in states such as Brazil and Thailand, but the political economy realities in South Korea and Taiwan could be explained as a fallout of

⁶⁶ It is important to recognize the significant manifestation of Cold War politics in Southern Africa. The sub-region was at the receiving end of the rivalry between – Cuba, USA and USSR. This ideological war was witnessed in Angola by 1976. Cuba sent troops and weaponry to the MPLA in Angola which was backed by the USSR. South Africa backed UNITA which was backed by the USA. The USSR provided assistance to Mozambique, while the USA supported the Mozambique National Resistance (RENAMO). The Cold War was also extended to South Africa by the mid-1980s in the “red peril” - “black rule” feud. The Cold War hostility helped determine the 30 years of political instability in Southern Africa, which acted as an important ideological foundation for the white-minority regimes and the various liberation movements that emerged and became very active; see Graham, Matthew (2010) “Cold War in Southern Africa” *Africa Spectrum*, Volume 45(1), pp. 131-139.

⁶⁷ This a strategy designed by states to produce, mobilize and allocate resources to sustain armed conflict in the event of civil war or inter-state war.

Cold War hostilities. As plausible as the argument of dependent development sounds if related to the opportunities of the oil-producing Nigerian state to develop, it needs to be understood that Africa in general was at a disadvantage due to its location both outside the Cold War politics and because it was denied the massive movement of capital that benefited those emerging markets (Olayode, 2005).

The state's role should be restricted to maintaining law and order as well as coordinating the growth of a dynamic, effectively regulated private sector by the state due to some limitations of the market (Interviewee Number Three, August 2013). In Nigeria, the state's ability to participate not just as an investor but as regulators of private sectors is greatly constrained by global economic ideology.⁶⁸ An adherence to a global push for liberal ideology prompted the Nigerian government to initiate the process of deregulation of the downstream oil sector without creating an effective regulatory body. The importance of an ultimate regulator is re-emphasized 'to prevent sliding back into the state of nature in the absence of a strong central authority to direct the market' (Interviewee Five, July 2013).

The 'Asian Tigers' and countries like Brazil, through economic liberalization processes, achieved unprecedented growth in their economies and employed other socio-economic policy mechanisms to expand FDI and record higher economic growth and development (Akinboye, 2008). These include developing a very strong production base, opening up of new investment areas and expanding existing ones, and initiating and implementing effective macro-economic policies. They have been able to create an investment-friendly climate and a stable political and economic environment to attract foreign capital.

In many of these newly developed countries in East Asia and Latin America, the state evolved into transitional states which triggered a period of consolidation of the emerging internal market. The government also led an epoch of import-substituting industrialization in which the middle classes, industrial and commercial bourgeoisie participated significantly (Lorraine, 1989: 169). The private sector grew tremendously, while the state led in the creation of basic industry and infrastructure and in protecting new local industries (by growth-incentive policies) to engage in mass production. This bold stride of the state requires strong political will and the determination

⁶⁸ The factors responsible for state's incapacity are extensively discussed in Chapter Four.

of the ruling elite to limit the domineering powers of foreign capital and investment: a semblance of a developmental state is missing in Nigeria.

A developmental state is a bridge between a free market capitalist and centrally-planned economic system, which represents a ‘conjoining private ownership with state guidance’: an economy that is neither capitalist nor socialist (Bolesta 2007). The theory explains the East Asian development miracle. The developmental state not only refers to the collective economic and human development apparent in this region, but also describes the state’s essential role in harnessing national resources and directing incentives through a distinctive policy-making process (Charlotte, 2008). The theory became popular in Chalmers Johnson’s account of understanding the factors that conditioned those institutions that created Japan’s industrial policy and in the bid to explain Japan’s Weberian ideal type of an interventionist state that joined private ownership with state guidance.⁶⁹

Nation-states in the region played very strong and decisive roles in the developmental project of countries like Hong Kong, Singapore, Korea, and Taiwan. These countries abandoned neo-liberalism and embraced state control of finance, sound labour relations, the autonomy of the economic bureaucracy, a combination of inducements and command structures, and the existence of a strong business group, which are the attributes of *state developmentalism*. The most important condition for the success of the economic model is nationalism; hence, *state developmentalism* in its entirety is bound to fail in an ethnicity-driven state like Nigeria but the case of the Asian Tigers was different.

These countries had an understanding that:

A theory of neo-liberal model of economy was not suitable as a state policy aimed at accelerating socio-economic development, long before this very neo-liberal ideology became the world dominating doctrine. The governments of those states followed a state designed developmental path and until now have been favouring a state interventionism over a liberal open market, be it in the form of East Asian fast developer or of what later became the continental-European model of a capitalist welfare state (Bolesta, 2007: 106).

⁶⁹ For more understanding of the concept, See Woo-Cummings, Meredith (1999) *The Development State*, Ithaca, NY: Cornell University Press.

Bolesta further explains the difficulty in achieving extensive developmental goals in a liberal environment where the power of state governments is constrained in directing investment, regulating its intensity, influencing institutions and businesses, directing companies and the society in general towards rapid development. He made it clear that the neo-liberal economic model hinders rapid development in developing countries. He buttresses his explanation thus:

As the UK and the US case shows, one needs to acquire a certain volume of economic assets first, using often interventionist policies, to continue liberalisation, if this liberalisation is indeed needed. Once a developmental state reaches a certain level of development, as Japan, Korea, Taiwan and Singapore have, one can argue for liberalisation, not however falsely, as a remedy to the underdevelopment of the world, but for its own internal interest to create conditions for wealth expansion (Bolesta, 2007: 106).

A consideration of the reckless manner in which state capacity was eroded in Nigeria during the structural adjustment years (Umeruzike 2004), and the challenges posed for the state system by the forces of globalization, makes it clear that demands for democratization and sustainable economic development ‘cannot side-track the question of the re-legitimization of the state as an actor in the developmental process and the restoration and enhancement of its capacity’ (Olayode, 2005: 28). Instead of moving closer to *state developmentalism*, the Nigerian state began a disengagement programme from involvement in businesses and investments and relinquished its role in industrialization.

In Brazil for instance, Evans (1979: 11) made reference to the strong and direct role of the state in the process of industrialization and economic development, which continues to increase. He argues that the internationalization of imperialism has ascribed to states a new position of power from which to negotiate with the MNCs and foreign investors. If conventional dependence was associated with weak states, dependent development is related with the strengthening of strong states in the semi-periphery. He submits that dependent development is contingent on the consolidation of state power, unlike the liberal idea of weakening of state power of underdeveloped states through limited governments.

Smith, in a similar trend, comments on the linkages between economic growth and democracy; vis-à-vis its relationship with the state:

The developmental capacity of a democracy will depend partly on politics, especially levels of political equality and participation, and the type of party system. Politics rather than regime type, determines whether a country is successful economically. To achieve development there needs to

be a 'developmental state' rather than economic and political laissez-faire. State intervention has historically been associated with economic growth in developing world (Smith, 2003: 278).

Smith (2003: 277) maintains that economic development emerged in the absence of democracy in many of the newly industrialized Asian societies and in Latin America; these are states that became industrialized under fast growing state-directed capitalist economies, such as in South Korea, Singapore, Thailand, Indonesia and Brazil.

Unfortunately, the Nigerian state is weakened and unable to play an effective economic role in the economic space due to collapse of capacity through weak leadership, corruption, unguided ideology, and these contradictions has limited the state from making an effective role that the Korean state and that of Taiwan and China played in the early 1960's (Robert, 2010; Quadri, 2008).⁷⁰

The Asian Tigers did not develop through 'plagiarism', their development was a function of many factors of which authoritarianism played a decisive role at that critical point in their developmental processes (Interviewee Number Three, August 2013). He however notes that the full explanation of Asian development cannot be exclusively attributed to authoritarianism. Other philosophies are essential - namely, strong leadership, nationalist-informed citizens and national discipline. These elements play a major role in support of their rapid development. Furthermore:

The emergence of a strong individual is important for societal transformation and rapid implementation of developmental programmes as revealed from ancient history to contemporary history of the Asian Tigers. Such leaders tap on human resources and rely on the populations support to establish institutions and programmes for development, which soon becomes the norm in countries like Hong Kong (Interviewee Number Five, July 2013).

There is the recognition of other factors in the global political configuration that was prevalent in the period when those states embarked on industrial and development revolution (Interviewee Number Three, August 2013). He cites the case of Taiwan, which was a product of the deep Cold War between the Western (under the leadership of Washington) and Eastern bloc. The USA propelled a series of development programmes to prevent North Korea (under communism) to subdue South Korea. Some space had to be created for South Korea to develop. For instance, free access to the American market was a major incentive that helped the South Korean economy

⁷⁰ This point is robustly discussed in chapter four.

to develop. In the case of Taiwan, the fear of China subjecting the country to communism also influenced the West to support the vibrancy of its economy.

State authoritarianism that was predominant in the Asian political space greatly provides the rallying point to push development initiatives through. The political culture⁷¹ of those societies was very different to the prevailing attitudes of Nigerians towards politics. Citizens had a culture of obeying and supporting constituted authority instinctively unlike in Nigeria, and other democracies, where democracy creates an enabling atmosphere for citizens to challenge authority (Markovik, 2010; Almond and Verba, 1989). For instance, in North Korea, there was the establishment of North Korean Inc. - a network of state trading companies linked to the Korean Workers' Party, the Cabinet and the Korean People's Army - monitored by a very strong state (Park, 2009). In Japan, it was a strict collaboration between the private sector and a strong state, which shaped the nature of developmental initiatives in the country (Interviewee Number Three, August 2013).

However, this type of state-led development in these countries soon became unattractive and impractical within the global order so that even those state-controlled economies, like that of Singapore, began to wind down the structure of authoritarianism. It was apparent that the future of sustainable development is incompatible with authoritarianism (Interviewee Number Three, August 2013). This interviewee emphasized how odd it is to recommend authoritarianism to the Nigerian state within the contemporary international economic order. According to him, 'an inclusive system of government, which democracy provides, remains the fastest road to socio-economic development in the wider context' (Interviewee Number Three, August 2013). It is a system of governance that properly increases the quality of human life and individual sovereignty.

Capitalism that is built on outright competition as envisaged by Adam Smith⁷² will definitely run into serious crisis due to market failures: a perfect market system is the only one that is immune

⁷¹ Political culture describes the attitudes, perspectives, values and orientations of citizens of a particular society towards the political system.

⁷² See Butler, Eamonn (2011) *The Condensed Wealth of Nations: and the Incredibly Condensed Theory of Moral Sentiments*, England, ASR (Research) Ltd; Hazlen, PSU-Hazlen and Jim Manis (2005) *An Inquiry into the Nature and Causes of The Wealth of Nations by Adam Smith*, An Electronic Classic Series Publication, Pennsylvania State University; available at <http://www2.hn.psu.edu/faculty/jmanis/adam-smith/wealth-nations.pdf>.

from shock, and there is no perfect market in the contemporary global order. The manipulations of the market forces and distortions in the ‘iron law’ of demand and supply by monopolistic MNCs create imperfection in markets and dismiss the over-stretched ‘logic of the market’.

International capitalism itself has evolved from the exportation of goods to the internationalization of capital, which finally led to monopolistic tendencies. The capitalist system promotes human and technological development which is a prerequisite to economic development, but societies that allow the market system to completely drive the ‘economic vehicle’ would always see the urgency to regulate their economic system. The economic depression in the advanced capitalist countries (between 2008 and 2010), like the UK and the USA, supports the challenges of unregulated market. However, the economic shock absorber embedded in these states propelled economic growth as witnessed in Britain⁷³.

Ironically, Nigeria is on the brink of relinquishing the downstream oil sector to private enterprises under the operation of the logic of market, guided by the ‘illusion’ of free competition, and free of governmental control. The decision to completely deregulate the distributing and marketing sector of the oil industry was met with stiff resistance by the population, who had enjoyed very low prices of petroleum products at the price of huge governmental fuel subsidies. Nigerians believe in their right to enjoy low prices of fuel by virtue of the large deposit of crude oil⁷⁴ in the country and the associated oil-wealth (Social Action, 2012: 5; Robert, 2010). The government, on its part, lacks the vision, political will and capacity to initiate acceptable and sustainable reform in the oil sector.

⁷³ In 2014, the Gross Domestic Product (GDP) in Britain recorded an increase of 0.70 percent in the third quarter of 2014; see <http://www.tradingeconomics.com/united-kingdom/gdp-growth>.

⁷⁴ Crude oil is a ‘mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Depending upon the characteristics of the crude stream, it may also include 1. Small amounts of hydrocarbons that exist in gaseous phase in natural underground reservoirs but are liquid at atmospheric pressure after being recovered from oil well (casing head) gas in lease separators and are subsequently comingled with the crude stream without being separately measured. Lease condensate recovered as a liquid from natural gas wells in lease or field separation facilities and later mixed into the crude stream is also included; 2. Small amounts of nonhydrocarbons produced with the oil, such as sulfur and various metals; 3. Drip gases, and liquid hydrocarbons produced from tar sands, oil sands, gilsonite, and oil shale. Liquids produced at natural gas processing plants are excluded. Crude oil is refined to produce a wide array of petroleum products, including heating oils; gasoline, diesel and jet fuels; lubricants; asphalt; ethane, propane, and butane; and many other products used for their energy or chemical content’ (<http://www.indexmundi.com/energy.aspx?country=ng&product=oil&graph=consumption>).

What Nigeria requires is what Shamma Johnson refers to as *state developmentalism*; a situation in which the state allows market forces to operate but under a very strong state that is not just a regulator, but that which insists on active participation (could be a state-private partnership) in sensitive areas of the economy (Interviewee Number Three, August 2013). This would prevent crippled market mechanisms, avoid an aggressive monopoly and allow market efficiency in the oil sector.

With serious public management, institutional efficiency, micro-economic discipline, well thought-out economic policy that recognizes social realities, matched with responsible leadership and political stability, under a very strong and economically active state, Nigeria could appropriate greater appreciable levels of economic development, despite the weight of globalization and the jettisoning of authoritarianism. This necessitates the utility of the new public management (NPM) theory to address the quest for a policy shift in the oil sector in the bid to transfer the oil wealth to national wealth under a management-oriented civil service.

2.4 NEW PUBLIC MANAGEMENT THEORY

New public management (NPM) theorists explain most of the structural, organizational and managerial changes taking place in the Nigerian public service, otherwise known as the civil service or bureaucracy (Quadri, 2008). NPM theorists advocate for an improvement in the ways in which government is managed and services delivered, with emphasis on efficiency, service delivery, infusion of technology, economy and effectiveness. The main assumption of NPM is that changes in the economic, social, political, technological and administrative environments occasioned by globalization prompt and impel radical changes in public administration and management systems (Larbi, 1999: 2).

NPM is pushing the state toward managerialism by incorporating the management perspective into the public sector, which manifests through the indoctrination of private enterprises culture into the public spheres, the incorporation of transparency, management perspectives and accountability into public businesses, while the state assumes a developmental and prominent role in the economy.

The traditional model of organization and delivery of public services, in Nigeria for example, based on the principles of bureaucratic hierarchy, centralization and direct control, is being replaced by a market-based public service management (Ayee, 2005: 12; and Larbi, 1999: 12). The Nigerian state has repeatedly signified its intention to reform the public service towards public management to stem the tide of inefficiency, redundancy, ineffectiveness and mismanagement that characterised the civil service (Quadri, 2008).

In both developed and developing countries, government has the responsibility for managing public affairs. With this responsibility, the growth of the public sector becomes inevitable, and consequently, its effectiveness becomes the yardstick for measuring the performance of government. Thus, public administration becomes one of the means through which the state's social and welfare responsibilities are executed. This approach eventually makes the state assume more of an administrative posture rather than a management one (Quadri, 2008: 40).

The Nigerian state was built on the public administration inherited from the colonial powers, which was structured against involvement in the economic activities of the state. Though there were a series of civil service reforms, the bureaucracy did not begin to delve into establishing state-owned business enterprises until the oil-boom of the 1970s. This was characterised with the Murtala/Obasanjo nationalization policies that saw the Nigerian state assuming ownership of many hitherto private investments and universities that were under the control of regional or state governments. Hence, the scope of public administration began to expand but inefficiency dominates its service delivery. Yahaya tries to provide the justification for the interventionist roles of states in the economy:

The dominant roles of the state is historically conditioned...The failure of market for efficient economic transactions and, consequently, for the promotion of economic growth and social welfare, led to the dominance of the Keynesian macro-economic model as a policy option (Yahaya, 1992: 5).

The attack on the 'administrative state'⁷⁵ appeared with the heightened manifestation of the inefficiency and failure of the public bureaucracy to live up to the material and economic

⁷⁵An administrative state should have the following characteristics: a workable organization in the classical hierarchic sense; the recruitment of expertise by merit; rational decision making; the rule of law, with an emphasis on equality before the law; written procedures and records; and not only a money economy but sufficient public funds to support a complex administrative apparatus; a solid base in quantitative data and technique; adequate supporting technology, especially pertaining to records, communications, and numeracy; the enforcement of

aspirations of the population towards service delivery. Many of the developing states, after independence imbibe the nature and character of an administrative state in place of management state applicable in the advanced developed societies. The ‘administration state’ operates under the public administration framework which contains the modus operandi of the major organizational units in the public sector (Quadri, 2008).

The core capitalist countries have dramatically limited the public service to an insignificant degree by relinquishing investment, enterprises and corporations to private hands under the control of market forces. It must however be noted that this happened ‘only’ after these societies attained appreciable levels of development, and not when on the brink of instigating development initiatives. For instance, the United Kingdom under Prime Minister, Margaret Thatcher embarked on privatization from 1979 and throughout the 1980s. This coincided with Reaganomics in the USA.

Towards the end of the 1970s and through the 1980s, the failure of many states across the world, and particularly in Africa, and the associated incapacity of political institutions to instigate enduring development drew responses, especially by the IFIs towards redressing the institutional decay and public service ineffectiveness. This coincided with the spread of globalization with its doctrine of limited government. Hence, the consensus was a changing role of the state towards what Yahaya (2004: 170) calls a ‘lean and effective state’.

Based on Ogunrotifa’s (2012) analysis, the development of the bureaucracy manifests in five different ways. Firstly, the function of the government in the new arrangement was to facilitate fulfillment of the objectives of good governance, which has been lacking in Nigeria since the introduction of SAP. Bad governance has been the lot of Nigerians. Democratization has increased government responsibilities to the people, but the output is still very far from their expectations. Secondly, the public service is established to promote human development, another feat that has eluded Nigeria’s bureaucracy.

responsibility and ethical standards; and all the above requirements in at least a moderately developed and mutually supporting organization. For broader understanding see, Paul, P. van Riper (1983) *The American Administrative State: Wilson and the Founders-An Unorthodox View*, *Public Administration Review*, Volume 43, Number 6, p. 477.

The third is the ability of the state to foster partnerships with the private sector and other non-state actors for rapid economic growth and development. With systematic privatization, and joint partnership in the oil sector, the civil service ‘gladly’ partners with foreign firms but the benefits only contribute to personal affluence (through corruption) instead of state wealth. The fourth is the creation of an impetus to exploit opportunities presented by the external environment (globalization), but the Nigerian state has found itself at a crossroad and has not been able to concretely appropriate the benefits of globalization for the interests of the downwardly-mobile population partly due to the inefficiency and failure of public institutions and personal aggrandizement of public officials (those elected, recruited or nominated) (Akinola, 2014; Balogun and Olusola-Obasa, 2012; Amundsen, 2010; Yagboyaju, 2009).

Lastly, is the ability to explore the development of information communication technology (ICT) for enhanced performance and improved management system of the sector. However, the Nigerian bureaucracy is reluctant to embrace ICT due to the fear of impeding and exposing their illicit activities. Every initiative by the government to explore the utility of modern technology to monitor the importation and distribution of petroleum products in the oil sector was vehemently resisted by both the civil service and private investors in the sector (Interviewee Number One, July 2013).

Public administration was condemned by the advocates of NPM theory (Quadri, 2008; Ayee, 2005; Larbi, 1999) because it falls short of the requirement of a ‘large state’ and widened responsibilities that align with the operation of a vast public sector like Nigeria. Sadly, the Nigerian bureaucracy could not even measure up to the standard of an administrative state, more so, a management state, at the brink of adopting neo-liberal economic policies of privatization, decentralization and deregulation. The need for a well-thought reform⁷⁶ of the institution to align with the rigours and complexities of globalization is long overdue in Nigeria.

Lane maintains that in a situation of big government, the principles of the science of public administration neither describe the nature, structure and workings of the multiple levels of the public sector adequately nor present clearer guidance to the solution of practical policy complexities (cited in Quadri, 2008: 42). Public management is required in such states, like

⁷⁶ There have been handful of reforms but, to my best understanding, none has actually transformed the Nigeria’s public service to conform to the demands of globalization and pressure of democratization.

Nigeria that intends to accept the IMF/World Bank prescribed “limited government”. The implementation of privatization and deregulation in the economy poses a great problem for Nigeria’s obsolete bureaucracy.

The intention of the Nigerian central government to transform the public service into a *management industry*, prior to implementing privatization and deregulation policies, would have equipped the institution with a successful privatization of public enterprises and corporations, while its role would have been completely reduced to that of oversight. Paradoxically, successive administration is confused on the proper place of the bureaucracy in the developmental agenda of the Nigeria’s state; many public corporations have been privatized,⁷⁷ and some sectors have been deregulated while others are undergoing ‘complex’ deregulation as witnessed in the downstream oil sector; yet, very little successes have been recorded.

CHAPTER CONCLUSION

Dependency theory attempts to locate the socio-economic crisis and developmental challenges of Nigeria in historical perspectives. It started with the history of imperialism, colonialism and exploitation of the state by the core countries, and concludes that Nigeria could only develop, despite the rhetoric of reforms, if they delink from the advanced capitalist countries. Dependent development paradigm exposes the inadequacy of dependency theory to explain the development of the Asian countries, advances strong arguments for the possibility of the development of weak states, like Nigeria, within the global village, prescribe a way out of Nigeria’s economic woes by relying on a strong and development state, with functional institutional frameworks, which has been lacking in Nigeria.

The Nigerian state has been characterized by institutional weaknesses and governance failures. The NPM tries to fill this void and provides an understanding about how these Asian countries embarked on public management and policy transformation to facilitate the development of the hitherto underdeveloped societies. Therefore, the study adopts critical analyses based on the utilization of dependency, dependent development and New Public Management theory as its theoretical frameworks.

⁷⁷ For instance National Electric Power Authority (NEPA) has been fully privatized and its name changed to Power Holding Corporation of Nigeria (PHCN).

Both dependency theory and dependent development theory are instrumental in analysing the quest of the Nigerian state to attain an appreciable level of development under the weight of internal and external challenges. The view of the dependency school of thought on the damage of colonialism and imperialism to Nigeria's underdeveloped status helps to put into perspective its current socio-economic crisis. However, the dependent development viewpoint has downplayed the over-celebrated insistence of global forces as the mitigating factor in the underdevelopment of Nigeria by calling attention to how similar societies 'managed' to develop despite the dependency status.

The new public management theory proffers a practicable road map to development in Nigeria as well as recognising institutional weaknesses as one of the most potent impediments to sustainable reform of the downstream oil sector. Accordingly, a shift from public administration to public management remains the sure path, not only to institutional capacity but to sustainable reform of the oil sector. I claim that the need to undergo a concerted reform of the Nigerian bureaucracy and oil agencies remains a precondition for the successful oil reform and enduring economic development in the country.

The following chapter deals with the presentation of and motivations for the choice of research methodology and methods.

CHAPTER THREE

REFLECTION ON RESEARCH METHODOLOGY AND METHODS

INTRODUCTION

In this chapter I discuss the method of collection, interpretation and analysis of data and the methodology and epistemology upon which this is founded. The study is founded on carefully selected methodology in consonance with prescribed methodological literature on the road-map to successful research. My interest in extensive readings about methodological issues was based on the understanding that “once the methodological foundation is wrong, the research is as good as the opinion of an arm-chair journalist”.⁷⁸ The discourse of methodology has been very useful, although the methodological literature did not prepare me for the challenges that were found in the field, which necessitated the activation of problem solving skills I learnt in a previous fieldwork⁷⁹ programme and research methodology workshop attended⁸⁰. I discovered, like Francis (2008) also found the:

Inadequacy of the existing ethical guidelines and how some of the issues were not easily resolvable in the way the texts present...many of the textual representations of the interview as a method did not provide an accurate picture of the actual practice of research as the author experienced it (Francis, 2009: 33).

The subsequent discussion in this chapter justifies the rationale for the chosen methodology, offers the opportunity to provide a deep reflection on how the research was actually conducted and analysed, and seizes the medium to present how the methodology chosen and method used impacts on the validity and reliability of the research.

3.1 METHODOLOGICAL APPROACH OF THE RESEARCH

⁷⁸ This was a comment from an instructor during a “research methodology” workshop I attended in Addis Ababa in June 6, 2013. The workshop was organized by UPEACE/IDRC to equip all the awardee with adequate knowledge on facilitating a successful Doctoral research.

⁷⁹ I was part of a ‘capacity-building research and publication field school’ under the leadership of Suzanne Francis (PhD) and Michael Francis (PhD) in the Southern Kalahari, South Africa from 18 to 28 May, 2013. Aside from the practical field research, the research leaders provided an intellectual engagement on research methodology, epistemology, research ethics and methods. I also acted as the State Coordinator and Research Leader (May 2011 and March 2012) on a field study under the title: “*Democratization at the Grassroots in Nigeria from 1999 – 2010.*” It was a research project sponsored by the Federal Government of Nigeria through the Independent National Electoral Commission (INEC) across the 36 states in the federation. I acted as a Research Leader for Ekiti State.

⁸⁰ As part of the condition for the UPEACE/IDRC Doctoral Award I got in support of this study, I attended a Research Writing and Publication Workshop between 14th and 29th of April 2014. I also attended another workshop tagged Research Methodology: Governance, Peace and Security between 2nd and 14th of June 2013. Both workshops were organized by the UPEACE Africa Programme in conjunction with IDRC, and held in Addis Ababa, Ethiopia.

In this study I adopted the qualitative approach. I also relied on empirical⁸¹ and exploratory research designed to understand the state of affairs in the distributive and marketing sector of the oil industry. There are some challenges in conducting a scientific research project using a qualitative approach. This is mostly connected with the nature of the object of study (individuals and institutions) and challenges of open-ended interviews as inputs into the reconstruction of theory that sometimes appears in research to be personal and idiosyncratic (Perecman and Curran, 2006: 21).

The choice of the qualitative method is premised upon the investigation of complex social phenomena, as evident in the research focus, without predetermining or delimiting the paths that such investigation should follow. This prompts the assertion that qualitative methods are admissible when the phenomena under study are complex, social in nature, and not subjected to quantification (Liebscher, 1998: 669). A qualitative approach is particularly preferred for this study as a method that availed respondents a certain degree of choices and permitted spontaneity instead of forcing them to select from a set of pre-determined responses - of which none might accurately describe the respondent's thoughts, feelings, beliefs, attitudes or behaviour - and to try to create the right environment to enable people to express themselves better (Alzheimer Europe, 2009). The qualitative approach is best suited for understanding the phenomenon under study within its context and to reveal the underlining motivations for the reform in the oil sector, the roles of the stakeholders and the impact of such a policy on the citizenry.

The study explores how global capital and forces of globalization affects the economic, social and political environment within which state and non-state actors operate in the Nigerian oil sector. It was therefore necessary, due to the nature of subject-matter, to engage in deep conversations with actors in the petroleum sector. This was better achieved by adopting a less formal and flexible approach of data gathering which is the bedrock of quantitative research. Using a quantitative method would not fully capture the nuances of the argument provoked by this study, especially in the understanding of the complex and contentious roles played by the agents of globalization, comprehending the rationale for states action in the deregulation milieu, and analysing the continued reactions and resistance of the mass of the people to the economic and institutional reform in the oil sector.

⁸¹ This involves relying on perceptions, experience and behaviour. See Frankfort-Nachmias and Nachmias (1996: 6).

The study is approached from critical perspectives of knowledge. I believe that there are two basic types of knowledge: emancipatory and problem-solving knowledge. This epistemological inclination might not be unconnected with the weakened position of the developing states within the subsisting international economic order (at one end), and the impoverishment of the masses within the capitalist-dominated national economy (at the other end).⁸² It is important, at this epoch of massive acceptance of dominant theories, to uphold a masses-inclined standpoint to empower them to confront limitations to the development of their underdevelopment.

Critical theory - deeply rooted in Marxist orientation argues that every discovery in research is in consonance with the researcher's subjective persuasion, which allows for participatory observation. Subjective, in my opinion does not distort objectivity required to produce a very useful, reliable and robust analysis of the phenomenon under examination. This aligns with the position of a facilitator in one of the *Research Methodology* workshop I attended:

*The distinction between your research and you is false...you are part of the research. According to critical theory, there is no neutral social science, theory and knowledge. Social knowledge is not completely neutral based on the socio-cultural, economic and political interest of those that produced it. Most times, the choice of the topic, the research methodology and target population are all subjectively determined...this does not downplay the quality of the research nor render its findings invalid.*⁸³

The utility of this epistemology reinforce the choice of the qualitative method in my attempt to explore individual's beliefs, perceptions and motives behind the actions of political office holders and policy makers, and institutional behaviour in reaction to the economic reform initiated by the Nigerian government to salvage the petroleum sector. Therefore, I chose the medium of both semi-structured and unstructured interviews to provide a means through which to realize information.

The method of research is a case study of the downstream sector⁸⁴ of the oil industry in Nigeria. The downstream segment has been at the crux of Nigeria's socio-economic challenges that have

⁸² For better understanding of Third World woes, see Ake (1981); Clapham (1985) and Amin, Samir (1990) *Maldevelopment*, Tokyo, The United Nations University.

⁸³ The research methodology workshop was organized by the UPEACE between June 2 and June 15, 2013 in Addis Ababa, Ethiopia.

⁸⁴ The downstream oil sector deals with refining and transportation of by-products for marketing. Refining entails the extraction of refined oil in large industrial processing plants into beneficial petroleum products, like gasoline (PMS), diesel, heating oil, kerosene, asphalt base and liquefied petroleum gas, while transportation deals with the transfer of petroleum products through pipelines, trucks and fuel tankers for human consumption (FUQ, 2010 :3).

pitched the citizenry against successive governments. A case study has been adjudged viable in conducting an intensive examination of a single case of a particular phenomenon (Perecman and Curran eds., 2006: 21-23).

A case study approach helps to derive richer, more contextualized, and better authentic interpretation of the phenomenon of interest than most other methods adopted in research, which is due to its ability to capture a rich array of contextual data (Bhattacharjee, 2012: 83). A case study approach is required:

For studies where the experiences of participants and context of actions are critical, and for studies aimed at understanding complex, temporal processes (why and how of a phenomenon) rather than factors or causes (what). This method is well-suited for studying complex organizational processes that involve multiple participants and interacting sequences of events, such as organizational change (Bhattacharjee, 2012: 94).

The choice of a case study, especially in the Nigerian downstream oil division, presents a very interesting latitude of reconciling globalization (and its associated liberalization policies) with the deepening of democracy in Nigeria. The country is enormously rich in crude oil, which attracts foreign investment and further integrates the economy of the country with that of the global international economic order (Obi, 2004). The study focuses on exploring the globalization-democracy nexus, and its influence in the deregulation of the distribution and marketing arm of the oil sector; hence, a case study offers the best method for such research.

3.1.1 Data Collection: Sample Size and Sampling Techniques

This dissertation relies on primary and secondary data. Primary data was generated through semi-structured, unstructured and open-ended interviews, which were conducted on the basis of face-to-face interviews with accessible and relevant stakeholders in the oil industry. This enriched the study immensely and through the cross-examination of data that allow for deeper extraction of information from the respondents. In other cases, similar questions were raised with different respondents to seek clarity and data accuracy. Interviews were determined to be most appropriate due to the flexibility afforded the researchers to generate valuable information from respondents, and due to what Perecman and Curran (2006: 146) called ‘letting the respondents tell their stories.

Apart from seeking information from interviewee, I engaged in personal observation. Frankfort-Nachmias and Nachmias (1996: 206) note that social science research is embedded in observation, while political scientists observe the behaviours of political actors. The authors hold that the main advantage of observation is its directness, which enhances the ability of researchers to study behaviour as it occurs. It also enables the researcher to gather first hand data, thereby preventing contamination of the factors standing between him or her and the object of research.

The choice of observation became necessary as I was one of the objects of the deregulation policy; aside from constituting one of the consumers of petroleum products, I engaged in personal observation during the 2012 mass protests against deregulation and hike in the price of PMS⁸⁵. I have also participated in intellectual engagements in centres on the oil sector reform in many forums (through workshops, twice interviewed and featured in a radio station-organised live programme in Nigeria – Orisun FM programme and presented related papers in conferences) where the issue of economic reforms have been the central agenda.

The Nigerian Labour Congress, with the coalition of other unions such as the Academic Staff Union of University (ASUU) - which I was a member of⁸⁶ - led the nationwide protest that crippled government functionaries for more than a week. I was also a very active consumer of petroleum products for cars and for a ‘generator’ for producing electricity. The question here would border on my rationality in correctly interpreting and analysing data generated without been biased. I tried to uphold all the ethical considerations in data collection, reporting and analysis. The data generated was also interpreted on the basis of its value and contribution to the subject-matter.

The sampling⁸⁷ technique employed in the selection of respondents was purposive sampling, otherwise referred to as judgement sampling. Under this method of selecting respondents, the

⁸⁵ This is otherwise called gasoline.

⁸⁶ All the academic staff of the government-owned Universities are automatically members of the Academic Staff Union of University (ASUU); hence, my membership of ASUU should be understood in this context. I did not hold any official position and my views are contrary to the stance of ASUU. My membership of the organization did not obstruct my judgement on issues of national importance and and I am impartial despite the collective stance of ASUU on deregulation. Lastly, I ceased to be a member of ASUU since March 2012 when I left the lecturing position.

⁸⁷ Sampling, according to Gay and Airasian (1987: 113), refers to ‘the process of selecting a number of individuals for a study in such a way that the individuals represent the larger group from which they were selected. The purpose of sampling is to gain information about a larger population’.

researcher selects a sample by relying on his experience and knowledge of the group to be sampled (Gay and Airasian, 1987: 115). There is an important difference between purposive and convenience sampling. The authors above further explain that under a convenience sample, the researcher only selects participant that are available for selection. A purposive sample is applicable when the researcher draws on his experience and prior knowledge to identify the criteria for selecting the respondents. The respondents were carefully selected based on their expertise and active participation in the broad deregulation policy and Nigeria's democratic governance.

It is also impossible, impractical and very expensive to collect data from all potential units of analysis of the research problem of this nature. This point was emphasized by Frankfort-Nachmias and Nachmias (1996) thus:

Generalizations are not based on data collected from all the observation, all the respondents, or all the events that are defined by the research problem. Instead, researchers use a relatively small number of cases (a sample) as the basis for making inferences about all the cases (a population) (Frankfort-Nachmias and Nachmias, 1996: 179).

The respondents were carefully selected to represent individuals that are knowledgeable in the context of the work, who are stakeholders in the deregulation of the downstream sector of the oil industry and who are actors in the Nigerian democratic project: they actually constitutes a representative of the larger population involved in the phenomenon under study. Gay and Airasian (1987: 102) refer to population as 'the group of interest to the researcher, the group to which the results of the study will ideally generalize'.

In choosing the respondents, I took cognizance of the principle of inclusiveness. Emphasis was placed on the marginalized - the mass of the people who constitute part of the consumers of petroleum resources and who mostly bear the brunt of public policy – in the collection of data. They offered practical explanation from their perspectives, which became different from the standpoint of the elites, and government officials that have been at the crusade of deregulation policy.

The period of study stretches from the second tenure of President Obasanjo in 2003 until the present tenure of the President Goodluck Jonathan led-administration. President Obasanjo

initiated NEEDS to facilitate the entrenchment of the twin policies of privatization and deregulation of government's enterprises (Iweala and Kaako, 2007). At the advent of democratic government in 1999, which was his first tenure, President Obasanjo was engrossed in a legitimacy battle (both in the law courts and outside the courts) and redeeming the debilitating image and status of Nigeria abroad. The 1999 democratic leadership also required more time to address the legacies of military rule that consistently poisoned the terrain of politics and governance (Agbaje, Onwudiwe and Diamond (2004: xi).

However, upon winning a re-election in 2003, the President swiftly pursued liberalization policy and embarked on systematic hike in the price of petroleum products and declared his intension for the deregulation of the downstream sector (Fawehinmi, 2002: 30). He consistently increased the prices of petroleum products but was still unable to bring the prices at par with what was obtainable in the international market. He also failed to achieve the ultimate aim of withdrawing subsidies and deregulation due to the unflinching resistance of the Nigerian population. His successor - late President Musa Yar'Adua - had the plan to also deregulate the sector, but he passed away before that could be made known to the public.⁸⁸ The current President, Goodluck Jonathan, who acted as Vice President under the regime of President Yar'Adua assumed office constitutionally, completed Yar'Adua's tenure and became President in 2011 after a general election. In January 2012, he announced the removal of the subsidy and his decision to embark on immediate deregulation of PSM.

The study relies on qualitative method of research, which was founded on interpretivist meta-theory. A total of 31 stakeholders in the oil sector were interviewed. For ease of understanding, respondents were grouped into five sections, and questions were directed at individuals based on their involvement or expertise on the subject-matter. The groups are broken down below:

Government officials: This group comprised of civil servants, officials in government parastatals⁸⁹ and political office holders. The available population were those individuals that were accessible and directly involved in the deregulation of the oil sector. The lists were reduced due to the fact that sometimes a potential interviewee has, at one time or the other, had his or her

⁸⁸ A comment from Interviewee Number Four (July 2013), who was a member of the Presidential committee inaugurated by Late President Yar'Adua to look at the continued practicality of the subsidy regime in the downstream oil sector. The committee recommended complete deregulation of the sector.

⁸⁹ A Parastatal refers to government specialized and specially created institution or government functionary.

opinions and involvement published in daily newspapers, while others granted interviews to different tabloids, where the phenomenon under study were rigorously discussed. Much of the information that I sought exists in the public domain as reports, speeches, paper presentation in conferences, white papers, and in the government gazette, while others are available on the websites of the organization such individuals represent. Specifically, data was generated from higher officers in the following government institutions: the Nigerian National Petroleum Corporation (NNPC), the Directorate of Petroleum Resources (DPR), the Energy Commission of Nigeria, the Pipeline and Product Marketing Company (PPMC), the Petroleum Technology Development Fund (PTDF), the National Assembly (Senate), the Nigerian Integrated Power Project (NIPP), and the Subsidy Re-Investment and Empowerment Programme (SURE-P).

Foreign and Local Investors: This group was made up of investors (local and foreign), MNC (both local and foreign) involved in both upstream and downstream oil industry, independent marketers of petroleum, operators of petroleum filling stations and officials of the Major Oil Marketing Association of Nigeria (MOMAN)⁹⁰. Respondents were drawn from these organizations and companies.

Academics: Scholars were chosen based on their specialization, publications and interest in the political economy of Nigeria. Some of the lecturers directly participated in the policy initiation that resulted in the deregulation of the Nigerian oil industry, while many have, in different forums, publicly offered professional input on the Nigerian economic reform's project. Five Professors and PhD holders were interviewed based on their expertise in international politics, political economy, democratization, state capacity, economic reform, and energy pricing.

Civil society: Civil society comprises organisations and interest groups that form the bridge between the people and the government. This is made up of all the labour unions and associations (skilled and unskilled), professional associations and human rights groups are categorised under this cluster. Respondents were drawn from Nigerian Union of Petroleum and Natural Gas Workers (NUPENG), Petroleum and Natural Gas Workers Senior Staff Association

⁹⁰ MOMAN is an association of six major independent oil marketers, which comprises of Conoil, Forte Oil, Mobil, MRS, Oando and Total. The association manages the marketing and distribution activities of the members, and acts as Liasing institution between the government and companies they represents.

(PENGASSAN)⁹¹, union of unskilled workers, a human rights body, four journalists and two lawyers (one of which is a Senior Advocate of Nigeria - who has been at the forefront of the organised opposition to deregulation in Nigeria). Data was also generated from an elder statesman in the Niger Delta. The journalists were drawn from newspapers that have national coverage and a radio broadcaster - who has been running a programme to assess the impact of the deregulation on the masses – was also interviewed.

Consumers of petroleum products: These were individuals (consumers of petroleum products) selected from the urban, semi-urban and rural areas to offer their perspectives on the policy. They shared their experiences, the impact and economic implications of the policy for their livelihoods and responded to questions on the efforts of the government to provide a relief package to cushion the effects of the deregulation policy.

In general, these samples were selected to represent large populations (cases) in each cluster. The information collected was based on an interview schedule stimulating open-ended discussion.

There are other documentary sources of data utilized in the study as well as official documents which are categorized under primary sources of data. Pools of data are also retrieved from the internet: some are primary data while others are secondary data. Other Secondary data such as books, journal articles, magazines, newspapers, bulletins, term-papers, unpublished theses and dissertations, and were used. These secondary sources provided extensive bibliographic and contextual information that complemented the primary sources.

3.1.2. Conditions of the Interviews

The interviews were conducted in a face-to-face mode, which offered me the flexibility in the questioning process and reflexivity during the interview. This gave me the opportunity to probe, clarify and seek deeper and additional information from respondents. Since personal observation was chosen (discussed below), personal interviews also afforded me the opportunity of reading

⁹¹ NUPENG and PENGASSAN are the most active labour unions in the petroleum sector. NUPENG is an industrial association open to interested workers in the oil and gas industry. PEGASSAN comprises of senior workers in the petroleum sector while NUPENG is the umbrella union for the junior workers. The two associations work hand in hand and take common decisions on issue affecting the oil industry, which is most times under a joint coalition tagged NUPENGASSAN.

the “body language” of respondents. It made it easy to reconcile body expressions with the responses of respondents.

The medium of communication during the interview was English (that is the official medium of communication in Nigeria). There was only one exception; the respondents spoke in both English and a mother tongue (Yoruba), which I personally translated into English. All the interviewees chose the locations of the interviews, and the implication was that I had to travel to many parts of Nigeria in search of data.⁹² In one particular case, the interview was conducted in a mosque, which was once interrupted by calls for prayer: I waited and continued after the prayer session. Others were conducted in offices, while I also met a respondent in a hotel. The entire interviews were conducted in both private locations and public spaces.

3.1.3. *Data Analysis*

The nature of the topic, the philosophical foundation and theoretical underpinnings of the research, and the methodology of research all play a role in determining the choice of data analysis employed. After a careful consideration of these factors, I chose discourse analysis to afford me the opportunity to also reflect on what interviewees do (their body language) during conversation. Discourse analysis is a post-positivist method of inquiry and analysis, often termed the analysis of language ‘beyond the sentence’ (Tannen, n.d). As Tannen notes, it could be the analysis of language, conversation, and the content of what have been said or what have been read. It is used to analyze institutions based on their interests and motives; a way of ascribing certain behaviours to institutions. Discourse analysis is the study of the relationships between discourse, power, dominance, social inequality and the position of the analyst in such relationships (Jørgensen and Phillips, 2002). The central motivation for discourse analysis is to unmask the embedded interests of the activities of actors, reveal and interrogate the underlying power relations that influences and determines policy formulation, implementation and outcomes (Jørgensen and Phillips, 2002).

I also considered the use of content analysis but found that it was inappropriate for this kind of research. Holsti (1968: 601) considers content analysis as “any technique for making inferences

⁹² The following parts of Nigeria were visited: Lagos (the economic hub of Nigeria and former capital of the Federal Republic of Nigeria; Ibadan, Iwo, Ile-Ife, Ado Ekiti, Osogbo (Western Nigeria); Port-Harcourt and Abraka (Eastern Nigeria); and Abuja (Northern Nigeria).

by systematically and objectively identifying specified characteristics of messages.” Frankfort-Nachmias and Nachmias put it more simply:

Instead of observing people’s behaviour directly or asking them about it, the researcher obtains copies of the communications that people have produced (when available) and asks questions about these records. The content of the communication serves as the basis of inference (Frankfort-Nachmias and Nachmias, 1996: 324).

Content analysis only focuses on the content of what is being said, but discourse analysis engages with the content, motives and power relations behind information or data received from respondents, while also paying attention to questions not being answered. Data generated is synthesized for a robust analysis and weaving together of the various phenomena under study.

3.2. ETHICAL CONSIDERATIONS

Frankfort-Nachmias and Nachmias (1996: 219) posit that ethical issues have become a major concern in field research in the desire to protect the rights of the participants. This is applied through the use of informed consent, and providing adequate information about the research project and the roles of participants. Having this in mind, the study takes cognizance of ethical considerations and provided for an informed consent form, with the full contact details of the candidate and supervisors, and with detailed project information and the rights of participants. According to Frankfort-Nachmias and Nachmias (1996: 81), informed consent is “the agreement of an individual to participate in a study after being informed of facts that would be likely to influence his or her willingness to participate”.

It was spelt out in the form that the participation of the interviewee in the research project is entirely voluntary and declining to participate attracted no penalty; while the principle of anonymity was maintained. The interviewees, with the exception of three, insisted on anonymity in my reporting and analysis. It was also specified in the form that the research data would be stored securely in the manner, and for the duration, specified by prevailing University of KwaZulu-Natal research ethics guidelines.

Ethical issues, especially concerning the principle of anonymity and confidentiality constitute special research problems. This is rightly so in a sensitive research of this nature, where some respondents feared for the loss of their job if the information given is revealed to the government or their boss, for those working in private organizations. Some showed unwillingness to entertain

the request for an interview until reading through the *Informed Consent Form* and getting assurance from me that their names would not appear anywhere in the thesis nor that their identity would be revealed. I tried to balance the responsibility to prevent harm to those interviewed with the desire to ensure that the research generated accurate analysis, robust findings and practical recommendations.

Due to the aforementioned reasons, the names of respondents have not been given in the study. Instead, I have ascribed a particular number for each interviewee -“Interviewee Number One”, “Interviewee Number Ten” and the like. I also refrain from indicating the portfolio or official position of the interviewee to prevent easy identification and exposure to harm.

3.3. CHALLENGES OF THE STUDY

It was challenging to interview all the desired target populations, but within this limitation I was able to interview accessible and available populations, as set out earlier in the chapter, which provided very important information. Gay and Airasian (1987) provide the distinction between target population and available population thus:

The entire group the researcher would really like to generalize to is rarely available. The population that the researcher would ideally like to generalize to is referred to as the target population. The population that the researcher can realistically select from is referred to as the accessible or available population. In most studies, the chosen population is always a realistic choice (e.g., accessible), not an idealistic one (i.e., target) (Gay and Airasian, 1987: 102).

Another challenge that I faced was during the field research. One respondent insisted that his/her name was not disclosed due to the sensitivity of the information given and the fear of losing his job if it became known s/he had provided such information. The respondent initially declined to sign the “informed consent form”, but later agreed to do so, after further discussion of what anonymity means. Another insisted on access to the question beforehand, and insisted on no deviation from the specified questions: I granted the request.

A few actors in the oil industry, especially within the oil MNCs, public officials and few highly placed political office holders were not accessible and, where contact was made, some were unwilling to accept my invitation for interview for the purposes of the study. Some actors from these groups did not comment or answer questions on what they referred to as “grey” areas. In general, the few challenges did not have any impact on the outcome of this study.

CHAPTER CONCLUSION

In this chapter I have provided an understanding on how data was generated, interpreted and analysed. Specifically more explanation is provided for the justification of the research approach, method of data collection and analysis, and consideration for the chosen respondents and the position of the researcher has been highlighted.

In this section, I have tried to justify why and how I approached the study from the methodological and epistemological position, as well as to provide the rationale for case study approach. I discovered the need to use the deregulation of the downstream oil sector to unravel the impact of globalization on sustainable democracy on the one hand; and the influence of global forces and democracy on the state and its capacity to trigger economic development and instigate an improvement in the quality of life of the citizenry. It is vital to also reconcile the governmental initiatives with the impact of such actions on the political economy of the country.

I adopted discourse analysis through personal interviews and participatory observation. This provided the opportunity to extract useful information on a face-to-face basis and cross-examined the interviewees when required. Furthermore, the opportunity to observe the body language of the respondents was very useful. It informed the need to probe further on some salient points. In general, in this chapter I provided a reflection of how I arrived at the decision to adopt an appropriate research methodology and methods for this dissertation.

The next chapter provides the evolution of statehood in Nigeria and engages in the factors responsible for lack of state capacity.

CHAPTER FOUR

THE STRUCTURE AND CHARACTER OF THE NIGERIAN STATE

*Government is profoundly absent in the lives of a majority of millions of Nigerians.*⁹³

INTRODUCTION

⁹³ See, <http://www.nigeriavillagesquare.com/paul-adujie/nigeria-what-is-the-purpose-and-role-of-government.html>.

In this chapter I discuss the composition and the character of the Nigerian state. There is a direct correlation between the structure and nature of the state, and its capacity to deliver good governance. The chapter tries to put in perspectives those factors (internal and external) that have hindered the Nigerian state to effectively implement the oil sector reform. Apart from the weak political leadership exemplified by the ruling elites, the structural composition of the state has also mitigated against accruing the dividends of democracy to the Nigerian citizenship.

Thus, the nature of the state, the institutions through which legitimate power is exercised and enforced, is germane to the study of politics in any state (Smith 2004: 108). There has been a recurrent and sustained argument that the Nigerian state, like its counterparts in Africa and other countries of the developing world, under-performs due to lack of state capacity⁹⁴ to deal with the contemporary complexities of governance. A functional state and its government have responsibilities towards its citizens and the population within its national borders, which is expected of a functioning state.

The state and its government apparatus are designed to provide good governance that guarantees transparency, assuming operational control of government programmes to expand individuals interests, a reduction in transaction costs, efficiency and citizen centric public services delivery, such as social programmes and risk management. The government of a democracy is accountable to the people. It has the responsibility to fulfil its end of the social contract, while public officials (political office holders and civil servants) are social servants, they serve society and the population, the role model for, and protector of, equality and freedom and other associated human rights (Watson, 2008). Heyman refers to the logic behind the historical *Bill of Rights* and insists that ‘the men who wrote the Bill of Rights were not concerned that government might do too little for the people but that it might do too much to them’ (Heyman, 1991: 509).

⁹⁴ World Bank (1997) defines state capacity in terms of the competencies of government organizations and public officials and the efficacy of the policy process. According to Clapham (2002), state failure is concerned with the non-performance of sensitive state functions. Accordingly, state failure deals with issues concerning the core functions of states, which may vary from minimal roles to basic security, respect for the fundamental rights of the citizens, and the provision of welfare services. He also aligns with Zartman’s (cited in Clapham, 2002) conceptualization of state collapse as ‘a situation where the structure, authority (legitimate power), law, and political order have fallen apart’. Yahaya (2004: 167) refers to capacity as ‘the combination of people, institutions, and practices to produce, or to solve problems, or to provide a service. Capacity in the context of the public sector is the ability of the government, by the combination of resources, to design and implement good policies for sustainable development, promote human welfare and create enabling environment for economic growth and prosperity’. The World Bank believes that capacity building is the missing link in Africa’s developmental dilemma.

Therefore, an important role of the state includes the construction of society's infrastructure, including roads, posts and telecommunications, and water, sewage and energy utilities (Watson, 2008). It is beholden on the state to also fulfil "social welfare" responsibilities, without undermining personal responsibilities. Ironically, the Nigerian state has found it difficult to live up to these expectations due to bad governance and the influence of globalization – deeply rooted in colonialism.

The 'petroleum-rich' and 'oil-infested' Nigerian state, long challenged by political instability, corruption, mass hostility to the 'public', and poor macro-economic management over the years, lacks the attributes of a functioning state (Akinola, 2008: 54). The history of African societies and nature of the African state, like Nigeria, determines and defines its approach to the external world (Clapham, 1996: 2). The socio-political history of Nigeria like other African societies, the caliber of political elites, the mechanism by which they are created and the influence of these on external relations shape its interactions with major world actors, including state and non-state global actors (Uzodike, 2006: 26-27; Yagboyaju, 2009; Bayart, 2009).

Successive governments in Nigeria, like in many African states, lack the political will to initiate or sustain policy or structural transformation, or to embark on sound economic reform to reposition the state for greatness (World Bank, 2007: 3). No matter the upsurge of globalization and the prospects of the "borderless state," the expectation is for states to take a decisive role in economic transformation, growth and development (UNECA, 2011), and not just succumb to foreign pressures by adopting economic policies detrimental to the mass of the people.

With the weakness of the Nigerian state and its ineffectiveness, it has become challenging to eradicate impoverishment, maintain public enterprises, engage in successful economic liberalization, monitor private investments and constrain the exploitative activities of MNCs within its geographical domain. The formation of the state and evolution of its nationhood, quality of its leadership, its geographical location, and the character of the followership has also made it challenging for the Nigerian state to align itself with the expectations of the masses or manifest the attributes of a true state.

Clapham (2002) properly locates the issue of African states' capacity within a broader scenerio. His study embraces an historical approach – a history of colonialism – and conceives that the

origins of the state serves as a potential universal nerve-centre upon which the contemporary international system rested. It is important to pay particular attention to the inherent challenges of state maintenance in weak societies and offers probable explanations to states' incapacity, especially during the era of globalization (Clapham, 2002; Migdal, 1988). Of greater concern is his identification of structural and contextual variables that enhance the vulnerability of states in the modern world. There is no controversy about the series of symptoms of state failure and state collapse⁹⁵ across Africa, the point of debate remains allocating either of the two to the Nigerian situation (Clapham, 2002; Englebert, 2000; UNECA, 2011; Olajide, 2005; World Bank, 1997; Mimiko, 2010 & 2009).

Truly, the Nigerian state stood in between exhibiting attributes of state collapse and state failure; however, the country could be categorized under state failure. The state has been bartered economically, hit by the 'resource curse'⁹⁶ and the 'paradox of plenty', stunted technologically and industrially, and exploited economically. According to Mimiko (2010), the Nigerian state has degenerated to the point where it is unable to provide minimal social security: no wonder the citizenry regard a low pumping price of oil as a birth right. The Nigerian government has even failed to guarantee the security of a large section of the population; and militancy and insurrection have militated against good governance in the last nine years. Scholars (Mimiko, 1999 and 2010; Ake, 1996: 3; Uzodike, 2009) have described the abysmal performance of the Nigerian state in so many ways. To Mimiko (2009), it is characterized by a 'micro-municipality' governance system. Hirst and Thompson (cited in Smith, 2003: 128) assume a 'municipal' role for such a state. Clapham (1996:56) refers to states that manifest these characteristics as a 'monopoly state,' Akinola (2009) refers to it as a 'petro-capitalist state', and Yagboyaju tags it a 'prebendal state'⁹⁷. In summary, Bayart reviews the African socio-political and economic

⁹⁵ Rotberg defined a failed state as "a country with a government that cannot or will not deliver essential political goods (public services) to its citizens" (Rotberg, 2013). The state could still exist as a sovereign nation within the international community, but such state fails the majority of citizens by its inability to perform state functions effectively. He explains further that a collapsed state, like that of Somaliland in 2011, is a state with a defined territory without functioning governance, the absence of security and a single recognized constituted authority.

⁹⁶ "Resource curse" describes a country with abundant natural resources that continue to suffer from economic deterioration and political decay. Resource curse is when the discovery of natural resources like oil and gas leads to a deterioration of governance and human development indicators in resource abundance countries. For more understanding, see Ross (1999) and Fagbadebo and Adeoye (2011).

⁹⁷ This is his comment during a paper presentation at the *International Conference on Corruption in Africa (ICCA 2013)*, School of Social Sciences, University of KwaZulu-Natal, Durban, January 19, 2013.

situation and attributes these traits to Africa's historical realities: history of weak political leadership, corruption, conflicts and wars (Bayart, 2009).

In the Nigerian context, the character and characteristics of the state, as Omisule (2007) argues, aggravate the danger of implementing liberalization and deregulation policy. Based on the SAP experience in Nigeria, the majority are receptive to the adoption of any form of liberalization of the national economy. The renewed quest for the implementation of liberalization policies in Nigeria coincided with the financial depression⁹⁸ and an economic crisis across the world between 2008 until around 2011: a crisis acclaimed to have been orchestrated by the contradictions of globalization (Adamu, 2009). Apart from the economic jolt in the USA and the UK, the protest in Greece, Ukraine and Spain in 2013 lend credence to this claim.

There are two major ideological perspectives in understanding Nigeria's state capacity crisis. The first is the neo-liberalists viewpoint, with strong orientation from the modernization standpoint, which attributes the incapacity of the state to endogenous factors - internal contradictions explain state's incapacitation in developing countries; while the radical political economy perspective, founded on dependency theory, attributes state failure and collapse in the Third World to exogenous variables – external pressures explain the state governance crisis.

Many elites and social scientists from the third world have been obstinate about accusing global forces for the weakness of African states (Ake, 1981). However, existing literature continues to downplay the magnitude of pressures generated by neo-liberal democratization on one hand (through the strengthening of civil society and the proliferation of political institutions that further diminish state capacity), and on the other hand, remain silent on the character, idiosyncrasy and antecedent of Nigerian political leadership at that critical point in the history of the country (which coincided with the spread of globalization).

This chapter takes an holistic approach to understanding the role of successive political leadership in Nigeria since 1986 and responses by this political leadership to the pressures associated with globalization and demands for sustainable democracy. To achieve this, it becomes important to explore the evolution of the Nigerian statehood, provide an overview of

⁹⁸ The financial crisis, which began in the USA and spread around the world, led to the fall of the stock markets and collapse of large financial institutions in the developed countries. These countries later designed rescue packages to cushion its effect and bail out their financial systems.

the composition, structure, and character of the state, and examine different variables that affect the quality of governance in Nigeria: comprising both internal and external factors. I claim that the lack of capacity and underdevelopment in the Nigerian state go beyond the orthodox propositions of both the modernization and dependency school of thought attributing Africa's crisis to internal variables (modernization) and external contradictions (dependency). Rather, a multiplicity of contradictions explains the state's inability to promote good governance. The challenges of the Nigerian state will be explored in this chapter, starting with an understanding of the geo-political reality of the country.

4.1 NIGERIA AS A CORPORATE ENTITY

Nigeria is situated in the West African sub-region with a land mass of 923,768 sq km (Ogbona and Apah, 2012), and with a population of 178,571,721 people.⁹⁹ The country is about two times the size of California and located on the Gulf of Guinea in West Africa. It is by far the most populous country in Africa, with about two hundred and fifty ethnic groups and an estimated population of over 152.2 million people.¹⁰⁰

Nigeria has a large pool of potential consumers and workers that is projected to increase dramatically over the next four decades (Oshikoya, 2008). Accordingly, its population represents about two percent of the world's total population, and is projected to more than double to five percent of the world's total population by 2050, which ranks the ninth largest on the globe.¹⁰¹ Nigeria is the fastest growing population in the world, and it is envisaged to reach 356 million by 2050, which places her as the fourth largest behind India, China, and the USA (Oshikoya, 2008). The reports also indicate that her population will soon be more than ten times that of South Africa and the combined population of the following four countries - Algeria, Egypt, Mexico, and South Africa (Oshikoya, 2008).

The evolution of the Nigerian state as a political unit, from about 1849 until the eve of independence in 1960 is rooted in the history of colonialism, while the impact of the British on the local population and cultures remained very significant in any discourse on the Nigerian

⁹⁹ See <http://worldpopulationreview.com/countries/nigeria-population/>.

¹⁰⁰ For more data on Nigeria, see <http://www.infoplease.com/country/nigeria.html>.

¹⁰¹ 2007 U.S. Census Bureau.

political economy. By 1862, the British occupied the Lagos Lagoon region and transformed it into a crown colony. The motivation behind this, as posited by the British, was to completely demolish the slave trade network that used the Lagoon as an export outlet (Afigbo and Uya, 2004). But the Nigerian historians, reasoned otherwise, and felt the intent was to protect their economic interest along the water ways, through Ikorodu (in Lagos) to the Niger waterway in the northern region. The reason could be located in the two assumptions.

The partitioning of Africa during the infamous Berlin Conference and under the chairmanship of German Chancellor, Van-otto Bismack Nigeria was ceded under the colonial prowess of the British Empire (Onigbinde, 2003: 72). By 1914, the British formally colonized and united the Niger area as the Colony and Protectorate of Nigeria (Ojo, 2004). The Southern Colony and Protectorate of Lagos were merged in 1906 to become the Southern Protectorate, and Lord Lugard, the Governor representing the Queen of England, thereafter merged the Southern and Northern Protectorate together in 1914 for the purpose of becoming a single entity called Nigeria. Parts of Nigeria were administered differently through the policy of indirect rule.¹⁰² The southern population had more interaction with the British and other foreigners due to the coastal economy. They adopted Western education, started speaking the English language, and adapted to the European economy faster than in northern Nigeria.

The unfolding development greatly influenced the present nature and structure of the Nigerian state in many ways. It was ascertained that the initiative was informed, not by a desire to create a Nigerian nation-state, but rather for the purpose of efficiency and rationality in British administration. Afigbo and Uya (2004) maintain that, firstly, the move was to resolve the inability of the Northern Protectorate to balance its budget as against its counterpart in the South that usually declared a surplus. Secondly, the merger was a trick by the British for creating a false sense of togetherness, and not for any serious centralized bureaucracy and political system. Lord Lugard recognized the danger of practically merging the two protectorates together, especially due to their wide gap in enlightenment, educational standard and modernity, but it served the purpose of easy administration for the colonial power. The Lugardian policy soon transformed the country into a hostile political battle field. Afigbo and Uya note that:

¹⁰² Indirect rule was a model of administration adopted by the British during colonialism in Nigeria to govern the black population through the traditional rulers and existing channel of authority.

While the North wanted to incorporate the South on the basis of indirect rule, the South wanted to incorporate the North through the expansion and extension of the power of the modern bureaucracy, Western education, Western commerce and Western legal system and practice. Thus, amalgamated Nigeria remained a ram-shackle affair until 1960, the year of independence (Afigbo and Uya, 2004).

The artificial notion of nationhood in Nigeria prompted Obafemi Awolowo¹⁰³ to call Nigeria a mere geographical expression (Interviewee Number Eight, July 2013).

The basis of Nigerian Federalism was laid at the Ibadan General Conference of 1950, which recommended bicameralism that was tailored towards the British prime-ministerial system, that of the parliamentary system of government. It was natural for Nigeria to imitate the British political system, but such action seemed unwise considering the strong ethnic hostilities and cultural divisions in the country (Interviewee Number Three, August 2013).

It was not until the enactment of the 1954 Federal Constitution that Nigeria began to lay claim to federalism with the following features: Lagos¹⁰⁴ was separated from the Western Region; the Federal Government for Nigeria was established, comprising the Northern, Western and Eastern Regions. The centre government was headed by a Governor-General, while three premiers and Regional Governors administered the regions. The region of Northern Nigeria was bigger than the combination of the Eastern and Western regions, which was against the tenets of a federation. Mill (1861) refers to such an arrangement as a federal imbalance and an aberration to an effective federation. It follows that the foundation of Nigeria's nationhood crisis and political instability was laid down by the British by the colonial power. Afigbo and Uya support the above assertion thus:

At Independence in 1960, the main features of the Nigerian state that had evolved since 1900 were: weak constitutional and institutional basis for development politics; an unbalanced federation; regionalism which engendered mutual jealousy and fear; and regionally-based political constituencies (Afigbo and Uya, 2004).

Right from the onset, the Nigerian state was perceived by Nigerians, especially the nationalists, as an illegitimate and imposed foreign political system operating in accordance with unfamiliar rules and norms which functioned to promote a false sense of common national identity among

¹⁰³ Obafemi Awolowo was a premier of the Western Region in pre-independence era, and a member of the National Parliament in the immediate post-independence Nigeria.

¹⁰⁴ Lagos was the Capital of Nigeria. The city was also the economic hub-nub of the country.

the different ethnic nationalities that made up the federation. At independence, Nigeria's government was a coalition of Northerners dominated parties: the Nigerian People's Congress (NPC),¹⁰⁵ led by Tafawa Balewa and the Igbo based and Christian-dominated National Council of Nigeria and the Cameroons (NCNC) headed by Nnamdi Azikiwe. Azikiwe later became the first Governor-General of an independent Nigeria in 1960. The Westerners-dominated Action Group (AG), led by Obafemi Awolowo became the opposition at the centre. The three political parties were strongly ethnic based and each controlled the government at the regions.

While the country retained its federation¹⁰⁶ arrangement since 1954, it operated instead as a unitary system during the military era, due to military rule and a corresponding hierarchical structure (Adedipe, 2004). One of the destructive legacies of the military regime was its deliberate act of subverting the residual foundations of the country's federal arrangement through the monopolization of political and economic power at the centre: a practice that is alien to federalism (Abubakar, 2004: 160).

The three regions (Northern, Western and Eastern), created along ethnic divides and inherited at independence, was extended to four regions through the creation of the Mid-Western region in 1967. This is what Duchacek called 'polyethnic' state formation: this describes a federal system where the constituent territorial units 'coincide with...ethnic, tribal, or linguistic boundaries' (Sklar, 2004: 3). Most of the states created were along those lines. Many communities continue to press for more autonomy based on ethnic affiliation, and not on the basis of economic viability. The attempt to demystify and divide the big federation¹⁰⁷ into smaller units since independence reduces the strength and financial buoyancy of the second tiers of government as evident in their financial dependence on the federal government as well as their inability to effectively function as agents of development. This strengthens the dominance of the central authority over the States.

¹⁰⁵ The NPC was a conservative political party formed in 1951, The NCNC was regarded as a centrist party, established in 1944, while the AG was regarded as a socialist party formulated in 1951. See, Jinadu, L. Adele (2011) "Inter-Party Dialogue in Ngeria: Examining The Past, Present & Future"; a lead paper at the inaugural DGD Political Parties Dialogue Series, held on October 4, 2011 at Bolingo Hotel, Abuja.

¹⁰⁶ Federalism connotes a division of sovereign authority between the national government and the governments of territorial units that comprise the federal union. For more understanding of federalism, see Sklar (2004: 3).

¹⁰⁷ Nigeria is the world's largest federation, after the USA, Brazil and Russia.

From the three provinces inherited from the colonial administration in 1960, it was extended into four regions by 1963. Political maneuvering¹⁰⁸ during the ‘Biafran civil war’ (1967-1970) resulted in the creation of 12 states out of the four regions in 1967. It was increased to 19 in 1976, 21 in 1987, and 30 in 1991, along with the establishment of the Federal Capital Territory in Abuja in 1991, and finally increased to 36 states in 1996. The creation was an absolute prerogative of the government at the centre.

Despite the apparent over - concentration of power at the centre, the need for an effective federation and efforts to strengthen the states has been consistently rebuffed by successive regimes since the return to democracy. As one interviewee contended, ‘there is too much government presence at the centre, and this causes congestion and allocation of too many responsibilities to the central authority, which is supported by the awkward 1999 constitution’ (Interviewee Number Two, July 2013). He maintains that a ‘large’ centre is an obstacle to fiscal balance and economic development. The over-concentration of excessive power, and authority, in the centre has jeopardized the autonomy and economic viability of the adjoining states.

Agbaje (2004) acknowledges the little motivation for the transformation of Nigeria’s nominal federal system into meaningful one through concrete decentralization of power, resources and responsibilities away from the centre, to adjoining federal units. The idea of adopting federalism could not be faulted; however, the present warped structure of the federal arrangement is antithetical to the desired sustainable democracy (Ojo, 2004). Agbaje (cited in Abubakar, 2004) commenting on the appropriateness of federalism in Nigeria and the contradictions generated in its practice, feels that:

Nigerian federalism was set up principally to secure Nigeria’s unity in the face of strong centrifugal forces through devolution of power, responsibility and resources from the central government to the constituent units but also to assist in the drive for national and grassroots economic development. On both counts the Nigerian experiment has become dysfunctional, largely because of the reversal of its earlier devolutionary logic for re-centralization occasioned by poor and short-sighted political leadership. Symptomatic of this pathology is the virtual

¹⁰⁸ The federal government realised the need to split the regions into smaller autonomous states to forestall an allegiance to unified ethnic sentiments, which led to the Biafran war between 1967 and 1970, when the Eastern part declared a government and attempted to secede from Nigeria. Apart from the ethnic-inclined factors that resulted in the civil war, there was also the issue with the control of Nigeria’s petroleum wealth, deposited in the Eastern part of Nigeria. For more information on Biafran war, see Barnaby Philips (2000) ‘Biafran: 30 years on’, *BBC News*, 13 January; available online at <http://news.bbc.co.uk/2/hi/africa/596712.stm>.

jurisdictional eclipsing of the sub-national levels of government by the federal and the promotion of venality to a guiding principle of state craft (Abubakar, 2004: 160).

Therefore, major challenges to democracy and good governance result from the failure in the practice of a Nigerian version of federalism. Hence, if there is no renegotiation of Nigerian nationhood, an overhaul the nature and structure of her federal arrangements, and the negative influence of ethnicity is not addressed, good governance will be problematic. Also, enactment and implementation of public policies will always struggle to achieve the desired objectives.

Prior to colonialism, there were records of diverse links that existed between various nationalities and kingdoms that later became the Nigerian state. Of note were relations among Kanem-Bornu, the Hausa States, Nupe, the Jukun Kingdom, the empires of Oyo and Benin, the Delta region and the loosely associated Ibo communities. It must however be noted that these communities of people, though inter-dependent, never regarded themselves belonging to the same entity or have initiated any process to achieving such. Since the 1946 Richards Constitution, that provided the basis for Nigeria's federalism, the multiethnic groupings¹⁰⁹ have become a bane to Nigeria's national unity and development. He maintains that whatever decision was taken in the public sphere has an ethnic undertone (Jekayinfa, 2002).

Despite strong optimism that a return to democracy in 1999 would abolish ethnicity and ethno-religious conflicts, the country continues to be driven by tides of ethnic hostilities with devastating consequences (Kwaja 2009). Babangida (2002:11) enumerates such consequences as 'waste of enormous human and material resources in ethnically and religiously inspired violent encounters, clashes and even battles, threats to security of lives and properties, the heightening of the fragility of the economy and political process.

One of the major attractions for the adoption of democracy in the country lies in the fact that, as a unifying force, democracy is presumed as the "only institutional arrangement that can guarantee the peaceful resolution or management of ethnic and religious conflicts" (Olayode, 2007:134; Przeworski *et al* (1996: 41). This aligns with the proposition of democratic peace

¹⁰⁹ Rose (cited in Jekayinfa, 2002) defines ethnic group as community of people who share a unique social and cultural heritage, passed from one generation to another. She maintains that ethnic groups are identified by distinctive patterns of family life, language, recreation, culture, belief system and other customs which cause them to be differentiated from others.

theory that stresses that democracy is characterized by the presence of internal mechanisms for reconciling conflicts; this does not seem to work in the case of Nigeria, particularly in those initial years of return to a democratic regime since 1999. The Carnegie Commission on Preventing Deadly Conflicts found that:

In many multi-ethnic and multi-religious societies, the procedures of majoritarian democracy have proven effective for managing group relations and maintaining social cohesion. However, in societies with deep ethnic and religious divisions and little experience with democratic government and the rule of law, strict majoritarian democracy can be self-defeating. Where ethnic and religious identities are strong and national identity weak, the population may vote largely along ethnic or religious lines. Domination by one ethnic or religious group(s) can lead to a tyranny of the majority (Kwaja, 2009: 107).

Nigeria continues to be characterized by enduring socio-political instability and associated political twists generated by ethnic cleavages and violent conflicts. There were incidences of communal clashes between ethnic groups (Ife/Modakeke violence, Yoruba/Hausa violent conflicts, and Warri ethnic violent confrontation), not to delve into the Niger Delta militancy that is clothed in ethnicity, which has jeopardized Nigeria's attempt at peace, security and development. Jekayinfa (2002) rightly notes:

Rather than harnessing our diversities towards viable national development, we have become slaves to our ethnic origins to which our allegiance is largely focused at the detriment of nation building. Fanatical ethnic consciousness has resulted into ethnic prejudice and mistrust, religious and political problems, and socio-cultural conflicts (Jekayinfa, 2002: 1).

Ake points out that ethnic politics:

Created not only strong divisions within their own ranks but strong antipathies and exclusivity in society. As always, the exclusivity of the competing political formations increased the premium on political power and the intensity of political competition. Political intensity was further reinforced by the tendency to use state power for accumulation (cited in Abubakar, 2003).

Yaqub (2003) shares the above assertion and notes that:

The ethnic politics that predominated in the First republic and the consequent regionalization of political life, not only was each region a one-party state, but also the dominant party in each of the regions was a party of the dominant ethnic group (in that region) (Yaqub, 2003: 49).

Ethnic attachment is so strong that there is no conception of a Nigerian beyond that of someone who lives within the borders of the country (Rakov, 1990). This represents a contradiction to the spirits of nationhood or nationalism that has been the foundation upon which modern societies are built upon. In short, ethnicity has constituted the hard currency for purchasing political power

in the country (Adebanwi, 2004), and Ihonvbere (2004: 252) strongly holds that revenue allocation, one of the most critical aspects of power politics in Nigeria's distorted federalism, is hidden under the veil of ethnic cleavages.

Three ethnic groups - Hausa-Fulani in the north, the Igbo in the southeast and Yoruba in the southwest - constitute the major groupings which have attained "ethnic majority" status in the country (Rakov, 1990). The other (over 250 ethnic minority groups) failed - at independence - to develop their linguistic system. They also failed to 'modernize', or create linkages with the colonial powers, in the bid to attain such prominence of recognition within the country's socio-economic and political realities.. These three major affiliations comprise about fifty-seven percent of the entire population of Nigeria, while the other ethnic minority groups make up the remaining forty-three percent (Rakov, 1990).

The roots of ethno-religious conflicts in Nigeria have been traced to colonialism, while the acts of intolerance are attributed to bad governance, politicization of ethnic and religious identities and intense competition for political power by ethnic groupings Kwaja (2009: 106). Takaya (cited in Kwaja, 2009: 106) identified the motivations for the conflicts, these include:

- (i) An existence of two or more ethnic and religious groups with numerical strength that can significantly affect the outcome and direction of a democratic political process;
- (ii) The adoption of ethnicity and religion as legitimizing tools of hegemony in instances when the interests of the political class are under threat;
- (iii) The prevalence of ascendant radical thinking within a politically significant ethnic or religious group capable of upstaging hegemony;
- (iv) The existence of political, social or economic hardships that trigger alliances along ethnic and religious fault-lines.

Above all, the structure of the Nigerian state, and the inability of successive democratic governments to stem the tide of structural deficiencies in the configuration of the Nigerian state creates more space for ethnic competition that further strains the state and limits its capacity to be a rational rallying point for group interests and pressures.

4.2 THE SYSTEM AND STRUCTURE OF GOVERNMENT

In this section I present the flow of power within the executive branch of government, and explore how appointments are made to different ministries as well as set out the relationship between the legislative and executive branches of government. It is important to briefly explain the structural arrangements embedded in the Nigerian federal system, and especially the manifestation of excessive power in the President, which was brought to the fore when President Goodluck Jonathan rejected the resolution of the National Assembly in January 2012 to reverse the announcement of complete deregulation and removal of fuel subsidies.

The Federal Republic of Nigeria is governed, through the Federal Government of Nigeria, in accordance with the provisions of the Constitution (Obasi, 2005). The most recent constitution became operative in May 1999 when the then out-going military Head of State, General Abdulsalami Abubakar pronounced a decree ‘recognizing the new body of laws as the country’s supreme document’ (Obasi, 2005). Obasi notes that the Constitution is drawn from the report of a Committee which had aggregated the views expressed by Nigerians on the 1995 Draft Constitution: a report that was amended by the military government’s highest body, the Provisional Ruling Council. The Constitution clearly affirms that Nigeria remains one indivisible and indissoluble sovereign state, whose constituent parts are knitted together by a federal arrangement.

One of the greatest challenges to Nigeria’s development is the 1999 constitution. It was not a ‘peoples’ constitution, it was not drafted by the people and neither was it subjected for their approval. There were valid claims by prominent Nigerians and the masses that it has been manipulated by the military government to suit the wishes of the military elite that drafted and approved it (Interviewee Number Three, August 2013). Ihonvbere (2004: 257) posits that what Nigeria has is a legal but illegitimate constitution. He claims that the people were not part of the process, instead it was drafted by the military and imposed on Nigerians, and every attempt to overhaul it through a Sovereign National Conference (SNC) were rebuffed by successive civilian administrations . President Obasanjo, whom made several attempts to review it, insisted on many ‘no-go-areas’¹¹⁰.

¹¹⁰ The Presidency believed that the continued existence of Nigeria as a corporate entity and the choice of presidentialism should remain sacrosanct, never to be discussed or negotiated.

At independence in 1960, Nigeria retained a federal and parliamentary system of government, but soon abandoned the British-inspired Westminster model and embraced the constitutional-prescribed presidential system (in continuation with the 1979 power arrangement) modeled after the USA. The president possesses an executive power, the functions of the Prime Minister and President under the 1960 arrangement is now reposed in an individual, the Executive President who also doubles as the Commander-in-Chief of the Armed Forces. The first citizen is not responsible to the parliament, but to Nigerians and directly elected through a simple majority voting system for a four-year tenure.

It is the president's prerogative to appoint all Ministers, and other members of government, while a Vice President (elected under a joint ticket) offers support. The Constitution does not make provisions for the functions and responsibilities of the Vice President. Instead, his functions depend on the disposition of the President. This shows how powerful the President is. He wields tremendous power and authority, which should be understood in the context of long years of military rule, and the mindset of the military who drafted the 1979 and 1999 constitution that ushered in democratic governments.

Under the presidential system of government, the body of law makes provision for a legislature, executive and judiciary. Each of these branches of government acts as a check and a balance on the powers of one another. This is made possible by the principle of separation of powers. The Constitution also provides for three tiers of government at different levels: Federal, State and local levels (Constitution of the Federal Republic of Nigeria 1999¹¹¹; Obasi, 2005). These tiers of government, in principle, are autonomous but successive central governments in Nigeria have dominated the two tiers, while the state also relegated the local government to the background (Khalil and Salihu, 2011: 148). Invariably, the federal government keeps short-changing the state governments, while the state governments subvert the autonomy and financial viability of the government closest to the people - local government (Olaopa, 2014).

The constitution provides for a bicameral legislature,¹¹² which provides for two Houses of parliament: the House of Representatives and Senate, tailored towards the USA legislative system. The president's authority is checked by both the Senate and House of Representatives,

¹¹¹ See Chapter 1, Part II of the Constitution.

¹¹² The legislature is otherwise called the National Assembly.

while the President could withhold assent to bills presented by the National Assembly as a way of exercising control over the legislative house. The Senate is made up of 109 members – three elected legislators from each state and one member from the federal capital territory, Abuja. The House of Representative contains 360 seats and the allocation of members per state is determined by the total population of the state. The Senate President occupies the third position in the power pyramid, while the Speaker of the House of Representatives is the fourth citizen.¹¹³

The president surrounds himself with Ministers¹¹⁴ that co-ordinate the activities, implement projects and align the ministry to the aspiration of the government in power. Though, the president decides who to appoint based on his judgment, the Nigerian experience has exposed visionless decisions in this regard. Appointment is expected to be based on excellence, knowledge and sometimes, expertise but, aside the overbearing influence of the ruling political parties, it has become an avenue to compensate friends,¹¹⁵ families, and based on loyalties to the ‘cause’¹¹⁶ of the president or that of the ruling parties. In many instances, ‘political thugs’,¹¹⁷ mediocre, and semi-illiterates has found themselves heading important ministries like the Ministry of Education and Ministry of Foreign Affairs and even the Ministry of Information (Fabiya, 2014)¹¹⁸. The non-performance of the government is attributed to this act (Interviewee Number Six, July 2013).

¹¹³ The President is the first citizen, followed by the Deputy President. The Senate President is the third while the Speaker of the House of Representative is the fourth in the order of ranking. If the president is impeached or removed from power before the expiry of his tenure, the vice-president will assume office. Next in line is the Senate president, followed by the Speaker of the House of Representatives.

¹¹⁴ These are politically appointees, handpicked by the president, to head all the Ministries (called Department in other countries like South Africa). There is a Minister of State that assists the Ministers in the exercise of their responsibilities in their respective departments. The civil service is all under different Ministers for easy administration.

¹¹⁵ The Minister of Petroleum Resources, Allison Madueke, a close associate of the President, was summoned by the National Assembly to respond to issues surrounding allegations of corruption and abuse of power. The Parliament alleged that the minister had spent about N130-million, or around \$800,000, within a month over the past two years on the use of a private jet for her personal use. See (Obe, 2014).

¹¹⁶ This varies from offering financial, moral, physical and violent support to the electoral victory of the president or that of the political party.

¹¹⁷ This is a term that describes those individuals found to have engaged in violence to support a candidate during election. Some of them have hired ‘thugs’ and led violent assaults on party oppositions, other candidates during elections, while some has even disrupted election process to manipulate votes for their own candidates; see Fagbadebo and Akinola (2010: 11).

¹¹⁸ Fabiya (2014) reports how the Minister of Education, Mr. Wike, led some groups of people to mercilessly beat up his opponent in the incoming 2015 gubernatorial election race for Rivers State.

This section shed light upon some of the factors responsible for poor government performance in Nigeria. The President enjoys too much power. Of note is his power to withhold his assent to bills passed by parliament and this has been abused repeatedly. For instance, the implementation of the Petroleum Industry Bill (PIB) has been put on hold because the President is allegedly not keen on its passage into law. The much awaited opportunity to pass the PIB bill into law was ignored in January 2015. A member of the Senate revealed that the rigours of the February 14 general election and lack of funding for Parliamentary affairs has impeded its passage.¹¹⁹ Also, the power of the President to appoint the Ministers has been abused, as allegations of incompetence, corruption and abuse of power levied against some of the Ministers (like the Minister of Petroleum Resources) have been set aside by the President due to close personal relationships and other allegiances. Successive presidents have utilized their executive power to arbitrarily announce a rise in the prices of petroleum products without respecting the wishes of the people or considering the adverse effect on their livelihood.

4.3 FISCAL FEDERALISM

Iledarae and Suberu (2010) strongly believe that the discovery of oil resources and the expansion of the petroleum industry from the seventies onwards produced fundamental changes in the structural configuration and fiscal architecture of Nigerian federation. Fiscal federalism has become one of the major challenges of Nigerian federalism since the discovery and commercialization of crude oil, while the quest for resource control remains at the centre of a series of threats to the corporate existence of Nigeria since independence. From the ‘Adaka Boro’s’¹²⁰ armed insurrection of the early 1960’s to the ‘Biafran war’; and from the ‘Saro Wiwa’s’¹²¹ geo-political crisis to the ‘Niger Delta’ militancy’¹²²; cases of oil-related threats to Nigeria’s democratic and corporate survival abound.

¹¹⁹ See Folasade-Koyi, Adetutu (2013) ‘Senate: Polls, lack of funds stall PIB Passage’, *The Sun*, January 13.

¹²⁰ Adaka Boro, in early 1966, led a few indigene of the oil-rich Ijaw community to declare the “Niger Delta Peoples Republic”. The violence lasted for 12 days; see Fagbadebo and Akinola, 2010: 13).

¹²¹ Ken Saro Wiwa, a playwright and environmental activist from the Ogoni oil-rich community, led a protest through the Movement for the Survival of Ogoni People (MOSOP) to condemn oil related environmental abuse. He was later arrested by the federal government, tried under a military tribunal and sentenced to death by hanging; see Fawehinmi, Gani (2004) “The Murder of Dikibo: Another Lesson for Niger Delta”, *Nigerian Tribune*, February 14.,

¹²² The Niger Delta militancy is discussed fully later in this chapter.

The enormous contribution of 'oil' to the political economy of Nigeria, shortly after independence, remained undisputed. Iledarae and Suberu (2010: 3) insist that the oil sector has also dominated governmental fiscal revenues in the form of oil royalties, petroleum profit tax, domestic crude sales, and some petroleum revenues, which constituted 26% of federally generated revenues in 1970, but increased sharply to 81% in 1980, were 73.3% in 1990 and 83.5% in 2000 and reduced to an estimated 79 % in 2007. This has actually has a tremendous influence on fiscal federalism in Nigeria.

Fiscal federalism connotes the economic relationship, in terms of the distribution of national income and financial benefits, among the three levels of government: federal, state and local government. Adedeji (2001) summarizes the notion behind fiscal federalism as that which:

Is concerned with the complex financial arrangements between the national or federal governments and the governments of the federating units (regional/states) in a federal system. It has three dimensional perspectives: revenue, expenditure and inter-governmental transfers. Accordingly, the normative framework of fiscal federalism is centred on equity, coordinate and independent fiscal power, pluralism, comparative advantage, subsidiary and vertical and horizontal competitiveness in the promotion and achievement of good governance (Adedeji, 2004: 14).

Olaopa (2009) engages in a comprehensive account of economic inter-governmental relations and places the vexed issue in its historical perspective. He maintains that the 1946 Richards Constitution established a method of fiscal federalism by which every unit of administration within the federation was expected to be financially autonomous and self-sustaining and to contribute to the economic survival of the central government. By 1958, the Chick Commission Report prescribed a 50 per cent derivation, 30 per cent to the regions, and 20 per cent to the federal administration. This fiscal autonomy and stability triggers national prosperity: a point the Nigerian leaders were quick to forget. Suberu encourages the central government to facilitate:

Inter-governmental transfers to correct vertical or horizontal imbalances in the distribution of revenues and designing a fiscal federalism that promote not only distributional equity but also economic efficiency by encouraging all governmental units to optimally generate and expand their own resources and opportunities, thereby contributing to sustainable overall national development (Suberu, 2004: 30).

Part of the pre-independence agreements by political leaders from the three regions was that the sharing of all revenue was to be based on two principles: derivation and need. The premier¹²³ of the Northern Region and Western Region, Surdana Sokoto and Obafemi Awolowo respectively, preferred to ascribe priority to the principle of derivation in terms of revenue allocation, while their Eastern counterpart, Nnamdi Azikiwe argued for the principle of need¹²⁴. The major exports for the three regions, based on the principle of comparative advantage were cocoa in the West, groundnuts in the North, and palm oil in the East. There remained economic competition among the regions, and each developed at its own pace. Specifically, Section 140 of the 1963 Constitution, just like the 1960 Constitution duly made provision for the payment:

By the Federation to each Region [of] a sum equal to fifty-percent of the proceeds of any royalty received by the Federation in respect of any minerals (including mineral oil) extracted in that Region; and any mining rents derived by the Federation from within that Region...the continental shelf of a region shall be deemed to be part of that Region (Iledare and Suberu, 2010: 10).

However, the Binn Commission in 1964 reduced the allocation to the federal government to 15 per cent, and increased that of the regions by 5 per cent, which made it 35 per cent at the time. This was accepted by all the parties concerned.¹²⁵ The fiscal order remained like this until the military coup of July 1966, and for decades, they first destroyed regional autonomy by splitting the regions into smaller states and dismissed the post-independence sharing formula. This fiscal balance began to shift in favour of central government and states lost their fiscal roles to the central government, which appropriates about 80 percent of oil revenue. This anomaly was considered as one of the major contradiction of Nigerian federalism and quest for state-inspired development. This motivated Suberu (2004) to insist that:

The hyper centralization of revenue sources (despite the formal rhetoric of devolution), the intensity of horizontal distributive conflicts, and the lack of transparency in the implementation of fiscal transfers, to reiterate, are among the longstanding and enduring features of this pathological structure of fiscal federalism (Suberu, 2004: 33).

Olaopa (2009) recounts this and notes that the Gowon military administration enacted Decree 13 of 1970, which reduced the revenue distributed on the basis of deprivation to 5 percent; this was

¹²³ The premier is the executive head of a Province. The office is the equivalent of a Governor in the present Nigerian arrangement.

¹²⁴ The principle of derivation under the Nigerian federal system captures the constitutional sharing formula for resource-income generated from a specific state or region; while principle of need has to do with a means of attending to the needs of a particular state at a point in time.

¹²⁵ See Olaopa (2009) for more understanding of the pre and post-independence fiscal federalism in Nigeria.

in a period marked by increased oil revenue. The Muritala/Obasanjo (1976-1979) regime followed suit and further made further reductions, by 20 per cent, the revenue allocated on the basis of derivation. This was the oil-boom dispensation, during which oil revenues became the major source of national income. The return to democracy in 1979 did not stem the tide of the increased economic strength of the federal government, and by 1981 President Shehu Shagari downwardly adjusted the allocation to the states by 20 per cent (Olaopa, 2009: 226). At this point, derivation revenue to states fell from 50 per cent at independence to 5 per cent. It further dropped to 1.5% at the exit of the Buhari/Idiagbon military regime of 1984-85.

The re-democratization in 1999 raised expectations towards a more equitable fiscal sharing formula, but Sections 162 (1) and 163 (3) of the 1999 Nigerian Constitution makes the Federal Government the only custodian of all revenue: bonuses, royalties, and rents accruing from mineral resources in Nigeria on behalf of the 36 states, 774 local government areas, and the federal capital territory of Abuja, that makes up the federation.

These two Sections of the Constitution also made it compulsory for all revenues accruing to the country to be transferred into the federation account, which would thereafter be distributed among the three levels of administration.¹²⁶ This is managed by different revenue collecting structures that include the Federal Inland Revenue Service (responsible for collection of corporate income taxes), Nigeria Customs Service (collecting excise and import duties), the NNPC (overseeing the government's participation quota in oil exploration and production), the Department of Petroleum Resources (in charge of signature bonuses and royalties), and the Central Bank of Nigeria that keep in custody of all revenues (Iledare and Suberu, 2010: 3).

Section 162 of the 1999 Constitution, also provides for:

*Allocation principles of population, equality of states, internal revenue generation, land mass, terrain as well as population density, (while) the principle of derivation shall be constantly reflected in any approved formula as being not less than thirteen percent of the revenue accruing to the Federation Account from any natural resources.*¹²⁷

As at present, the revenue sharing formula is apportioned in the proportions of 48.50 percent to the centre government, 26.72 percent to states, 20.60 percent to the local government administration, and 4.18 percent to centrally-control special allocations (Iledare and Suberu,

¹²⁶ See the 1999 Constitution of the Federal Republic of Nigeria.

¹²⁷ See The Constitution of the Federal Republic of Nigeria 1999.

2010: 9). In addition, the constitution entrenches the minimum of 13 percent derivation payable to the nine states that makes up the Niger Delta – the oil producing communities. The nine states are: Delta, Bayelsa, Rivers, Akwa Ibom, Cross River, and Edo states, which accounted for 91.5 percent of the gross oil production, while Abia, Imo, and Ondo state contributed about 8.5 percent of the oil production in 2008.

Despite the 13 percent additional income received by the Niger Delta states, the conditions of absolute poverty, underdevelopment, hopelessness, youth restlessness, unemployment, exploitation, environmental degradation, and gas flaring is associated with the oil communities. The crux of the matter has been the inability of the state’s political elite to convert the extra allocation into improvements in the living conditions of the oil producing communities. Instead, persistent calls for the expansion of the 13 percent excess allocation to between 25 and 50 percent continue, and the tempo increased in the post-1999 democratic era. However, the distribution of gross revenue allocation shows that the oil producing states received more than 50 percent of the total federal allocation for the 36 states in 2008, even though the Niger Delta region accounts for about 22.3 percent of the population (Iledare and Suberu, 2010).¹²⁸

Nigeria’s version of fiscal federalism breeds suspicion, lack of trust and alleged discrepancies between the statutory allocation and actual allocations received by states and local government. The Niger Delta and other states have accused the federal government of making illegal deductions from the federation account before sharing the “left-over” between other levels of government. Ekpo (2007: 230) calls attention to the Supreme Court rulings¹²⁹, invalidating such deductions, but the federal government disregarded the ruling and carry on, business as usual.

The federal government is noted for disregarding court orders, especially during the administration of President Olusegun Obasanjo. A case of note was the withholding of

¹²⁸ For more details, see <http://www.npc.gov>.

¹²⁹ Lagos State created additional local governments as a response to the yearnings of the people, but the President Olusegun Obasanjo-led federal government kicked against it (tagged it “illegality”) and withheld monthly allocations meant for the state. The Lagos state government sought redress in the Supreme Court. On 10th December, 2004, the Supreme Court in the case of Attorney General of Lagos State vs. Attorney General of the Federal Republic of Nigeria, ruled that the President lacks the power to ‘suspend or withhold for any period whatsoever, the statutory allocation due and payable to the Lagos State Government (for the benefit of Local Government Councils) in pursuance of section 162(5) of the 1999 Constitution’. The highest Court thereby ordered the federal government to immediately release all “allocation due and payable to the Lagos State Government for the benefit of Local Government Councils pursuant to Section 162(5) of the Constitution”; see Taiwo Osipitan (2004) “Nigeria: Comply With Court Ruling, LASG Tells FG’ Vanguard, Lagos, December 20.

allocations to Lagos State for several months, due to what the federal government called the “illegal” creation of the Local Government Council by Lagos State. The State took the federal government to court seeking permission to exercise its right and autonomy and asking the court to compel the release of the State’s allocation. The Supreme Court, entertained the case, and declared that the action of the federal government was illegal, null and void. It took several months before the President had a rethink and released the allocations, at his own convenient time.

President Obasanjo’s government (1999-2007) had wanted to use its economic and fiscal power to coerce Lagos State into compliance, having recognized the financial dependence of states on the central government, but Lagos State managed to source for funding. Only Lagos State and, perhaps, Rivers State could survive for a few months without receiving allocation from the centre government. This exposes the fiscal imbalance and the inability of states to generate internal revenue, which makes the state economically subservient, politically subjective, and impedes the ability of each state to live up to its financial obligations to its citizens. Close to the 2003 elections, President Olusegun Obasanjo, while campaigning for the candidate of the ruling Peoples Democratic Party (PDP) in Ekiti State, advised the people to join the mainstream of the nation’s politics and reap the dividends of democracy (Ogunsemi, 2007). He said their decision to vote for a rival party, the Alliance for Democracy (AD) subjected them to harsh economic conditions under the erstwhile Governor Niyi Adebayo. All through his tenure, the President did not visit Ekiti State and he did not also initiate any developmental project in the state. The economic hyper-centralization of the federation is evident when one considers that the state and local governments earn about 20 percent of the total federation public revenues, central fiscal transfers account for about 80 percent of sub national budgets, and the central government allocates more than half, and sometimes up to two thirds of states total expenditure (Suberu, 2004: 4). It is really an awkward fiscal relationship.

This section reveals how the President uses his fiscal dominance to sometimes coerce state government into bidding his wishes as seen in the Lagos State/federal government feud. The States lack the financial autonomy and capacity to instigate substantial development; hence, agitations on improved economic condition by Nigerians are always directed at the federal government. This heightens the sensitivity of Nigerians to any policies, and especially that of oil,

that negatively impacts upon their livelihood. Allocations from the federation account to oil-producing States (Niger Delta) were drastically reduced by the federal government. This breeds discontent in the zone and aggravates militancy and massive dissent towards any increment in the prices of petroleum resources.

4.4 POLITICAL LEADERSHIP

The capacity of the Nigerian state to induce development projects has been hampered by the ruling elites since the second republic in 1979. Nigeria's socio-economic disaster continued to be nourished on virtually all segments by a pedestrian leadership long enough to demonstrate the manifest failure of the state (Ehusani, 2012). Existing studies have attributed a leadership problem as a major cause of the country's inability to effectively mobilize her resources for increased standards of living and development (Editorial, 2013). It is evident that ineffective leadership constitutes a great obstacle to socio-economic and political development in Nigeria, while poor leadership worsened the country's misfortunes in all spheres of governance.

The report notes that "having gone through decades in which their faith in their national leadership have been abused and affronted, Nigerians impatience with their leaders and almost total distrust of government functionaries can no longer be-dismissed as mere cynicism" (Editorial, 2013). This attitude was the major factor that strengthened Nigerians resistance to any justification for deregulation and the removal of subsidies in the oil sector. The government was not trusted and the political office holders were not seen as true representatives of the people, yet there was a very strong hope for a better Nigeria at the return to democratic governance in 1999.

In fact, in the period since independence there were high expectations by the people; a period of high hope and limitless possibilities for national greatness. With enormous resources, Nigeria appeared set for rapid development, and attainment of a prominent role in the empowerment of Africans due to her enormous resources and huge population, among other factors.. Unfortunately, inept leadership has posed greater challenges to actualizing that goal. The lack of visionary and selfless leadership (under both military and civilian administration) and the vexed leadership question continued to be a stumbling block to the county's ability to harness her resources (natural and human) to induce sustainable economic development (Abubakar, 2004: 161; Editorial, 2013). Shanum expressively extends this argument:

A land devoid of visionary leaders and a nation without integrity can hardly experience stability and peace. That is the story of Nigeria in recent years. Leaders with vision inspire citizens and mobilize them for nation building. Leaders with crystal motives employ wisdom, foresight, sense of purpose and commitment, to galvanise a people towards self-actualisation and propel the national spirit in them. History throws up quite a few outstanding leaders, true heroes of their time, who set the moral and political tones for their societies. Such leaders as George Washington of America, Mahatma Gandhi of India, Winston Churchill of Britain, Charles De Gaulle of France, Julius Nyerere of Tanzania, Lee Kwan Yew of Singapore and Nelson Mandela of South Africa, readily come to mind (Ehusani, 2012).

Nigeria possessed a semblance of these men at independence, but the amalgamation of the three distinctive nations into a single entity threw their charismatic leadership and visions into the cloud of ethnic hostilities, which prevented the emergence of a true nationalist and leadership that commanded respect and followership across the three major ethnic groups. These men - Obafemi Awolowo in the west, Nnamdi Azikiwe in the east, and Ahmadu Bello/Tafawa Balewa in the north – were idols in their respective regions (Okafor, 2006).¹³⁰ The ascendance of the military officers into political leadership, without any iota of leadership and administrative quality, further compounded the search for visionary leadership¹³¹ in Nigeria (Okafor, 2006); hence it was not surprising to see the mass of the people staunchly resist the continuation of military rule in 1999.

After decades of political despondency, social decay and economic malady that Nigerians experienced under military rule, the return to democracy in 1999 re-strengthened the expectations of citizens for good governance and development. Shanum (2013) maintains that:

Nigerians were looking forward to reaping the dividends of democracy. The narrative was that the military was delinquent, corrupt and unaccountable; and democracy would offer answers to critical matters such as unemployment, poverty, insecurity, absence of basic infrastructure, corruption etc. Believing our politicians had picked a few lessons from the catastrophe of the first, second and third republics, we entered the fourth republic full of hope (Shanum, 2013).

¹³⁰ These leaders, like Obafemi Awolowo, displayed unique attributes of a democrat in so many ways. More prominent was his decision to support a candidate (Bola Ige during the 1979 gubernatorial race in Oyo state) Nigeria) he initially staunchly opposed because he was the choice of the people. Outside elected office, the country continued to utilize his leadership and administrative skills, which earned him an invitation to assume the position of Vice President under the military regime of General Gowon, with the responsibility of successfully managing the Biafran war. For more on this, see Okafor (2006).

¹³¹ By visionary leadership, I mean a transforming leader who takes practical steps to implement his/her visions for the society under the ambit of constitutionalism. For more information on visionary leadership, see Okafor (2006).

There are very modest ways the population could benefit from the enthronement of democracy, which was as a result of their painstaking struggle against military dictatorship. *Interviewee Number Nine* summarizes it thus:

There are many ways Nigerians benefit as witnessed in some States. The dividend of democracy is what politicians can do. They can make effects on people like health and education sectors. How can ASUU¹³² be on strike and nobody has engaged them in genuine discussion? How can government not honour the agreement they freely entered into? Roads, especially in the Southern Nigeria are in a pathetic state, hospitals have become a death-centre, while hunger and hopelessness is the lot of the masses. Nigerians are not asking for so much. Even if the federal government is not responsible, let the state government rise up to the occasion. The development in Lagos and Akwa Ibom States can't be attributed to the federal government. Let them reform and financially strengthen the local councils. Government should make the environment conducive for private investors for employment creation. Railway transportation should be developed to link major cities thereby reducing road transportation. Participation of people in governance is non-existence. INEC¹³³ must be equipped to conduct transparent elections. Decent and honourable individuals cannot even participate in the violent-prone politics...what is the problem with Nigeria? (Interviewee Number Nine, July 2013).

Unfortunately, democracy has not yielded the desired results due to many reasons, among which is the character of the political elites that occupy positions of power, with a limited understanding of what governance requires (Agulanna, 2006). Almost fifteen years after, the nation continues to grapple with the major ingredients needed for development and statehood: quality and visionary leadership. Abubakar was however not too surprised with the lack of good governance and leadership acumen displayed under democratic governance due to his belief that leadership in Nigeria 'does not derive its legitimacy from the citizenry, lacks probity and integrity in governance, and can hardly articulate coherent policies that could ensure efficient resource management, social transformation and development' (Abubakar, 2004: 160).

There is a disconnection between the state's economic development and the participation of the masses. The big gap that exists between the citizen's expectations and state performance weakened the connections between the two, causing the state to assume authoritarian powers, thereby exerting lesser control over society (Olayode, 2005: 29). As the state fails to meet the expectations of its population, its legitimacy declines and this buttresses the perceptions of

¹³² It has been almost an annual occurrence for the Academic Staff Union of Universities (ASSU), an umbrella union for federal and state's controlled University, to embark on strike for months. The last was for a period of 5months.

¹³³ Independent National Electoral Commission (INEC) is the Nigerian electoral body responsible for the conduct and management of elections in Nigeria.

Nigerians that the state is an alien institution acting against the wishes of its own population. The explanation for the disconnection between the elites and population, and the apparent political apathy displayed by Nigerians is presented thus:

The elected officials should be duty bound to respect the masses and serve them right...their recruitment as a leader depend on the support and votes of the people. Your political manifesto (Nigeria political parties do not campaign with manifesto but appeal to ethnic and religious cleavages)¹³⁴ will reflect what your political aspirations are about on social services, good roads, health, education etc. There is the need for a convergence between political elite, the elected officials and the population...leadership based on mutual acceptance and legitimacy, which is required for both to speak with one voice (Interviewee Two, July 2013).

The value of democratization is re-echoed by Plamenatz thus:

There is democracy where rulers are politically responsible to their subjects. And there is political responsibility where two conditions hold: where citizens are free to criticize their rulers and to come together to make demands on them and to win support for the policies they favour and the beliefs they hold; and where the supreme makers of law and policy are elected to their offices at free and periodic elections (Plamenatz, 1973: 184).

A critical element in the survival of democracy in Nigeria is the ability of INEC to conduct elections that would allow people to choose their representatives at all levels. It does not end here; ‘Nigerians should monitor what the public officials do once in office’ (Interviewee Number Three, August 2013). This is the ideal way of improving human capacity and advancing the cause of democracy. Such a political system would be more beneficial to the people due to the election of the choice of the majority, which would enhance legitimacy and provide a greater likelihood of support for subsequent government policies.

Nigeria represents a society where political public officers fail to exemplify the sterling attributes of quality leadership (Ehusani, 2012). According to him, the ruling class is dominated by corrupt character and has plagued the public space with rogue leadership, looting of the treasury, electoral malpractices and violence, political brigandage, the elimination of opponents and intimidation of the masses. This has led to a dearth of decent, public-spirited and successful professionals from participating in the dreaded¹³⁵ politics. Some that threw themselves into the murky water of Nigeria’s politics end up being compromised, and “coerced” or attracted by

¹³⁴ Emphasis is mine.

¹³⁵ The path of Nigerian politics is riddled with violence, allegations and counter-allegations of corruption as well as deformation of people’s character.

staggering wealth into joining the trend; while some that could not compromise their stance against the abuses of office were frustrated out of office (Farawe & Akinola, 2011).¹³⁶

Marxists have likened states like Nigeria - and its leaders - to a kind of parasite, particularly through what Smith (2003: 112) calls a 'privileged, bureaucratic caste'. He further argues thus:

The state extracts resources for the purpose of social reproduction but to sustain an elite. There is the idea of the state as epiphenomenon, when the economic and property relations are given such a determining significance that other institutions-political - legal, cultural and ideological - are merely a reflection of them and entirely explained by their dependence on prevailing economic relations. There is the idea of state as an instrument of class domination, an executive committee for managing the affairs of the whole bourgeoisie (Smith, 2003: 112).

The assumption here is that any class or group that controls the economy would always hijack and control the state for perpetuating their pervasive interests.

Ehusani (2013) notes that once a political system is dominated by visionless leaders, the country would perpetually struggle for enduring peace and prosperity, while the state would stutter in its developmental strides. It is believed that 'Nigeria can be successful like the United States and become the habitation for people across the globe, if good leaders could emerge to drive the democratic train of governance' (Interviewee Nine, June, 2013). Shanum (2013) reiterates the fact that 'the progress of any nation rests on the stature or standard of its leadership and how they can bring this to bear on the welfare of people of the nation'. Uzodike reinforces this point thus: 'many African governments have remained either criminally blind to, or unable to redress, the harsh realities of life for most of their citizens. Basically, no other region of the world has been as poorly led and governed by so many leaders for so long' (Uzodike, 2009:2). The passion to rid Nigerian of inept political leadership endeared Ehusani to comment, making reference to the Holy Bible, that:

With the reality on the ground today where the masses are more and more depressed in all sectors, the gap is ever widening between them and a leadership feeding fat and getting richer by the day, a leadership enjoying self-awarded honours and perquisites, with their wards often comfortably ensconced in foreign lands. Only yesterday, many of these political parasites were out there, gaunt and hungry like the rest of us, bemoaning their lean fortunes. But today, they have metamorphosed into deities who are no longer sharing the pains in the land. The story of

¹³⁶ A Professor and man of integrity, Sola Adeyeye, became a member of the House of Representative between 2007-2011 and was shocked at the huge sum of money paid to members of parliament. He raised alarm, condemned the excessive payment as well as other cases of abuse of office prevalent in the National Assembly. He was frustrated, isolated and condemned by other members. However, he did not reject the payment. Instead, he completed his tenure and is now in the Senate. For more information see Farawe & Akinola (2011).

our kind of leadership is akin to the one told by Prophet Ezekiel in the book of Ezekiel Chapter 34, where the shepherds of Israel, rather than feed and tend the flock in their charge, chose instead to feed themselves on the sheep and the milk, to dress themselves in their wool, and abandon the sheep, putting them in harm's way (Ehusani, 2012).

One of the reasons given for poor leadership has been the complex system of government. The *Nigerian Observer* rightly notes in its report thus:

Our political structure especially the adoption of a warped federalism has combined effectively to deprive Nigeria of a sound process of getting the right leadership. Even, democracy which is expected to produce effective leaders is now, a major political problem in Nigeria. We believe that problems such as corruption, and inter-ethnic wars and suspicion, which have contributed a lot to the failure of leadership, can be adequately tackled (Editorial, 2013).

Another startling contributory factor in the failure of political leadership in Nigeria is the blurred line between political and economic elites. Shanum (2013) exemplify this point by insisting that a democratic community must in a way separate its political power from its economic power. He further comments thus:

Some people must be seen to clearly control political power without also necessarily having control of economic power. This way, a synergetic correlation is fashioned. The political power containers know they have to deliver peace and stability and effective infrastructure if they must be buttressed by the economic power holders who guarantee the being of the political class through financing of campaigns and internal economic happenings that provide taxes to the government (Shanum, 2013).

The power of the political class in Nigeria is contingent on how economically robust they are, just as their economic power determines the extent of political power one could command. This assertion becomes stronger in the post-1999 democratic regime, whereby politics became really monetized, and the highest bidder won the races to political positions (Akinola, 2009). As noted by Akinola (2009), party nominations for elective positions are “given” to the most affluent and every form of experience and leadership skill were set aside. This practice was more prevalent within the ruling party, the Democratic People’s Party (PDP): a party referred to as ‘Peoples Deceptive Party’ (Interviewee Number Eight, July 2013) and ‘political gangs’ (Interviewee Number Five, July 2013). Most of the economic big-wigs in Nigeria allegedly amassed their

wealth from the state (legitimately through unnecessary foreign trips or illicitly through corruption) (Enumah, 2012; Ogbeidi, 2012; Farawe & Akinola, 2011; Akinola, 2009)¹³⁷.

The Nigerian state has become the most assured way of becoming a millionaire, either through occupying a political position (especially under military dictatorship) or transacting business with the government (Cherry, 1994). The scramble for political positions becomes attractive due to the assured wealth associated with it. All former military officers that once held political positions like Ibrahim Babangida, Marwa, Olagunsoye Oyinlola, and David Mark, and individuals that did not hold any public positions like M.K.O. Abiola (Cherry, 1994), Aliko Dangote, the Dantata's, Wale Adenuga had direct business links with the government and allegedly made their wealth from the state coffers.¹³⁸ Therefore, Nigeria was under sets of political leadership that were not visionary, but regarded politics as an avenue to maintain their economic dominance and to sustain their business empire.

The Nigerian population has also contributed to the leadership failure in the country. One interviewee claims that unlike in other countries, Nigerians have not shown strong resistance to the excesses of leadership in Nigeria (Interviewee Number Five, July 2013). He notes that any society that desires good leadership must be ready to demand it, not necessarily through a bloody revolution as in Egypt or Libya, but by putting pressure¹³⁹ to effect attitudinal changes in the leaders. Ehirim (2013) notes that the nature of the people greatly determines the direction and

¹³⁷ For instance, the Nigeria Medical Association of Nigeria (NMA), alleged that the 'search for better medical healthcare abroad by Nigerians (particularly political office holders) is said to be costing the state over \$500 million annually. Even as a traveler on the average is said to be spending between \$20-\$40,000 on a trip' (Enumah, 2012). NMA maintains that these medical conditions could be satisfactorily managed in Nigeria. This presents an avenue to engage in mismanagement and corruption. During the Nigerian First Republic (1979-1983), the Transport Minister, Alhaji Umaru Dikko, was alleged to have mismanaged about N4billion of public funds meant for the importation of rice; see Ogbeidi, 2012: 8).

¹³⁸ M.K.O. Abiola was an astute business man who allegedly made his wealth from International Telephone & Telegraph (ITT) contracts with the Federal government in the late 1970's (Cherry, 1994) He later became a politician, and won the contested June 12, Presidential election. Wale Adenuga and Alhaji Dangote are one of the wealthiest men in Africa. The two are actively linked to have made their wealth through past military head of states, and continue to enjoy monopoly in their business activities that spread around Nigeria. Allegations of their huge contribution to fund the ruling party continue to dominate political discourse in Nigeria. Many retired military men, with tremendous wealth, forced themselves to the political space by wielding their financial prowess, which was found too irresistible by the political parties that presented them as candidates. Many of them now dominate both the political terrain and business sector. In the 1999 political dispensation, many of the State's governors, members of parliaments, ministers and even the President, Olusegun Obasanjo were former military men.

¹³⁹ This could be in the form of protesting against bad governance, and not just against fuel increases.

output of the leaders. He also exemplifies the notion that a nation gets the kind of leadership it deserves.

Political culture in Nigeria defies the orthodox perspective of aligning culture along the participant, subject and parochial political culture. Pateman (1971: 293) notes that a review of a political culture will 'include the three sides of the individual citizen's relationship to politics: his value perspective; any relevant personality or psychological factors; and cognitive aspects, i.e. his knowledge and beliefs about his own political structure and the way it operates'. The Nigerian population could not be said to be participant (expected in a liberal democracy), subject (emerging democratic states) or parochial (found in totalitarian regimes) in nature, but fall in between these forms of political culture.¹⁴⁰

The people were keenly participant at independence, but the years of military dictatorship between 1966 and 1979 subjected the masses to submissive culture. However, the economic hardship associated with SAP and the weight of oppression under subsequent military regimes motivated the resistance to military dictatorship in the early 1990s. But, the wind of democratization by late 1990's, failed expectations from the President Obasanjo's government (Akinola, 2008) and electoral fraud (Onapajo, 2014) changed their attitudes towards political apathy¹⁴¹. However, the citizens are very active in terms of their resistance to reform in the oil sector and electioneering process. The display of participant political culture and high activism is mostly connected with the monetary attractions to political participation.¹⁴²

Ironically, the Nigerian population does not recognise the proper roles required of them, and sometimes, when they try to criticise the leaders, they do that without an informed opinion (Interviewee Number Five, July 2013). Shodipo (2012) rightly agrees that leaders perform in accordance with the expectations of the people, and argues that citizens are as powerful as leadership in shaping the future of a society. Changes in the orientation and mindset of the

¹⁴⁰ By political culture, I mean the pattern of attitudes, orientation, and disposition of members of a society towards their political system, political institutions and the custodian of authority. See Almond and Verba (1989) and Pateman (1971) for more understanding of political culture and types of political culture.

¹⁴¹ Political apathy and disinterest of the majority of ordinary citizens, represents an explanation in terms of the impact of the political structure on each individual, and this is manifested in their attitudes toward politics (Pateman, 1971: 297).

¹⁴² I witnessed cases where money was disbursed to buy votes for a particular candidate right at the polling center (Ile-Ife, Osun State) in 2011. Food, household utensils and money was also openly distributed to people that attended a rally in support of the candidate.

Nigerian masses have the capacity to transform “bad leadership” to inherently “good leadership”; However, the influence of monetary rewards as basis for political participation and electoral violence remain a recurring phenomenon during elections.

Therefore:

The extent to which the Nigerians have a say depends on their votes. That is the prescribed manner to influence the leadership, but before 2011, people votes hardly counted. We also have cases where the votes counted are not the yearnings of the people. There are strong obstacles to perfecting voting procedures. Many voters were forced and intimidated by the elites to vote in a certain direction. They have no right to whom their leaders should be; there are improvements now but we are still far from the ideal (Interviewee Two, July 2013).

The most important incentive for sustainable democracy is for the population to become politically conscious and informed about the principles of democracy. The population has a sense of responsibility to insist on quality leadership, popular participation and public accountability, majoritarian rule and to make reasonable demands on the government (Interviewee Number Three, August 2013). This remains the only assured way of harnessing the advantages of democratization and democracy.

Apart from cases of mass resistance to increase in the pumping price of (PMS), civil society has failed to muster strong opposition and resistance to bad governance. Ehusani (2012) holds that:

The generality of the Nigerian people who have had to put up with a succession of rogue leaders and whose sensibilities are today continually insulted by punitive overlords in the corridors of power, should wake up from their slumber and reaffirm their belief in the sovereign power of the people. Civil society must shake off its shackles and break out of the political inertia in which it presently finds itself, and redefine the character of leadership for the Nigerian nation. The desired change will come about when civil society rejects the unfolding ignominious political system that is driven by a lack of moral credibility on the part of politicians who got into power with questionable electoral credentials (Ehusani, 2012).

Civil society, which should act as a voice or bridge between the state and the people, has failed in some ways through an inability to compel the government to yield to the aspirations of the people. This was most pronounced during the mass demonstrations in 2012, led by the coalition of civil society and the NLC, as a reaction to the increase in the pumping price and removal of the subsidy on PMS and the pronouncement of deregulation in the downstream oil sector. Long after the civil society/labour union had accepted a reduction of the price of fuel from N135 (it was originally N65) to N97, the population (especially in Lagos State) continued to protest on

the streets, renounced the decision to accept the ‘mere reduction’, and castigated the labour leaders agreements as ‘betrayals’ (Interviewee Number Eight, July 2013).

The labour leaders have been accused of letting the ‘people down at such critical stage when they only needed to exert a bit of pressure on the government which was cracking and ready to completely reverse the increment’ (Interviewee Number Eight, June 2013). He further claimed:

The level of insincerity in this country is so high...even among the so-called labour union. To start with, the labour union did not want to join...they betrayed the trust of the majority. Why would they call off the protest when they nearly won the battle? They only needed to hold their nerve for one more day; just one more day and the government would have had no choice but to rescind its decision, but they conceded to mere reduction (from N135 earlier announced to N97) and accepted deregulation policy. How can they?’ (Interviewee Number Eight, June 2013).

Aside from the occasional opposition to policies in the oil sector and agitation for increased minimum wages and workers welfare, Ehusani (2012) feels that civil society in Nigeria has not put strong pressure on political leadership for an improved life for Nigerians nor held the state accountable and responsible to the promises of good governance. The people needs to communicate more, ask more questions, scrutinize more, oversee more, idolize less and become more politically conscious (Shodipo, 2012). Accordingly, the population needs to become more active in agitating for a change in the character of Nigeria’s leadership. Ehusani maintains that:

The desired change will come about when civil society rejects the unfolding ignominious political system that is driven by a lack of moral credibility on the part of politicians who got into power with questionable electoral credentials. The desired change will come about when civil society identifies and rejects the political parasites who are isolated and alienated from the social circumstance of the people, and who do not share in the economic austerity of the moment but whose interests lie in living on a different level thereby contributing to state failure (Ehusani, 2012).

Many factors have been attributed to the political apathy displayed by Nigerians generally, and their lack of interest in the affairs of the state. Economic hardship, poverty, high level of illiteracy and the legacy of the military have all negatively impacted on the actions of Nigeria’s population and that of the civil society, including the labour unions. Shodipo (2012) reiterates the fact that the attitudes of the people can easily influence the behaviour of leadership. Though this looks valid in more open and democratically accountable countries but in Nigeria, especially

with the recent experience of the military rule¹⁴³ still fresh in people's subconscious, the political leaders have coerced the population into a somewhat submissive political culture.

Ehirim (2013) supports the point that military regimes negatively impact on the psychology of the population and opines that the presence of the military regime and the rise of dictatorship (military and civilian) in Nigeria have greatly influenced and distort the participatory obligation of the population. During military rule there was the erosion of fundamental human rights and freedoms (lasting for 30 of the 53 years since independence) and restrictions and injustices by dictatorial civilian administrations, and especially under the Obasanjo-led administration (1999-2007).

Despite the lack of force displayed by the Nigerian labour unions, they have tried to resist all fuel increments since 1993. This resistance has, in many instances, disrupted government operations and economic activities. However, one respondent advised on the need to exercise caution in the acceptance and analysis of the conduct of Nigeria's labour unions in relation to the strike action and protests witnessed during incessant hikes in the price of PMS and during other industrial disputes (Interviewee Number Three, August 2013).

The respondent refers to situations when the labour unions in Nigeria became increasingly unresponsive to the challenges of governance, leading to what he calls a "totalisationism" in which labour unions threatened the peace and stability of the country through a total paralysis of governance. It is beholden on the union leaders to maintain an appreciable level of stability that is required for successful reform and development. Yet it is apparent that Nigerian political leadership does not seem to react to labour demands until strike action is embarked upon.¹⁴⁴

Nigeria needs a change, and this depends on attitudinal changes in both leadership and the political culture of the population. For instances, the population places tremendous financial pressure on political office holders which engenders high levels of corruption. The expectations

¹⁴³ The military regimes in Nigeria were delinquent, corrupt, dictatorial, repressive, brutish and unaccountable.

¹⁴⁴ For instance, the Academic Staff Union of University (umbrella union for lecturers in government-owned Universities) and Nigerian Medical Association (umbrella union of all medical doctors in public-owned hospitals) embark on strikes almost on a yearly basis. Despite the norm of giving the government a 21-day notice period of strike action, the government does not respond until a strike action is declared. The Universities continue to lose months to strike action, while many have died due to the strike action of medical practitioners in Nigeria's health sector.

on the population on those holding political and public office to engage in nepotism has compounded the governance crisis in the state. Nigerians do not see institutional development, provision of infrastructure, social services, amenities and improvements in service delivery as the dividends of democracy. They prefer receiving ‘cash’ from political officers they elected into office; hence, they demand money in exchange for their votes (Interviewee Number One, July 2013). This motivates political office holders to become involved in indiscriminate corruption (Ogbeidi, 2012).

Nigeria has been led for much of its post-independence period by what Olaopa (2009: 210) regards as ‘one of the world’s most flagrantly corrupt political elites’. One might also claim, however, that it is apparent that the Nigerian government has very little power; the political elites have mortgaged its future and handed over the state to MNCs. Real power, it may be claimed, actually lies with these MNCs operating in the oil zones. Soremekun feels; ‘the Nigerian state is a shell, and Shell (the Anglo-Dutch giant) is the Nigerian state’ (Olaopa, 2009: 210). He further claims that the struggle for state power remains an avenue through which to grab oil resources for selfish interests, while the masses remain at the receiving end of poor governance He notes:

Simple democratic demands have become privileges dispensed by the governing elite as and when they please. Democracy becomes a hollow shell to legitimize oligarchic politics of greed and naked opportunism. The leadership has contempt for its people and acts so in the most brazen way (Olaopa, 2009: 217).

Iledarae and Suberu (2010: 19) conclude that government is fighting with the government! The oil business that has been the bane of Nigeria’s crisis of development and legitimacy is dominated by the political class. Herewith lays a paradox. They argue that the oil reform is being implemented by the same political class whose abuses and excesses the deregulation is designed to contain.

I claimed in this section that apart from structural flaws in the Nigerian federal system, the political culture of the Nigerian population and character of its leadership has constituted an impediment to good governance. The monetization¹⁴⁵ of electoral processes has denied the population the right to free and fair elections which, in turn, has contributed to the emergence of weak and visionless leadership. This breeds political apathy, which has aggravated the hostilities

¹⁴⁵ By monetization, I mean the conversion of something into monetary value. That is placing monetary value or reward on an act, event or practice.

of Nigerians towards the government and engendered dissent against government policies, as witnessed in the oil sector reform.

4.5 THE NIGERIAN ECONOMY

Nigeria is richly blessed with tremendous and diverse human and natural resources, while her climatic condition accommodates expansive agricultural activities. The industrial sector is limited by inadequate capital for investment and scarce technological and technical knowledge, which affects the third world in general. However, that said, Nigeria can still boast of a prominent industrial sector which includes a thriving oil industry, iron and steel industries, steel rolling mills, pharmaceutical and food processing industries, among others (Editorial, 2013).

The advent of democratic rule has improved the environment for nurturing sustainable development. Agbaje, Ebere Onwudiwe and Diamond (2004) have re-echoed this claim that:

Nigeria's perennial struggle for democracy and good governance has in recent times opened up the political space and constructed a wider terrain for democratic action. There is more pressure for accountability and transparency in public and not so public life. The judiciary is increasingly asserting its autonomy even in contexts that seek to limit such autonomy. The policy environment is becoming more rational with the establishment of more institutions of oversight and the strengthening of long existing ones (Agbaje, Ebere Onwudiwe and Diamond, 2004: xxi).

In the past four years, the pace of economic liberalization and financial sector reforms in Nigeria has accelerated. This, it could be argued, has the potential to match the growing expectations of the local population. With the liberalization of the telecom sector, the country has one of the fastest growing cellular telecommunication sectors in the world; and financial sector reforms have increased bank capitalization (Oshikoya, 2008). Although many banks were nearly liquidated¹⁴⁶, the Central Bank of Nigeria (CBN) financially rescued and stabilized them. The success recorded after the deregulation of the telecommunications industry was met with mixed

¹⁴⁶ Some banks in Nigeria, Inter-Continental and Oceanic Bank, became distressed; a great percentage of their staff were sacked, embarked on salary-cut, while customers could no longer withdraw from their savings. The Central Bank of Nigeria (CBN) rescued the banks, accused the leadership of the banks of corruption and subsequently removed them from office, and requested the Economic and Financial Crime Commission (EFCC) to proceed with their prosecution; see <http://www.newstimeafrica.com/archives/1842>.

feeling by Nigerians, who continued to experience very poor services from all the network providers¹⁴⁷ (Sapa-AP, 2012).

Nigeria's demographic trends will impact long-term economic development through such channels as labor supply and productivity, savings and investment behavior, government fiscal operations, pension requirements, and social safety nets. As the demand for basic social and infrastructure services rises, social and economic pressures on the state's limited resources are likely to increase (Oshikoya, 2008), but the country's wealth in mineral resources and manpower is expected to match the growing demands.

Nigeria remains the largest oil producer in Africa and the world's eighth largest oil producer, the world's fourth largest exporter of Liquefied Natural Gas (LNG) and has the seventh largest reserves of natural gas (EIA, 2013; Oshikoya 2008). Nigeria's enormous energy resources include an estimated 35 billion barrels of oil and about 180 trillion cubic ft of natural gas, with reserves - at the daily production rate - projected to be sustainable for the next 40 and 110 years respectively (Oshikoya, 2008). Accordingly, the country intends to increase its oil producing capacity from 3 million b/d to 5million b/d while oil reserves are to reach 50 billion barrels by 2020. Despite this projection of tremendous wealth what remains contentious is the ability of the government to transfer this natural endowment into national development.

The Financial Times (2006) observes that Nigeria's oil fields have become attractive to China, India, and the USA as they compete to secure their future economic growth, which depends on the availability of fuel. Though major Western oil MNCs have historically dominated oil extraction in the country, Asian oil companies are making frantic in-roads to benefit from the largess and in order to further their own industrial ambitions. For instance, in 2006, China made its first major investment in Nigeria's off-shore oil fields and bought a 45 percent stake – amounting to \$2.3 billion - in one of Nigeria's major oil fields (Goodman, 2006). This has widened and diversified foreign participation in the oil industry, which was generally expected to benefit Nigeria in the area of job employment.

¹⁴⁷ The Nigeria Communications Commission (NCC) – the government regulatory institution in the communication sector - has penalized four giant communication companies operating in Nigeria for poor services: Bharti Airtel Ltd of India, Abu Dhabi-based Etisalat, local firm Globacom Limited and South Africa-based MTN Group Limited. The report maintains that Etisalat and MTN would pay \$2.25m respectively, while Airtel was to pay \$1.68m and Globacom was charged with a \$1.125m fine.

Nigeria now provides priority rights on many oil blocks for state-owned Asian oil companies in exchange for investment in such infrastructure as refineries, railway and power plants. However, Nigerians have raised great concerns over the transparency of such oil deals, and the seeming inability of all of these investments to improve the standard of living of the population. Despite the oil wealth, the IMF reports that Nigeria ranks as the 45th poorest country in the world based on gross domestic product (GDP) per capita between the period 2009 and 2013.¹⁴⁸

One striking feature of Nigeria's economy is the buoyancy of the informal sector,¹⁴⁹ with a significant share of transactions in the sector unreported. In addition, substantial wealth is being created by the Nigerian *Nollywood*¹⁵⁰ industry, which accommodates about 58 percent of Gross Domestic Product (GNP) (Oshikoya, 2008). Nigeria's informal economy is adjudged as one of the ten highest in the world.

High output from the informal economy has inspired strong entrepreneurial spirit, especially with the decision of the Nigerian government at all levels to adopt policies channeled at improving the performance of this important sector (Ekpo and Umoh, 2014). The efforts of Nigeria's government to integrate this sector, as much as possible, with the mainstream economy (due to huge transactions of businesses and capital particularly in the entertainment industry) has transformed Nigeria to the biggest economy in Africa (BBC, 2014).¹⁵¹

The government has invested tangible efforts to attract foreign investors, reverse economic stagnation and has pursued economic policies to instigate economic growth and development. However, despite this, Nigeria struggles to attain economic development, whilst there is also the visible under-utilization of resources and untapped minerals (i.e. large deposit of bitumen in

¹⁴⁸ See, <https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world>.

¹⁴⁹ The informal sector comprises the economic activities in all sectors of the Nigerian economy that are operated outside the purview of government regulation. This sector may be invisible, irregular, parallel, non-structured, backyard, under-ground, subterranean, unobserved or residual. Transactions in the informal sector in Nigeria are difficult to measure; they are highly dynamic and contribute substantially to the general growth of the economy and personal income. For more information, see <http://www.onlinenigeria.com/economics/?blurb=495#ixzz2sMAXbh9L>.

¹⁵⁰ Nigeria pride itself in a vibrant entertainment industry that is focused upon music and the production and marketing of movies. It is in the process of being structured like the American Hollywood industry.

¹⁵¹ The state "rebased" its gross domestic product (GDP) data, which has pushed it above that of South Africa as Africa's biggest economy. Nigerian GDP has been re-worked to include previously uncounted sectors like telecoms, information technology, music, online sales, airlines, and more importantly film production. This information is available online at <http://www.bbc.com/news/business-26913497>.

Ondo State) across the Niger Delta. Moreover, and the industrial sector continues to underperform and is dominated by foreign players due to the state's inability to engage in protectionist policies in the interest of local industries.

Although there are immense material and human resources, resource mobilization remains very poor; the cost of production is high with growing unemployment, and there are limited opportunities being created to absorb the growing number of job-seekers – both skilled and unskilled. Unfortunately, due to the failure of leadership to strategically mobilize the resources for political and socio-economic benefit, Nigeria finds it difficult to make appreciable gains in development (Editorial, 2013). Commenting along this line, Shanum argues that,

No nation can enjoy lasting peace if her citizens live in abject poverty particularly if that nation is acknowledged as having the ability and substantial means to provide development and guarantee a good standard of living. Unfortunately, that is the tale of Nigeria. It is a tale of poor governance, insecurity and poverty in the midst of plenty (Shanum (2003).

At the socioeconomic level, Nigeria has been tagged as 'a rich country of poor people' (Agbaje, Onwudiwe and Diamond, 2004: xx), the 'greatest single developmental tragedy in the world today...the metaphor per excellence for a failed developmental experience' (Suberu, 2004: 31). It is further argued that 'few countries have witnessed such rapid and sweeping decline in living standards, and such a stark gulf between natural endowments and economic performance' like Nigeria (Suberu and Diamond, 2003: 111). The United Nations Development Programme (UNDP), in its 2013 report, stated that Nigeria has failed to visibly make an improvement in its Human Development Index (HDI).

In 2014, The National Bureau of Statistic reported an improvement in economic performance to the extent of recording GDP growth rate of 6.5% in the 2nd quarter of the year (National Bureau of Statistics (2014). However, the national per capita poverty rate remained at an average of 60% of the Nigerian population. Despite this, there is little evidence of efforts to reduce the high rate of poverty (World Bank, 2014). The report also indicates,

Oil output decreased, leading to unexpected declines in exports and budgetary revenues. Despite a low benchmark (expected) oil price, oil revenues to the Federation in 2013 were 24.4% lower than expected. The country lost more than \$10 billion in external reserves and almost exhausted its fiscal reserve fund (World Bank, 2014).

Not only have Nigerian political elites been unable to formulate sound economic initiatives, the enabling environment to lay a solid foundation to induce economic growth and development was always lacking. Osagie (2007) takes this further by accusing the IMF, the World Bank and Nigerian policymakers of lacking a coherent knowledge of the Nigerian economy and of how to instigate sustainable growth-incentive economic reform. He maintains that:

A proper understanding of the nature of the Nigerian economy and the problems besetting it is hampered by a number of factors. Among these are currently dominant orthodoxy in Economics whose theories and policy prescriptions do not take sufficient account of important institutional and psychological factors operating in the country... Besides, ideological confusion and mystification encouraged by naïve ideologies have successfully diverted attention from real issues to peripheral and esoteric cliché-ridden polemics along narrowly focused dogmatic lines (Osagie, 2007: 9).

The Nigerian economy is one that is unprotected and is characterized by an alarming rate of unemployment, a high rate of currency and drug smuggling, the high consumption of foreign goods that result in external deficits (Osagie, 2007: 14). The mixed economy continues to move towards to unrestricted capitalism through the domination by foreign capital and companies, and by ‘delinking’ the state from business activities through privatization and deregulation. The public sector, that should hold a primary position in the development project, has compounded Nigeria’s economic ordeal because of corruption, mismanagement, incompetence, unprofessionalism, nepotism and gross institutional failures (Quadri, 2008). Nigeria’s taxation system is extremely leaky, ineffective and very low when compared to the minimum figure of 15% recommended by the IMF for developing countries (Ichoku, Chijioki, and Obinna, 2013). The report indicates that Nigeria recorded tax revenue of just 7% of GDP between 1999 and 2003.

This sector, instead of helping to constrain inflation has contributed to it through over-invoicing of purchases, mismanagement and fraud supported by illogical political expediency, and through an unreliable supply of utilities which forces factories to purchase electrical generators and drill private boreholes for household supply of water (Mimiko, 2009; Research Nigeria and Africare, 1990). That’s why Mimiko (2009) refers to Nigerian state as a micro-municipality state. In Nigeria, every individual has become a ‘government’ of their own: they hire personal security, drill boreholes to extract water for household use, install generators for electricity and even stock

the house with foreign medicine (which is perceived as more reliable due to fake ones in chemists).

The monolithic nature of the Nigeria's economy has actually been another curse for the economy. The huge amount of revenue available to the federal government since the oil boom has, ironically, aggravated mass poverty and generated mixed effects on the Nigerian economy. The agricultural sector was abandoned, as oil became the mainstay of the economy. Akinboye (2008) asserts that Nigeria's development dilemma cannot be solely attributed to colonialism, neo-colonialism and imperialism as often advanced by the radical political economy school of thought; but also to its own ineffective economic structure and dearth of sound policies. He contends that the time is right for Nigeria to diversify its economic base in order to contend with the challenges of the global economic order.

Previous studies on the Nigeria economy in the last decade (Umezurike, 2012; Okonjo-Iweala and Osafo-Kwaako, 2007; Amundsen, 2010) demonstrate that the petroleum industry continues to play a dominant role and to occupy a strategic position in the economic development of Nigeria. This is substantiated by the total oil revenue generated into the Federation Account from 2000 to 2009 which amounted to N34.2 trillion while non-oil revenue was N7.3 trillion, representing 82.36% and 17.64% respectively. The value of oil revenue for the 10 year period is N3.42 trillion compared to non-oil revenue at N732.2 billion (CBN Statistical Bulletin, 2009). The vast volume of wealth generated by the government in this sector truncated the steady development of the agricultural sector as viable foreign exchange earners. One might argue that if the attention given to crude oil had been extended to other minerals and the agricultural sector, Nigeria could have attained sustainable development. This validates the applicability of both "resource curse"¹⁵² thesis and "Dutch disease" hypothesis to the Nigerian situation.

In his contribution, Osagie (2007: 122-123) highlights the major hindrances to economic growth thus: neglect of the agriculture sector due to the oil boom; the destructive effect of SAPs through

¹⁵² The manifestation of the "resource curse" and the "dutch disease" hypothesis are very inter-twined in the Nigerian case. Over the years, developing countries with abundant resources have recorded a poor track record of development, which is particularly bad in the case of oil-resources. This leads to economic reliance on oil wealth, which constrains economic growth and poverty alleviation. This promotes rent-seeking practises, heightens commodity price volatility; and responsible for lack of diversification pulls resources into one sector. In this case, the Nigerian state diverts its money and resources into the extraction of petroleum resource thereby causing decline in all other sections of economy.

massive devaluation of the naira exchange rate until the Central Bank of Nigeria (CBN) intervened in 2006; high lending interest rates; massive retrenchments complicating the bloated unemployment rate (due to downsizing in the public sector and collapsing companies); the absence of participation of local industries in the buoyant oil and gas sector; undesirable social and economic attitudes associated with wasteful consumption patterns; a lack of technological advancement; and faulty fiscal federalism. Generally, there has been poor performance of the country's institutions in the sectors such as power, energy, road, transportation, politics, financial systems, while the investment environment has been deteriorating and inefficient (Olayode, 2005; Nafziger, 2008).

Another problem with the Nigerian economy remains the inability of successive governments to effectively utilize oil revenue, and especially the excess crude oil income in the development of other sectors of the economy (Yakub, 2008). Bawa and Mohammed (2007) assert that 'Nigeria with all its oil wealth has performed poorly, with GDP, per capita today not higher than at independence in 1960'. This is antithetical to the viewpoint of the proponents of oil-led development, like Karl Terry,¹⁵³ who believe that countries privileged enough to have petroleum resources, could base their development on this natural endowment (Ross, 2007).

In this perspective it is argued that the potential benefits of resource extraction and marketization translates into improved economic growth and the creation of jobs, increased government revenues to finance poverty alleviation, the transfer of technology, the improvement of infrastructure and the encouragement of related industries (Ogbona and Apah, 2012). However, the realities in almost all oil-exporting countries to date, including Nigeria presents little evidence of these benefits (Omololu and Akinola, 2010).

Ogbona and Apah (2012) discuss the degeneration of the Nigeria to a state of chaos as petroleum income is misappropriated, while the basic national infrastructure (such as electricity, energy, roads, and transportation) has been abandoned to rot. In a similar way, political institutions as well as financial systems have failed to create investment opportunities to trigger development. One might thus consider Nigeria's development dilemma in light of the 'resource curse' and the

¹⁵³ This is development based on overwhelming dependence on revenues from the export (and not the internal consumption) of petroleum, as measured by the ratio of oil and gas to GDP, total exports, and the contribution to central government revenues. See Karl (2007).

‘Dutch disease’ hypothesis.¹⁵⁴ In spite of several assumptions that resource abundance would enable economic growth and improve development, the poor economic success and high incidence of conflict in developing countries rich in mineral resources has increased the influence of the resource curse theory, which assumes the existence of a negative relationship between endowment with natural resources and social and economic development (Horsfield, 2011: 2-3).

Based on the resource curse theory, there is a strong correlation that exists between an abundance of natural resources, economic crisis and violent conflicts. Nigeria has experienced prolonged stagnation of the economy, and lack of socio-economic development. The Nigerian state has failed to meet the basic needs of its population leaving them frustrated, agitated and persistent in their resolve to find alternative means for survival. This has led to crime and political action, while some engage in oil bunkering and militancy and a few continue to deal in the illicit cocaine business.

The resources curse literature rests primarily upon a well-established empirical foundation, linking relatively poor economic performance to countries with an abundance of natural resources (Auty, 2001). It was found that countries with an abundance of natural resources experience lower growth rates relative to other similar countries (Quinn and Conway 2008; Auty, 2001). Ross (1996: 298) gives three reasons why resource exporting governments manage their economies poorly; the cognitive explanation, which states that resource booms produce short-sightedness among policy makers; the societal explanation, which argues that resource exports tend to empower sectors, classes or interest groups that favour growth-impeding policies; and, the state-centred explanation, which posits that resource booms tend to weaken state institutions.

Poor economic linkages between the resource and the non-resource sectors are an economic explanation for the curse: a view shared by the proponents of the Dutch-disease thesis (Oyesanmi, 2011; Vostroknutova, 2010; Ross 1999: 298). At independence, Nigeria excelled in the production and export of agricultural products such as groundnuts, palm oil, cocoa, cotton and beans (Oluwatobi, 2012: 183). In the 1960s, Nigeria was listed as a major exporter of cash

¹⁵⁴ The Dutch Disease is a term that originated in the Netherlands during the 1960s when the increased revenue generated by the discovery of natural oil and gas led to a dramatic decline in the competitiveness of the country’s manufacturing sector (Fagbadebo and Adeoye, 2011: 11). In its simplest form the “resource curse” means a lack of development in the midst of vast natural resources.

crops around the world (Oyesanmi, 2011: 2), but the oil boom that commenced in the late 1970's diverted the attention of the state from the agricultural sector into the more buoyant petroleum and oil industries.

Ross (1999: 301) infers that resource industries are unlikely to instigate expansion and growth in other sectors of the economy, especially if foreign multinationals dominate extraction and are allowed to repatriate their profits instead of investing them locally. This has been the case of Nigeria where oil MNCs have extracted crude oil without adequately making provision for the development of the local population and making a tangible contribution to the development of the Nigerian economy. A consideration of the Niger Delta community reveals the stark poverty, hopelessness, and exploitation witnessed by the oil-rich population and exposes how the Nigerian state, despite the oil-prosperity, continues to grapple with tangible socio-economic development and improved standards of living for its population (Interviewee Number Five, July 2013).

This same population is also subjected to incessant increases in the price of petroleum products while Nigeria's public office holders and their "friends" continue to live extravagant lifestyles¹⁵⁵ (Obe, 2014; Ameh *et al* 2013). The environment of this hopelessness, exploitation and neglect explains the armed insurrection of the Niger Delta militants against the Nigerian state and foreign MNCs in the oil industry. Hence, other armed insurgency in the country should also be understood within this context.

The ongoing conflict and, militant armed insurrection in the Niger Delta has negatively impacted on the Nigerian economy. Mass protests against the exploitation, environmental degradation, impoverishment and neglect of the oil producing community evolved into violent confrontations, followed by the quest for resource control.¹⁵⁶ Poor conflict resolution mechanisms contributed to

¹⁵⁵ The ruling class in Nigeria continues to display a flamboyant lifestyle, which ranges from incessant foreign trips, buying extremely expensive bullet-proof cars, the use of private jets and the sponsoring of family members on Holy Pilgrimages to Mecca and Israel. For instance, The Nigerian Civil Aviation Authority attested to the fact that the Ministry of Aviation approved the purchase of N255m (\$1.6million) bulletproof cars for the Minister of Aviation, Ms Stella Oduah. For more information, see Ameh, *et al* (2013).

¹⁵⁶ For a comprehensive analysis of the Niger Delta and Boko Haram Terrorism, and its impact on sustainable peace, security and development in Nigeria, see, Akinola, Adeoye O. (2011) "Niger Delta Crisis: The Nexus between Militants' Insurgency and Security in West Africa", African Security, Vol. 4; Ikelegbe, Augustine and Okumu, Wafula (2010) "Introduction: Towards Conceptualization and Understanding of the threats of Armed Non-state Groups to Human Security and the State in Africa", in Okumu Wafula and Augustine Ikelegbe *Militia, Rebels and*

an escalation in militancy in the Niger Delta and also manifested in the clumsiness of the state's response to the renewed threats of *Boko Haram* to peace, security and development in the country.

A loss of revenue from oil and decline in oil production has caused an energy crisis in Nigeria (evident in fuel scarcity), in neighbouring countries and countries such as the USA. The resulting fluctuations in prices and oil supply to the international market negatively impacted on both local and global economic growth and social stability and contributed to the economic depression that ravaged the world in the late 2000s.¹⁵⁷ According to Nigerian government reports, oil losses between 1999 and 2005 amounted to \$6.8 billion. However, the loss of revenue due to militancy was \$61 million per day (a shut-in of about 8,000,000 barrels per day), amounting to about \$9 billion since January 2006 (Watts, 2008: 30). Nigeria's financial losses through expenditure on security and the destruction of lives and property by armed groups weaken her ability to fund developmental projects and ensure the security of lives and properties, both in the Niger Delta region and in Northern Nigeria which is under the siege of *Boko Haram*.

Despite the halt to militancy brought about by the decision of the federal government to initiate an amnesty programme, the oil region continued to experience the destruction of oil pipelines and other facilities as well as bunkering, which reduced government income on crude oil. *Boko Haram* scared away foreign investors and local farmers from the Northern region, and this denied

Islamist Militant: Human Security and State Crisis in Africa, Pretoria, Institute of Security Studies, pp. 1-44; Akinola, Adeoye O. and Oluwaseun Tella (2013) "Boko Haram Terrorism and Nigeria's Security Dilemma: Rethinking the State's Capacity", *International Journal of Innovative Social Sciences & Humanities Research*, Vol. 1, Issue 3, pp.70-78; Onuoha, C. Freedom (2010) "The Islamist challenge: Nigeria's *Boko Haram* Crisis Explained", *African Security Review*, Vol. 19, No. 2, pp. 54-67; Allen, Fidelis and Ufo Okeke Uzodike (2010) "Oil Politics, and Conflict in the Niger Delta: A Non killing Analysis", *Africa Peace and Conflict Journal*, Vol.3, No.2, pp. 32-42; Hentz, J. James (Eds), (2011) "Special Issues: Perspectives on Nigeria: Internal Conflict, Oil Politics, Transnational Security Risks, and Opportunities for Peace in the Niger Delta," *African Security*, Vol 4, Issue 1; Akpotor, A. S. (Eds), (2010) *Sustainable Environmental Peace in the Niger Delta*, Abraka, Centre for Environmental and Niger Delta Studies, Delta State University Printing Press.

¹⁵⁷ Nigeria has become the largest business partner of the USA in sub-Saharan Africa and exports a fifth of its petroleum products to the USA. This constitutes about 11% of its total oil imports. Nigeria also has the seventh-largest trade surplus with America and remains the 50th-largest export market for USA goods and the 14th-largest exporter of goods to the country, while the USA is Nigeria's largest foreign investor. Therefore, whatever affects the Nigeria's petroleum industry – directly or indirectly - influences the UA economy, and the USA economy drives the global economic agenda.

the country of the meagre contribution of this zone in the supply of agricultural products to the entire country.¹⁵⁸

4.6 CORRUPTION

The endemic nature of corruption remains at the center of discourses on economic development and democratic sustainability in developing countries. Since the oil boom in Nigeria, corruption has been the bane of the economic malady and developmental dilemma, threatening economic and institutional development, while every attempt to combat corruption in Nigeria has been met with strong resistance by political office holders, civil servants and even large sections of the population (Akinola and Uzodike, 2014).

Nigeria is notoriously acclaimed as a corruption-infested country. Its impact is so damaging, and the effects abound in gross bad governance and severe under-development that has characterized the Nigerian political space. The state is not even capable of managing its economy because of “deep-seated, pervasive, massive and unstoppable corruption in the country” (Interviewee Number Three, August 2013; Interviewee Number Two, July 2013). The spate of corruption across all institutions of government has led to capital flight, exportation of naira across the world (particularly to Swiss banks), and constrains honest businessmen from investing in the country (Abubakar 2004: 160). In the international arena the reputation of Nigeria was soiled because of corruption, and the confirmed theft of billions of dollars – stashed in foreign accounts - by the military hierarchy and civilian conspirators between 1985 and 1999 (Ogundiya, 2009: 287).

Corruption in Nigeria presents itself as a unique case because it cut across all facets of the society: from the presidency to the third tier of government; from the police to the judiciary; from the officers of the legislature to the councilors in the local councils; from taxi drivers to the market women; from the lecturers to students. It is most acute in the political environment where corruption defines governance, policies and politics in Nigeria.

Even the President is not immune to corruption and cronyism. There have been many instances of the President granting amnesty and presidential pardons to members of the political class

¹⁵⁸ The north prides itself as the country’s “food basket”.

convicted for public abuse, maladministration, and corruption. The most recent case was the pardon granted to a former governor of Bayelsa State - one of the oil producing states - (a kinsman and former boss¹⁵⁹ of President Goodluck Jonathan); a man that escaped from Nigeria, was arrested, convicted and sentenced to prison in London, and came back to public forgiveness under the initiative of the President. Therefore, corruption thrives in Nigeria because successive Presidents allow it.

The wealth created by the oil boom and the centralization of its revenue has expanded the scope of corruption at the federal level while the oil sector becomes the theatre of corruption and high level fraud. Nigerian politics, according to the Human Rights Watch is “an exercise in organized corruption: a corruption perhaps most spectacularly demonstrated around the oil industry... where large commissions and percentage cuts of contracts have enabled individual soldiers and politicians to amass huge fortunes” (cited in Iledare and Suberu, 2010: 15). It is particularly grave in the oil sector where there are discrepancies between crude oil sales, revenues paid by oil multinational companies, the amount received by the NNPC and the amount finally discharged to the federation account by the NNPC.¹⁶⁰

In 2013, the institutions of government (the Ministry of Petroleum, the Ministry of Finance, and the CBN) traded blame over N500 billion of oil revenue that has now been declared “missing” (Interviewee Number Twenty, August 2013). The oil sector (both upstream and downstream) are riddled with heavier systemic governance failures that left the sector susceptible to a high degree of corruption and weakened the Nigerian state’s capacity to appropriate maximum income from the oil and gas sector. This denial is partly responsible for the lack of financial strength to operate responsive governance (Iledare and Suberu, 2010: 18).

Apart from the loss of public funds through corruption and mismanagement, as exhibited by civil servants, public officials and other stakeholders in this sector, Onuoha (2011) maintains that the key challenge here is that the prevalent corruption in the public sector compounds other

¹⁵⁹ President Goodluck Jonathan was the Deputy Governor of Bayelsa state between 1999-2005 and became the Governor in 2005 after Diepreye Alamieyeseigha, the erstwhile Governor was impeached under the allegation of charges that he laundered \$3.2m discovered in cash and bank account in London. He was later tried and jailed in London, returned to Nigeria and received a celebrated welcome by his loyalists and a Presidential pardon from President Goodluck Jonathan on 12 March 2013.

¹⁶⁰ More on this would be discussed in chapter five.

governance and development deficits bedeviling Nigeria. The combinations of multiple logics in the state that are individually and structurally flawed and equally contradictory abet corruption and economic crisis, which continue to put pressure on the Nigerian state for good governance (Gelb, 2001:8).

A point of note was the purchase of 63 houses, and their furnishing, for Ministers to the tune of N3billion, which was an extra-budgetary expense by the Obasanjo regime (Interviewee Number Twenty-one, August 2013). The respondent further reveals that the Nigerian parliament embarked on what they termed a “retreat” to Johannesburg in 2012. She also reports that in Ekiti State, High Judges’ came to Johannesburg for a “retreat” in 2013 (Interviewee Number Twenty-one, August 2013). These are common methods through which state resources are misappropriated. Abubakar (2004: 160) argues that the concentration of so much political and economic power at the centre engenders patronage, bribery and corruption, and aggravates the subordination of other tiers of government thereby increasing apathy and cynicism towards genuine efforts at good governance. Much of these have been attributed to the military period of rule and the short-sightedness of successive political leaders that have occupied the *Aso Rock*¹⁶¹ since the return to civilian rule in 1999. The lure of a stronger centre, lust of personal aggrandizement and accumulation of oil-wealth, and thirst for power prevented the Nigeria’s political elite from engaging in tangible political reforms that would have decentralized power, authority and responsibilities to adjoining organs of government at the lower levels.

Onifade and Ojukwu (2010) review the state of Nigeria’s state and castigate the military and successive political leadership for bad governance which exhibits different dimensions: patrimonialism (neo-patrimonialism), rapaciousness, personalized rule over what Joseph discusses as prebendal¹⁶² politics. The authors refer to neo-patrimonialism as the lack of separation between the public and private domains that breeds corruption and mismanagement; while the personalized character of Nigerian politics results in the subordination of every

¹⁶¹ *Aso Rock* is the Presidential Lodge, located in the Federal Capital Territory, Abuja.

¹⁶² According to Richard (1987: 8), prebendal politics justify the principle that public offices should be competed for and then utilized for the private benefit of the office holders and their supporters. Prebendalism manifests in Nigeria as a the structure and nature of corrupt clientelism in which public resources are corruptly allocated to co-religionists, conspirators or ethnic-based beneficiaries in order to mobilise, channel and utilize religious, cultural, ethnic and political identities in Nigeria (Adamu, 2013). It is the ‘spoils system’, of (bad) politics and (mis)governance in which the state becomes an extension of the ‘property’ of the President.

organization, group, corporation, and political institution at their respective levels to the caprices of individual rulers.

The presidential system has heightened the clientelist and prebendal nature of the Nigeria's political system that enables the manipulation of votes and the utilization of state resources to generate political support. Gelb (2001: 7) maintains that the existence of prebendal and neo-patrimonial logic constrains the nation-state from fulfilling its historical task of creating a socio-political environment for the development of a production-oriented business class and imposing capitalist norms and values in the place of rentier, patronage or clientelist¹⁶³ relations. The resulting bad governance and capacity crisis of the state exacerbates the surge of corruption which has characterised the Nigerian socio-political landscape (Onifade and Ojukwu 2010).

A rentier state¹⁶⁴ - like Nigeria - is less concerned with accountability to the society it governs so the government does not feel pressure to make changes to its poor developmental plans (Ross 1999: 312). Instead of promoting development, Ross notes that governments grow irrationally optimistic about future revenues and thus devote resources to jealously guard their status quo. The sustaining mixed economy provides excuses for using public funds to subsidize the confused accumulative strategies of equally confused political elite. Thus, the Nigerian state becomes the accumulative apparatus of the elite, and at the same time assumes the character of the bourgeois and petty-bourgeois class.

Adamu (2013) conceives corruption as the use of public office for private gain, the abuse of entrusted authority for private profit and the use of official position for personal benefit. In relation to Nigeria, he posits that corruption includes:

All instances of bribery, extortion, fraud, embezzlement, nepotism, misuse of public assets and influence peddling, all of which have become the norm here. And, in addition, Nigeria has all the corruption-friendly characteristics that aid in the growth and ascendancy of abuse of procedure:

¹⁶³ Clientelism is operated under a state whose life has been commandeered by an oligarchy, both civil and military, and channeled towards the fulfilment of personal interests against that of the people. In such a society, power and authority is not derived from an election mandate, but from the manipulation of the peoples vote by the elite. For more information see Balogun, M. J. (1997) "Enduring Clientelism, Governance Reform and Leadership Capacity: A Review of the Democratization Process in Nigeria", *Journal of Contemporary African Studies*, Volume 15, Number 2, pp. 237-260.

¹⁶⁴ This is a state with high attributes of rent-seeking. Karl (2007: 2) refers to rent-seeking as the "efforts, both legal and illegal, to acquire access to or control over opportunities for earning rents. In oil dependent countries, rent-seeking refers to widespread behaviour, in both the public and private sector, aimed at capturing oil money through unproductive means".

absence or weakness of institutional mechanisms to check corruption, poverty and stalled and uneven economic growth, weak or non-existent civil society institutions, a compromised and politicised civil service, a corrupt police force and an even more corrupt criminal justice system (Adamu, 2013).

The inability of the Nigerian police to curb corruption and the quest to rid the country of these corrupt practices - in both the private and public spheres - led to the enactment of the Anti-Corruption Bill by the Obasanjo-led administration in 2003. With this, the Economic and Financial Crime Commission (EFCC) and Independent Corrupt Practices Commission (ICPC) were created. Between 2004 and 2007, Nigeria made tangible improvements in fiscal discipline, accountability and displays readiness to combat mismanagement and corruption with the initial vibrancy of the commissions, which doused the rising discontent of Nigerians and international financial actors. The moderate success of these institutions has propelled the successful facilitation of a debt forgiveness campaign with the Paris Club¹⁶⁵, while Nigeria has been rated positively by influential credit-rating agencies. This originated in August 2000 when the IMF and Nigeria signed a one-year Stand-by Arrangement (SBA) for a debt rescheduling agreement (to take effect from December 2000) between Nigeria and its Paris Club creditors (Oduaro, 2008).

The more active of the agencies, EFCC,¹⁶⁶ made significant strides in combating both political and socio-economic corruption, but some condemned its activities as a tool by the government to suppress the opposition. The accusations were not unfounded; EFCC did not prosecute *in error* but failed to arrest or prosecute core members and apologists of the ruling party, the People's Democratic Party (PDP). For example, Olabode George, who allegedly committed corruption as the Chairman of the Nigerian Port Authority (NPA) was declared innocent by the EFCC leadership. The EFCC boss, Nuru Ribadu frantically defended Olabode George due to his friendship with President Obasanjo and his political clout as the Chairman of the South-Western zone of the PDP. Shortly thereafter, President Obasanjo's tenure expired and Ribadu was removed as EFCC Chairman, Bode George was subsequently arrested for the same allegation by

¹⁶⁵ On June 29 2005, the Nigeria's government and the Paris Club (a credit-granting institution) reached an historic agreement to write-off US\$18 billion (60 percent) from the debt owed the credit institution; see Okonjo-Iweala, 2007: 1).

¹⁶⁶ The Economic and Financial Crimes Commission (EFCC), was established in 2002. EFCC is to prevent, investigate and prosecute a range of financial crimes in the public and private sectors, including internet fraud, oil bunkering, terrorist financing and government corruption. See Lawson (2009: 84).

the new EFCC leadership, , found guilty by a competent court of law and subsequently jailed (Akintunde, 2008).

There were also instances where the anti-corruption agencies, particularly the EFCC acting under the directive of the Presidency, harassed and persecuted erring members of the PDP who were opposed to the President.¹⁶⁷ The nonchalant attitude of the population and the Nigeria Labour Congress towards political corruption is particularly surprising. As part of civil society, the labour union is expected to perform the role of watchdog to deepen Nigeria's democracy, but regrettably, this was not to be. The civil servants have been the bridge for widespread corruption between the political office holders and businesses, especially in the Nigerian oil industry – both in the upstream and downstream sectors. Corruption, therefore, has become a lifestyle for a majority of Nigerians (Ogundiya, 2009). Ogundiya's comments on this exemplify this submission:

Wherever corruption becomes part and parcel of political strategies for assuming political leadership and where such strategy enjoy, to some extent, public validation (vote buying in Nigeria has become part of the political culture in Nigeria and an average poor man or politicians seem to have accepted this norm in the electoral process), anticorruption laws policies and campaigns are nothing but empty jingles and propaganda and mere political rhetoric (Ogundiya, 2008: 290).

The state is so weak, it exists on 'paper' and ordinarily should not be referred to as a state: individuals in the state are stronger than the state (Interviewee Number Five, July 2013). This aligns with Hyden's (2006: 5) position that African institutional weaknesses and a lack of significant growth in state institutions is at the root of Africa's socio-political crisis. This lack of institutional growth negatively affects the performance of the anti-corruption agency. The president, with strong political will could rid the country of corruption, but corruption continues to thrive in Nigeria because the President allows it.¹⁶⁸ The effect of the EFCC provides a picture

¹⁶⁷ Many Governors (Governor Njang of Plateau State and Ayo Fayose of Ekiti State) that allegedly fell out with President Obasanjo were hounded and blackmailed out of power by EFCC-sponsored impeachment processes.

¹⁶⁸ President Olusegun Obasanjo granted a Presidential pardon to deposed speaker of the House of Representatives, Salisu Buhari who was found guilty of using fake university certificates; President Shehu Yar'Adua shielded the former Governor of Delta State from prosecution for alleged corruption (he was later jailed in the United Kingdom for a related offence; and President Goodluck Jonathan extended a Presidential pardon and celebrated the return of his former boss, Governor Alaemesiya who was alleged of stealing state funds by the EFCC. He was smuggled out of Nigeria, arrested and jailed in the United Kingdom for a series of financial crimes (money laundering in particular).

of how an effective anti-corruption agency could substantially reduce bribery and corruption in Nigeria.

In this section I explained the convergence between institutional weakness and poor governance and highlights how corruption has jeopardized Nigeria's attempt at good governance. The resulting effect of mismanagement of the oil-wealth explains the incessant hikes in the prices of petroleum products to increase state income, which invariably creates more opportunity for personal aggrandisement. The culture of corruption in the country is pervasive in every sector and in all facets of the society, thereby becoming an impediment to developmental initiatives. I also revealed how presidentialism has promoted clientelism and prebendalism in Nigeria's federalism through military dictatorship, which negatively impacted on Nigeria's political environment and aggravates its systemic failure due to its nature of centralization and the promotion of nepotism.

4.7 NIGERIA'S CIVIL SERVICE

Currently, the Nigerian civil service, mirrored on the British, comprises the federal civil service, the thirty-six autonomous state civil services, the unified local government service, and several federal and state government agencies, including parastatals and corporations (Ogunrotifa, 2012). The federal and state public services were organized around government departments (ministries), and extra ministerial departments headed by ministers at the federal level and commissioners at the constituent level. These political heads of the units were appointed by the president and governors respectively, and responsible for policy matters. The permanent secretary, formerly called the Director-General (DG), remains the administrative head of the ministry. The head of the civil service conducts liaison between the government and the civil service.

There remains a strong link between the public service and socio-economic development. The bureaucracy is a very powerful and important institution in modern society (Interviewee Number Three, August 2013; Quadri, 2008: 43). It can increase or decrease the state's capacity for effective performance. The development vision of a country could only be realized under an

effective *agent of change*, which the civil service represents. It is an organization saddled with the implementation of development programmes.

The civil service in post-colonial African countries evolved not only to formulate policies but also to effectively implement them. In this regard, the civil service is an institution that is responsible for the design, formulation and implementation of public policy, and to discharge government functions and development programmes in an effective and efficient way. Yahaya, commenting on this, believes that:

The paradigm shift in the roles of the state also led many countries to introduce civil service reforms as part of the strategy by government to rebuild the public service to operate more as a catalyst and an enabler. Inevitably, the institutional and human capacity that would be required for the operation and performance of the public sector would be qualitatively different from what was the case in the era of massive intervention of government in the economy (Yahaya, 2004: 170).

The changes mandate the bureaucracy to undergo immediate reforms not as a matter of choice, but as a necessity. But, in the case of Nigeria (aside from the popular Adebo Commission of 1970, Udoji Commission of 1972, the Phillips report of 1985 and 1994 Review Panel on the Civil Service Reforms with Chief Ayida as Chairman¹⁶⁹) the government has not embarked on concerted efforts to implement service-driven reform in the civil service. This is despite the entrenchment of liberalization policies (commercialization, privatization and deregulation) spearheaded by NEEDS. In recent times, reform in the sector focuses more on remuneration, determination of tenure of top officers and retirement age (Soeze, 2009).

It becomes obvious that these commissions could not deliver the bureaucracy from inefficiency, tribalism, nepotism, and favouritism. Also, the recommendations of these reports could not be implemented due to the absence of a supportive institutional framework and lack of political will in successive central administrations. There is a lack of democratic practices in the civil service administration and the government reform exercise did nothing to address it. This is understandably so because all these reforms were established by military regimes.

Since independence, the Federal Civil Service has been enmeshed in a myriad of problems: a weak governance structure, nepotism, a lack of accountability, low professional standards, waste

¹⁶⁹ For more information on this, see Soeze (2009; Yahaya, 2004: 170).

and corruption, poor productivity, and a lack of control, redundancy and an over-bloated staff structure. These internal weaknesses led many public institutions to regard their output as money disbursed instead of service delivered, resulting from low administrative and technical skills (Easterly, 2002: 223). The public service remains inefficient and suffers from obsolescence, lethargy and a lack of enthusiasm in carrying out government policies. The sector is characterized by inappropriate technology, a lack of productivity that has degenerated into an abyss of plunder, waste and redundancy. It is a common practice in Nigeria to refer to a lazy person as a ‘civil servant’.¹⁷⁰

The Nigerian civil service is politicized to the extent that most top officials and even junior staff openly support political parties of their choice. It is not unusual for some within the civil service to ascribe political meanings and prejudices to government activities, policies and programmes on the basis of primordial, religious, ethnic and regional sentiments. The introduction of a quota system of recruitment and promotion, adherence to the federal-character principle,¹⁷¹ and the constant interference of the government in the daily operation of the civil service (especially through frequent changes in top officials and infringing on its recruitment processes) has meant that political factors rather than merit alone have played a major role in the civil service (Omisore and Okofu, 2014). It is challenging for strong institutions to emerge where senior officials of these bureaucracies are appointed on the basis of ethnicity, religion and class affiliation.

Overall, there has been poor performance by national institutions – the power sector, health, education, petroleum and work, housing and transport sectors are so inefficient - hence, the development agenda of the Nigerian state could not be actualized under the direction of Nigeria’s bureaucracy (Nafziger, 2008). The weak institutions hindered the benefits that would have accrued from oil earnings (Adedipe, 2004). Gelb (2001:4) argues that most African states are ill-equipped to address the particular challenges posed by globalization, laying claim to the apparent incapacity of the state to fulfill its historical task of managing development. States, like Nigeria,

¹⁷⁰ Appointments to the Nigerian civil service are often driven by nepotism and not competence or professionalism. Many of the Nigerian public institutions accommodate those rejected from the private sector. In many ministries and departments, cases of workers absenteeism and redundancy characterises the sector.

¹⁷¹ Consideration for appointments, promotions and other decisions are based on ethnic or regional considerations, rather than on merit.

lack the institutional arrangements that underpin transparent and consistent decision-making and management processes, while accountability for the use of resources, and effective controls over corruption and other ills of the public institutions are lacking.

The mass of the population lacks sufficient access to basic services to enjoy a healthy, satisfying and productive life within the society (Onuoha, 2011). This contributes to the emergence of a frustrated population, and provides fertile ground for armed insurrections. The key challenge here is not the lack of sufficient public resources, but rather the inability of the civil servant and political elites, due to widespread inefficiency and corruption in the public sector, to convert these resources into services and infrastructure that will improve the lives of the population. According to Onuoha (2011), this weakness jeopardizes any serious attempt at good governance and economic development.

4.8 EXTERNAL CONSTRAINTS: FROM PERSPECTIVES TO REALITIES

There has also been a shift in scholarly debates in the study of problems facing the continent. The focus had been on internal deficiencies within the African state such as the failure of leadership and the question of good governance; this is contrary to studies attributing undeniable African problems to colonial, neo-colonial legacies, and recently globalization (Ojo, 2004). It is clear that the processes of globalization challenge the capacity of African states and their ability to promote and sustain the democratic regime. Their capacity to consolidate democracy through the creation of effective political institutions is the determining factor in the nature and extent of participation by African states in the process of globalization.

Nigeria's path to democracy was a tortuous one, while the challenges to democratic consolidation within the global environment have become very daunting (Ojo, 2004). Smith (2003: 97) presents sound perspectives in his analysis of the capacity of the state to respond to its changing roles under the pressures generated by globalization. The traditional state-centric view holds that the state has been reduced to an economic unit, while the idea of the nation-state is now old-fashioned and re-adjusted to serve the aspirations of the capitalist powers.

Sullivan (cited in Smith, 2003: 97), advancing this position, argues that the rise of international governmental organizations (IGOs), supranational authorities like the Economic Community of West African States (ECOWAS), NGOs, and MNCs, which influence the domestic politics of states as well as their external relations, has drastically constrained the state to be a rational actor in advancing its national interests. For instance, the IMF and various oil-companies mounted strong pressure on the Nigerian state to remove subsidies on petroleum and immediately embark on full-deregulation of the downstream oil sector (Interviewee Number 16, July 2013). Ironically, some oil marketers and political office holders strongly benefiting from the subsidy-corruption-network are poised to frustrate complete deregulation of the sector.

MNCs have been very reluctant to invest in local facilities for technological innovation, which corroborates their own global logic (Evans, 1979). This is a logic that defies nationalistic intent and celebrates global accumulation in place of local empowerment. It was ascertained that:

If globalization continues to ignore community, humanity and environment; and if it continues with the suffocating and vitriolic propaganda about the so-called 'invisible hands of the market', it would build a huge arsenal of opposition that might render useless its positive aspects (Onigbinde, 2003: 83).

This has been one of the contending reasons for the inability to suppress local political pressures against the MNCs and the protests and destruction of oil facilities in the oil region, which has led to a loss of oil revenue to the government. Environmental activists in the Niger Delta understand this and continue to sustain the pressure to the point that each change in behavior, according to Evans (1979: 276), provides the foundation for further incremental change. Moreover, since the incremental nature of changes in multinational strategy is a generalized phenomenon, bargaining victories are likely to accumulate over time and hostility against the companies is thereby created.

However, the probability of institutional behavioural changes varies from one MNC to another. This also depends on the strength and resources of pressure groups and the nature of the state involved. Such a scenario piles up enormous pressure on the state: each actor (in this case MNCs and the Niger Delta population) expects the state to support its cause. The MNC has employed

all means, including bribery and corruption¹⁷² to convince state officials to accede to their profit-oriented strategies. Thus:

As transnational corporations compete for market hegemony, they are stretching regulations and utilizing several extra-legal mechanisms to gain one advantage or the other. This has increase corruption and further eroded the already weak ability of these states to regulate the corporations (Onigbinde, 2003: 80).

For instance, Former Halliburton co-executive, Albert Stanley was sentenced to 2½ years in prison, three years after he pleaded guilty to coordinating \$180 million in bribes to Nigerian public officials between 1995 and 2004, in the bid to win enormous construction contracts. The United States Justice Department sentenced the 69 year old, who cooperated with the American government, ‘providing a critical boost to investigations that have secured about \$1.7 billion in fines and settlements. Those include a settlement with Halliburton and its former subsidiary, Kellogg Brown & Root, for a combined \$579 million’ (Associated Press, 2012).

Neo-liberal theorists and scholars like Mohan (2000) argue that the problems are deeply rooted and should not be simply attributed to contemporary forces of globalization. Ake, Amin, Rodney, Clapham, Mimiko, and Gelb – trace this to colonialism and staunchly believe that ‘endogenous’ factors - imperialism, colonialism, neo-colonialism and more recently globalization - play a greater role in the incapacity of the Nigerian state. Ake (1996) reinforces the limited ability of a state like Nigeria to compete within the web of global network and argues that the state is not soft or weak, nor has it collapsed, but it is a state in the process of being and of re-inventing itself which has been compromised by the dynamic nature of the global order and the speed of the change.

Globalization imposes a stringent discipline on the state, delegating only a few roles to government that is consistent with free market policies. The wind of globalization has subjected national policies for economic growth and development, employment, social protection and fiscal objectives to redundancy by mobile capital, global markets and transnational industrial production, while the state is conditioned to perform a municipal role in the global system, providing the required infrastructure, physical and legal, for international capital (Mimiko, 2010; Smith, 2003: 128). For instance, the road that connects the Niger Delta with major cities in

¹⁷² A robust analysis of corruption in the oil sector is discussed in Chapter Six, under the heading ‘The Subsidy Regime’.

Nigeria (East-West and Benin/Ore road) has suffered neglect from governments for decades and labelled 'a death trap'. Crude oil is transported out of the zone through pipelines and not via road transportation, and the foreign investors and petty-bourgeoisie hardly ply the road. Instead, they shuttle through the air transport network, thus leaving the population at risk of car accidents and loss of life on the road.

Globalization marginalizes Sub-Saharan Africa, as neither foreign nor domestic investors show serious interest in developing the state or strengthening the power of states (Gelb, 2001: 9). They appear to only be interested in profit maximization as witnessed in many instances of environmental degradation of the oil-community (Royar, 2012). Regrettably, the Nigerian state does not have the discipline to uphold compliance to laws; neither does the state possess the political will to enforce corporate responsibility (Interviewee Number One, July 2013).

It follows that the more powerful and legitimate a state becomes, the more resistance it could muster against the excesses of globalization. The integration of the hinterland, rich in cash crops, to the urban centres with seaport facilities that characterized the colonial legacy continue to define transportation systems (railway, airport and good-road networks) in Nigeria. Sachs et al. (2004: 136) similarly notes that these infrastructures were constructed primarily for extractive purposes. Railways were constructed to carry inland natural resources to harbours, while concern for the transport needs of the local population was limited.

The stormy road to colonialism actually started socio-political and economic domination. Independence from colonial powers was followed by neo-colonialism built on manipulations that uphold political independence and celebrates economic dependence. Although Nigerian leaders exploited these opportunities to establish weak, corrupt and authoritarian regimes, Sachs et al. (2004:136), argue that 'if it is true that these leaders hanged themselves and their fellow citizens, the rich countries often provided the rope'. This supports the argument that the developed countries laid the foundation for many of the internally-generated problems (like corruption, nepotism and weak institution) of the African state (Gumede, 2012).

The Nigerian state furthers the 'oilification' of international capital. Therefore, the global system assumes a re-colonization process that not only democratizes disempowerment but facilitates the sustenance of the status quo (Ake, 1996). The disruptive and destructive nature of colonialism in

Nigeria could not be erased easily. Accordingly, the nature of the Nigeria's state is a direct function of colonial heritage. The current state of African political economy, when subjected to historical context, reveals a deeper understanding of a series of socio-political and economic crises that have characterised the post-colonial African state (Bayart, 2009). This does not mean, however, that the state should be absolved of responsibility to pilot the society towards good governance.

Paradoxically, the Nigerian nationalists who assumed leadership, under the political tutelage of the colonialists continued to operate with a 'bureaucracy trained and tested in the authoritarian habits and practices of the departed colonialists' (Olayode, 2005: 28). Despite the long years of independence, the state still retained its uncompromising and authoritarian character as revealed in the state's insistence on the deregulation of the oil sector. Olayode claims that there were expectations at independence that the state would be transformed to meet the interests of the people, but the political elites were content with using the authoritarian structures of the state to expropriate economic gains for themselves. He explains that:

To facilitate its regulatory and extractive roles, the post-colonial state centralised the production and distribution of national resources, and in the context of state capitalism, this encouraged the perception of the state as an instrument of accumulation and patron-client ties as the dominant mode of political relations. Economic deterioration increased state weakness (i.e., the inability of the state to regulate society and to implement public policies in an effective manner) and societal demands on the state. Though perceived as the key distributor of resources, the state lacked the capacity to satisfy public demands. Overstaffed, over-bureaucratized, and itself a major consumer of scarce revenues, the state found itself unable to implement its own developmental programmes, particularly in the hinterland (Olayode, 2005: 29).

Increasing international interactions between domestic political elites and their foreign counterparts, results in a kind of regularized behaviour that influences the actions of local elites against the interests of the population. In the same manner, the population, through the media, has access to the 'decent' livelihood of foreign nationals, which heightens Nigerians calls for an improved standard of living domestically. It is very easy for Nigerians to cite the social security services enjoyed by citizens from fellow African countries as a reference point for improved economic conditions and good governance. The citizens' exposure to global media has created a consciousness of the role of the state in Nigeria in comparison to many countries, as well as the inability of the Nigerian state to improve the living conditions of the population.

The global order, through the use of ICT, the mass media, Global System of Mobile Communication (GSM), internet resources and social media like ‘facebook’ has integrated Nigerians with the rest of the world, and this enables them to question and interrogate governance and leadership (Interviewee Number Two, July 2013; Interview Number Three, August 2013). Access to information exposes the government to best practices, and ‘if Nigeria is serious about tangible development, we should borrow and adapt these practices into our system...These are openness, transparency, responsive leadership, respect for others’ (Interview Number Three, August 2013).

CHAPTER CONCLUSION

The intellectual, philosophical and ideological differences between the radical political economy and neo-liberal (rooted in modernization theory) schools of thought have a great influence on explanations of Nigeria’s capacity to instigate and successfully implement sustainable economic development, as is expected of an effective state. The two provide substantial justifications for their claims. However, external constraints constitute significant impediment to development and genuine economic transformation in the state. It would be expedient to downplay internally-generated challenges to Nigeria’s statehood and economic development. However, the mode of integration of the Nigerian state economy into the advanced capitalist world, through colonialism, has provided the foundations that generate a a substantial part of the internal contradictions.

I claim that, despite externally-generated constraints to the state’s autonomy, the Nigerian state still possesses the ability to significantly reduce the influence of global forces within its domain. The state has the responsibility to act responsibly in finding a balance in sustaining social stability, effecting tangible developmental programmes and improving the economic life of its population. This can only be achieved under a re-energized public service driven by a visionary and responsive leadership.

Apparently, the Nigerian bureaucracy is inclined towards administration (controlling inputs and expenditure) as against results-oriented, service delivery. I also make the claim that the preservation of weak public institutions jeopardises any attempt to implement the oil reform. The

crisis of incapacity in the Nigerian state is compounded not only by the structural deficiencies of Nigerian federalism but also the composition and quality of the civil service.

With its present composition, structure and manpower, it becomes an uphill task for the state to transform oil-wealth into sustainable development. Such institutions cannot curtail the profit maximization impulse of the technologically-inclined MNCs, especially those operating in the oil sector. Despite successive attempts at reforms and the rhetoric of strengthening Nigeria's institutional capacity, the Nigerian civil service remains ineffective, inefficient, wasteful, incapacitated, inept, unprofessional and uninspired to drive Nigeria's developmental necessity; neither could it successfully oversee a beneficial deregulation policy in the oil sector.

Corruption has substantially curtailed the drive towards development and improvement in the livelihood of the majority of Nigerians. I hold that corruption constitutes one of the major causes of Nigeria's socio-political and economic crisis since the oil boom of the 1970s. Nepotism compounds the inability of the state to sanitize the oil sector through the granting of licenses to close associates of the ruling class who have no required skills in the oil business. The result is the accumulation of staggering wealth by oil merchants and the ruling class through rent-seeking and corruption. In Nigeria, public office and patronage networks remains the shortest and most rewarding means of attaining unimaginable wealth in Nigeria.

Apparently, the character of the leadership cannot deliver on good governance. The false foundation of their electoral victory has eroded government's legitimacy, which is an essential ingredient of democracy. Government's inability to implement an appreciable number of policies that have a direct, positive impact on the mass of the people worsened the case. The hostility between the leadership and the citizens was exposed by massive resistance to the deregulation of the downstream oil sector.

In the next chapter I assess the specific roles of public institutions and other non-state stakeholders involved in the deregulation policy with specific emphasis upon networks of corruption.

CHAPTER FIVE
STAKEHOLDERS IN THE DOWNSTREAM OIL SECTOR:
INTERESTS AND ROLES

INTRODUCTION

The complexities of the Nigerian federal arrangements have been systematically analyzed in the preceding chapter. They were found to be flawed. These flawed arrangements have had a negative influence in the management of, and crisis, associated with the Nigerian oil industry in general, and the downstream oil sector in particular. To put this into perspective, the number of state established institutions and structures in the oil sector outnumber the entire state institutions in South Africa! (Interviewee Number Seventeen, July 2013).

The reality of over-bloated, redundant and excessive institutions in the sector has created a recurrent overlap of functions and responsibilities among these institutions (PEF, 2012). This is not only counter-productive, wasteful, costly and confusing but it explains the inefficiency and under-performance of the sector in terms of ensuring effective distribution and marketing of petroleum products in the country. For instance, the 2013 budget earmarked N34.5billion for

DPR. Yet, despite this huge sum, the agency has failed to successfully perform its monitoring, regulatory and oversight functions in the oil sector, but continues to provide employment opportunities for Nigerians through the networks of nepotism. Also, the Director of the NNPC, Stanley has repeatedly complained about the lack of clarity between the regulatory roles of DPR and PPPRA (Niyi, 2003). Non-state actors have also contributed to the crisis experienced in the downstream oil sector. The IFI and MNCs operating in the oil industry did not hide their disdain for continued fuel subsidies and the regulation of the supply and marketing arm of the Nigerian oil industry. Multinational corporations (MNCs) have greatly contributed to the extraction of mineral resources and their subsequent conversion to finished resources, while the IFIs – the IMF in particular – has attempted to ensure fiscal discipline in the country. However, these institutions operate to promote the interests of foreign capital. As much as civil society groups tried to resist policy shifts in the oil sectors, their voices were silenced under the coercive force of the federal government in support of the liberalization of the oil sector (Social Action, 2012). In this light, I assess in this chapter the activities and contributions of governmental institutions and non-governmental organisations to the sustenance of the downstream oil sector, as well as in terms of their roles in the deregulation policy. I briefly consider in this chapter the factors of corruption and maladministration, among the institutions of oil, which has compounded efforts for a sustainable policy in the oil sector.

This chapter reveals how public officials managing the oil industry have engaged in maladministration, wastage and corruption to appropriate the benefits of the Nigerian oil wealth for private use. I make the claim that public institutions have failed to perform their roles of oversight and monitoring of the oil business, and in many cases, public officials collude with oil marketers and MNCs to manipulate data in support of excess subsidy payments. The complicity of both state and non-state actors in the oil business is directly responsible for the urgent and immediate efforts at deregulation.

5.1 STATE ACTORS

5.1.1 *The Presidency and Ministry of Petroleum*

Over the years, successive Presidents have, directly or indirectly, assigned the control of the oil sector under the office of the Presidency due to the monetary importance of the crude oil industry

to the state. All the institutions, ministries and parastatals in the sector were established by the Presidents (through direct promulgation or directive) and also by the Minister of Petroleum Resources¹⁷³, Dieziani Allison Madueke,¹⁷⁴ acting on behalf of the President. The decision to enact all policies in relation to the oil industry, as well as increase the pump prices of petroleum resources has been under the direct discretion of the President, though the Minister has the constitutional right to also approve such directives. The Minister, who heads the Ministry of Petroleum Resources, is responsible for fulfilling the Presidential aspirations in this sector.

The Minister is always very active during any oil crisis: from fuel scarcity to increases in the prices of the products. For instance, the announcement of the deregulation policy and subsequent increases in the pumping price of PMS, which drew irk from the general public, imposed a responsibility on the Minister to defend government policies. She had been called into different forums to defend the action of the government and was also requested to respond to the calls for accountability and sanitization of the oil sector from corruption, waste and mismanagement. The Minister promptly responded to the public outcry by inviting the anti-corruption agency, the EFCC to scrutinise the activities of the PPPRA. She also established an 11-person committee on governance and control in the NNPC and other structures of petroleum by-products which was mandated to submit their reports within a month (Social Action, 2012: 24-25). The Presidency immediately appointed two firms to audit the financial activities of all the institutions involved in the oil industry, and uncovered the amount of oil sales between 2009 and 2011. It was also reported that Former Chairman of the EFCC, Nuhu Ribadu, was appointed to head a 17 person committee to determine and reconcile both upstream and downstream oil taxes and royalties accruable to the state (Social Action, 2012).

The President accelerated the establishment of NEITI in 2007, which made Nigeria the first country with a legal framework for the implementation of EITI. The quest for accountability and transparency in the oil sector corresponds with the Obasanjo administration's acclaimed fight

¹⁷³ The Ministry of Petroleum Resources was created by the Nigerian government to implement government policies in the entire oil and gas sector. The institutions supervise the implementation of approved policies with a technical Department of Petroleum Resources, which undertakes the regulation of the oil and gas sector.

¹⁷⁴ Allison Madueke was a former staff member of Shell Petroleum Development Company, where she acted as Head of the Project Unit of the Estate Development Division in Lagos. She became the Minister for Transportation between 2007 and 2008, and Minister for Mines and Steel Development between 2008 and 2010. She was appointed as Minister for Petroleum Resources by President Goodluck Jonathan in 2010. She remains the current Minister for Petroleum Resources in the Federal Republic of Nigeria.

against corrupt practices. This complements the anti-corruption activities of the Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) (Alex, 2011: 37). Alex (2011) maintains that EITI implementation in Nigeria has been confronted with several gridlocks such as a lack of strong political leadership, bureaucratic delays and differences over power sharing and responsibilities between the NEITI secretariat and the National Stakeholder Working Group (NSWG). The NEITI has been effective in auditing the financial transactions of the NNPC and its affiliates. However, many see the NEITI as a potentially useful - though insufficient - entry point into the difficult terrain of resource governance in Nigeria (Amundsen, 2010: 27).

Aside this, the Presidency also approved the establishment of a National Refineries Special Task Force (NRSTF) to assess the state of the four refineries, and to guarantee the supply of petroleum products across Nigeria at all times. The efforts at deregulation and reactions from the public in Nigeria also compelled all stakeholders to accelerate the passage of the PIB, which was awaiting Presidential consent. The Minister supported the inauguration of the Udo Udoji House Committee¹⁷⁵ to facilitate the approval of the PIB due to its protracted delay in its passage. By June 2014, the National Assembly had passed the 1st and 2nd reading in the Nigerian Legislature sent it to the executive and re-submitted it back to the National Assembly for passage.

There have been re-occurring accusations by Nigerians towards the Presidency and the Ministry of Petroleum Resources due to their over-bearing influence on the operations of the NNPC and other state's functionaries in the oil sector (Interviewee Number Four, July 2013). The respondent queried: How can it (*government institutions in the oil sector*) perform when the Presidency and Ministry of Petroleum preside over their affairs and 'breathe down their throats'? This accusation is buttressed in my subsequent analysis of the performance of the state institutions in the oil sector.

5.1.2. Oil Institutions

5.1.2.1 Nigerian National Petroleum Corporation

¹⁷⁵ The committee, operating under the direct supervision of the Minister, is mandated to engage the parliament and executive towards removing every gridlock towards its passage and immediate implementation.

The Nigerian National Petroleum Corporation (NNPC) - a parastatal of the Ministry of Petroleum Resources - undertakes the commercial ventures in the crude oil industry on behalf of the Federal Government of Nigeria. Nigeria joined the Organization of Petroleum Exporting Countries (OPEC)¹⁷⁶ in 1971, the same year the Nigerian National Oil Corporation (NNOC) was established. By 1977, the NNOC was replaced by the NNPC (Alex, 2003: 27), and decentralized into nine subsidiaries in 1981. The NNPC significantly augmented its holding in diverse oil ventures amidst persistent efforts to make the institution a financially independent and commercially incorporated unit.

A law was passed¹⁷⁷ that sanctioned Nigerian ownership of at least a 60% of equity stake in all foreign businesses, and allowed the national oil company to manage the ownership share. Presently, the current production comes from Joint Ventures (JVs) with International Oil Companies which accounts for about 64% of production and production sharing contracts (PSCs) which accounts for about 36% of production (Alison-Madueke, 2013). In 1979, the government transformed the NNOC into the powerful and monopolistic NNPC.

Following the Indigenization Decree of 1977 – Schedule 1 and 2¹⁷⁸ -, Nigerian Government through the NNPC became the dominant player in the downstream oil sector. This was done by acquiring equity shares in all the international oil marketing companies in the country. Thus, the downstream sector which covers the processing of crude oil and natural gas, distribution and sale of oil products by extension became a parastatal under the control of government (Ogunmodede, Ilesanmi and Olurankinse, 2010: 115). However, Baig (2007: 28) notes that three important governmental institutions are involved in oil revenue collections, which are the NNPC, the Federal Inland Revenue Service (FIRS), and the Directorate of Petroleum Resources (DPR)¹⁷⁹. It is the NNPC that solely receives, distributes and markets the 60 percent government allocation of crude produced, and also receives a share for the local refineries, which it also sells.

¹⁷⁶ The Organization of the Petroleum Exporting Countries (OPEC) is an intergovernmental organization of petroleum-rich countries. It was created at the Baghdad Conference on September 10–14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The objectives of OPEC are to ‘co-ordinate and unify petroleum policies among member states. This is important for maintaining fair and stable prices for crude oil producers as well as a regular supply of petroleum products to consuming nations. Part of its objectives is to also guarantee a fair return on capital to investors in the industry’; see http://www.opec.org/opec_web/en/about_us/24.htm.

¹⁷⁷ See The Indigenization Decree of 1977.

¹⁷⁸ *Ibid.*

¹⁷⁹ This is one of the agencies under the Ministry of Petroleum Resources, which serves as the regulatory institution in the oil and gas sector. It is later discussed in the chapter.

The NNPC supply crude oil and petroleum by-products to industrial facilities and individuals with oil operations, and provides refined resources to independent marketers and NNPC mega filling stations across the country. The oil body is bequeathed with the responsibilities of joint ventures with other oil MNCs, and coordinates, along with its subsidiaries the act of production, distribution, and marketing. The establishment has supervised Nigeria's first joint venture equity partnership in collaboration with the Nigerian Agip Oil Company Limited¹⁸⁰ in the mid-1960s to successfully manage the oil resources. Towards this end, the NNPC instigated oil exploration to confirm Nigerians top position as a crude oil exporter in Africa in the 1970s; at that same time, oil revenue increased from N200m (\$1.12m) to N10b (\$5.5) (Oyesanmi, 2011).

In 2004, the NNPC launched the commended West-Africa Natural Gas Pipeline to supply natural gas to the entire West African community, and in 2005 (Akinola, 2011), Nigeria emerged as an important exporter of natural gas with the establishment of a liquefied natural gas plant in Bonny as part of efforts to combat gas flaring by 2005. This lofty plan was unachievable. There is still a high degree of gas flaring in the Niger Delta community. Moreover, the NNPC entered into a \$1 billion (USD) joint venture in the offshore Agbami fields¹⁸¹, which holds more about one (1) billion barrels of oil reserves and “ranks among the single largest deep-water discoveries in the world” (Agarwal, 2010: 6). This is to boost the capacity of Nigerian crude oil production by about 250,000 barrels from the 2 million barrels per day capacity (Oyesanmi, 2011: 10).

The NNPC Retail Limited operations were established in August 2002, when the first retail outlet was commissioned in Lagos, Nigeria to market petroleum products to the public. NNPC operates retail outlets up to 37 mega stations, 12 floating mega stations and over 500 affiliate stations spread across the country. The retail subsidiary – an organ of the NNPC - creates and operates what it considers to be ‘model retail outlets with efficient service delivery of petroleum and allied products to customers in an environmentally friendly manner’.¹⁸²

¹⁸⁰ Nigerian Agip Oil Company Limited, a foreign multinational corporation, engages in oil exploration and production in the upstream of the oil industry. The company was founded in 1962 and embarked on a joint venture with the government; see <http://investing.businessweek.com/research/stocks/private/snapshot.asp?privcapId=33212870>.

¹⁸¹ The Agbami field – owned by Chevron, Star Deep, Famfa and Petrobas - is located 70 miles off the country's coastline and about 5000 feet in depth.

¹⁸² This information is available on the website of NNPC; <http://www.nnpcgroup.com/NNPCBusiness/DownStream/RetailServices.aspx>

Information on the website reveals that the NNPC entry into the downstream oil industry was strategically intended to equip the oil institutions with the much needed capacity for periodic interventions in the market, which is more important during emergencies and fuel scarcity. It is also to be the yardstick for major players in the distribution system, to guarantee the smooth and economically viable retailing of products and, lastly, to be an agent for achieving its world class aspirations by incorporating the upstream and downstream segment for common goals of excellence.

The NNPC has also engaged in human development in so many ways; aside from training workers and managing oil leases, it has encouraged local participation, maintaining uniform pricing in domestic markets and raising crude oil sales to \$2.6 billion in 2005.¹⁸³ It thereafter hit 81% of the state's overall revenue, which was huge revenue for the government, as well as providing tangible employment to over 1500 Nigerians in the same year (Oyesanmi, 2011). The oil giant is set to increase its contribution to employment opportunities, accelerating economic growth and development by improving crude oil reserves from 36 billion to 50 billion barrels by 2015 (Oyesanmi, 2011: 11). One of its major targets is to increase access to capital and sphere of influence to domestic, sub-regional and regional gas markets, which is achievable by establishing calculated partnership with global players in the gas industries to be highly competitive in international markets.

The NNPC has struggled to effectively perform other important responsibilities in the upstream and downstream oil industry. Although, it is saddled with the responsibilities of allocating contracts for oil lifting, NEITI audit reports¹⁸⁴ have shown that this does not always follow advertised criteria or guarantee competitive pricing (NEITI, 2013). The NNPC's *mis*-handling of crude oil sales and remittances of earnings have triggered confrontations against the Revenue Mobilization, Allocation, and Fiscal Commission (RMAFC) – a body that monitors accruals into the Consolidated Revenue Fund (Baig, 2007). According to Baig, RMAFC alleges that the NNPC does not remit all revenues, an accusation supported by relevant national legislative committees.

¹⁸³ See <http://www.referenceforbusiness.com/history/Mi-Nu/Nigerian-National-Petroleum-Corporation.html>.

¹⁸⁴ The objective of the audit is to 'review and reconcile all revenues collected by Government Agencies on behalf of the Federation and payments made by all the oil and gas companies operating in Nigeria, in line with the international standards and rules of the Extractive Industries Transparency Initiative (EITI)' (NEITI, 2013).

NNPC is founded to provide viable competition to foreign companies and replicate the giant strides of companies like Petrobras of Brazil¹⁸⁵ and SASOL oil¹⁸⁶ in South Africa but the oil giant has become Nigeria's 'poster child for embarrassing irony' (Social Action, 2012: 11-12). Amundsen (2010: 26) categorizes the NNPC as the biggest mess, and most chaotic of all the national oil companies and one of the most mismanaged firms on the globe. The late President Yar'Adua declared that the corporation 'has not been transparent, and it is one of the most difficult agencies of government to tackle because of vested interests of very powerful people in the country' (Amundsen, 2010: 61), while the body continues to be a political vehicle for personal wealth, embezzlement and gross corruption. In fact, its potential and effectiveness were jeopardized by political interference.

There is no denying the necessity of institutional reforms, though the IMF notes that the proposed institutional setup, as contained in different proposed template for reforms, are costly, complex and cumbersome; hence the need for streamlining the institutional arrangements (IMF, 2013: 60). The IMF report reveals the agreement between the IFI and the government to unbundle the NNPC and to separate the management of the state's assets and investments in the petroleum sector from the regulatory and supervisory responsibilities.

The IMF reports recognize the risks in the proposed division of the operations of the NNPC into four companies, namely the National Oil Company, an Assets Management Corporation established to oversee government investments in the upstream industry, an Assets Management Company designed to manage joint ventures, and a National Gas Company (IMF, 2013). Specifically, the identified risks are high administrative costs, conflicts and clashes in roles and responsibilities among the established agencies, increased prospects for corruption and lack of incentives and certainty for private investors.

In this section, I found that the corporation is not competent enough to manage the Nigerian oil resources, and more importantly, the refineries. Hence, they support privatization of the

¹⁸⁵ Petrobras is a semi-public Brazilian oil giant, which has replaced Mexican Oil Company as the largest company in Latin America and the most profitable in the region; see <http://www.latinbusinesschronicle.com/app/article.aspx?id=3440>.

¹⁸⁶ SASOL, a South African company, was established in 1950 but started producing synthetic fuels and chemicals in 1955. For more information, see, John Collings (n.d) "The Sasol Story: A half-century of technological innovation"; available online at http://www.sasol.co.za/sites/default/files/content/files/mind_over_matter_07_1178173866476.pdf

refineries and the continued import of fuel. The corporation has become a resource pool for wastage and mismanagement, which has compounded the fuel subsidy crisis and the calls for complete deregulation of the downstream oil sector.

5.1.2.2 *The Directorate of Petroleum Resources*

The Directorate of Petroleum Resources (DPR), created alongside the Nigerian oil industry, is the regulatory arm of the NNPC. The NNPC only focus on the collection of revenue from crude oil sales, but the DPR is responsible for collecting oil royalties, gas flare penalties, rents, and other levies payable to the government in the oil sector. The oil institution is specifically saddled with the following responsibilities¹⁸⁷:

- i. Supervising all petroleum industry operations being carried out under licenses and leases in the country in order to ensure compliance with the applicable laws and regulations in line with good oil producing practices.
- ii. Enforcing safety and environmental regulations and ensuring that those operations conform to national and international industry practices and standards.
- iii. Keeping and updating records on petroleum industry operations, particularly on matters relating to petroleum reserves, production and exports of crude oil, gas and condensate, licenses and leases as well as rendering regular reports on them to the government.
- iv. Advising the government and relevant agencies on technical matters and policies which may have an impact on the administration and control of petroleum.
- v. Processing all applications for licenses so as to ensure compliance with laid-down guidelines before making recommendations to the Minister of Petroleum Resources.
- vi. Ensuring timely and adequate payments of all rents and royalties as at when due.
- vii. Monitoring the government's indigenization policy to ensure that local content philosophy is achievable.

The DPR is supposed to be an independent regulator, but, as peculiar to all state institutions in Nigeria, it has not been able to play this role in practice. Its mandate includes supervising all petroleum industry operations in the country; enforcing environmental and safety regulations; keeping accurate records on operations (reserves, production, and exports of products);

¹⁸⁷ These responsibilities are retrieved from the official website of DPR. See http://www.dprnigeria.com/dpr_roles.html.

processing applications for licenses, ensuring timely and adequate payments of all rents and royalties; and monitoring the local content policy (Alex 2011: 28). In reality, Alex notes that the DPR – an organization hampered by human and financial capacity constraints - has been treated just like another arm of the NNPC and is subject to its directives as well as that of the Ministry of Petroleum Resources, the Presidency, and other powerful public officials, including politicians chasing oil-contracts.

It has also faced undue pressures from the International Oil Companies (Alex, 2011: 31). All of these constraints have led to the failure to perform its functions effectively. There have been other cases of gross incompetence, mismanagement, bribery and corruption and unprofessional acts that have limited its capacity to act as an effective regulator in the sector. For instance, the NNPC monthly returns on crude oil sales do not indicate the volume of crude, the applicable price, the exchange rate used, and the method used for computing the proceeds. The DPR has not utilized their human resources to live up to their responsibilities of effective monitoring of the oil business (Interviewee Number One, July 2013).

I claim in this section that the inability of the DPR to act independently has hampered its effectiveness. Personal observation and interaction with officials of the agency reveals the overbearing influence of the NNPC, Ministry of Petroleum Resources, the Presidency and ruling elites in its activities. More destructive is nepotism, which denies the agency the ability to recruit competent candidates to fill vacant positions. The duplication of the regulatory roles of the DPR among other public institutions, like the PPPRA, is also a source of concern.

5.1.2.3 Petroleum Products Pricing and Regulatory Agency

The PPPRA, as stipulated on its website (<http://www.pppra-nigeria.org/>), maintains that the agency was established in June 2003 to reposition Nigeria's downstream oil industry as a more efficient, viable and transparent governmental institution, which was necessary to achieve an improved and effective downstream sector where refining, supply, distribution and marketing of petroleum products are self-financing and self-sustaining. The agency became necessary as a mechanism to properly transform the sector into a fully deregulated industry.

The website also highlights the core functions of the agency, which are to determine the pricing policy of petroleum products; regulate the supply and distribution of petroleum products; create an information databank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies; oversee the implementation of the relevant recommendations and programmes of the Federal Government as contained in the White Paper on the Report of the Special Committee on the Review of the Petroleum Products Supply and Distribution,¹⁸⁸ taking cognizance of the phasing of specific proposals; moderate volatility in petroleum products prices, while ensuring reasonable returns to operators; establish parameters and codes of conduct for all operators in the downstream petroleum sector (PPPRA, 2004). The lofty objectives of the institution are to be driven by an active Board appointed by the government as the supreme organ of the institution.

The PPPRA has a 26 member Board¹⁸⁹ which is responsible for the implementation of the agency's objectives. The membership of the agency cut across the stakeholders in the oil sector. This raises high expectations on the performance of the agency, but the agency has performed short of expectations (Interviewee Number One, July 2013). .

The PPPRA, despite imminent impediments, tries to enforce transparency and reduce corruption in the subsidy scheme, which required reforms that have been greatly beneficial to the country and its population. The stringent measures and controls, initiated by the PPPRA and implemented in the petroleum products marketing and distribution organ of the oil industry, yielded desirable results reflected in the reduction of subsidy payment from N2.09 trillion spent

¹⁸⁸ The committee was set up in 2000 to address the rot in the downstream oil sector. Most important was the issue of subsidy payments, fuel scarcity and poor performance of the refineries. The committee recommended the urgent need for deregulation and liberalisation of the downstream oil sector and the creation of PPPRA.

¹⁸⁹ The members include the Chairman, Executive Secretary, Presidency, Central Bank of Nigeria (CBN), the NNPC, the Federal Office of Statistics, the Federal Ministry of Petroleum Resources, the Federal Ministry of Finance, the National Manpower Board, the Nigeria Labour Congress (NLC), the Trade Union Congress (TUC), the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN), the National Union of Petroleum and Natural Gas Workers (NUPENG), the National Association of Road Transport Owners (NARTO), the National Union of Road Transport Workers (NURTW), the Nigerian Media, the National Association of Chambers of Commerce, Industry, the Mines and Agriculture (NACCIMA), the Major Oil Marketers (MOMAN), the Depot and Petroleum Products Marketers Association of Nigeria DAPPMA, the Independent Petroleum Marketers Association of Nigeria (IPMAN), the Petroleum Equalization Fund (PEF), the Manufacturers Association of Nigeria, the Nigerian Employers Consultative Association, Federal Ministry of Employment, the Labour and Productivity, and Federal Ministry of Transport; see MOMAN (2012); PPPRA (2004); Petroleum Products Pricing Regulatory Agency (Establishment) Act, 2003).

in 2011 to N1 trillion expended in 2012 (Ugwuanyi, 2013). Reginald Stanley¹⁹⁰ made a public declaration that the local consumption of PMS has drastically reduced from 60.25 million litres per day in 2011 to 40 million litres per day in 2013 (Channels Television, 2013). Invariably, the subsidy payment was also drastically reduced. Apparently, the fuel consumption did not reduce. Rather, what reduced was the false claims of consumption by some oil marketers, who had given inflated figures to the government. This is however made possible with the connivance of public officials in the NNPC, the DPR and the PPPRA responsible for the regulating and monitoring of fuel imports and consumption.

There was also about a 67% decrease in the number of oil marketers in the subsidy regime, from 128 marketers in 2011 to 39 by December 2012 (Ugwuanyi, 2013). The number again further dropped to 32 participants, but increased thereafter because new filling stations were licensed and new individuals and companies were given permits to import fuel. This was a positive development due to the rejection of unprofessional and unregistered oil marketers from the oil business. This achievement should be understood in the context of ferocious outcry by the public and their insistence on accountability in the oil business. However, this still remains a laudable stride of the agency under Reginald Stanley.

This restrictive measure taken by the agency against increased participation in fuel importation to only owners of coastal discharge/depots facilities has invariably reduced participation in the Petroleum Subsidy Fund¹⁹¹ (PSF) scheme to only genuine and proficient oil marketers (Yakubu, 2012). This has attracted expansive investments in the improvement of petroleum handling facilities, which strengthened local content development and promoted better management of participants in the PSF scheme.

Certified cargo inspectors were introduced to boost operational efficiency and accountability in the areas of product receipts that aligns with international best practices. In such an arrangement, three inspectors appointed by the PPPRA would verify the volume of import fuel in vessels;

¹⁹⁰ He has been the Director of the PPPRA since November 2011.

¹⁹¹ The PSF is a pool of funds drawn from the national budget for the stabilization of the domestic prices of petroleum products to avoid the translation of volatility in international crude and products prices into instability of pump price of oil in the domestic market. To achieve this, the PPPRA Board established a pricing template to determine on a daily basis the landed price of regulated products. This formed the basis of subsidy claims made by oil marketers participating in the scheme.

another three inspectors would confirm the quality of the fuel discharged, and two officials would approve the quantity of fuel physically trucked-out of the oil depots (Yakubu, 2012). Taking physical control of discharge values at depots is another initiative that has helped to eliminate false claims in fuel loading and distribution to consumers. The PPPRA has also created stringent requirements for import documents such as *Bill of Loading*, *DPR License*, *Shore Tank Certificates*¹⁹², among others (Yakubu, 2012). This becomes necessary to abolish the risks of *Bill of Loading* manipulation and to certify the integrity of the products discharge record for laying claim to subsidy payments. The institution made a bold step of intention by subscribing to *Lloyd's List of Intelligence Sea Searcher*¹⁹³ services, which helps in tracking the movements of vessels around the world and identifying their true origins as well as to monitor oil from the loading point up until they berth on Nigeria's shores.

Despite the many achievements of the PPPRA, it could not combat fuel scarcity, corruption and price disparity nor is it able to ensure the sanitization of the downstream sector as envisaged. Nwokolo (2012) strongly condemned the leadership of the body between 2009 and 2012 for engaging in diverse forms of maladministration, corruption and abuses of power. The institution flouted many regulations by allocating licenses for ineffectual companies to import oil and through their inability to advance the copies of allocations and vessel arrival notification documents to the relevant organs like the navy. Just like the DPR, the viability of the PPPRA to successfully combat irregularities and perform competently in the downstream sector depends on its ability to liberate itself from the stronghold of the NNPC (Alex, 2011) and the Ministry of Petroleum who continue to benefit from the PSF scheme. It would also be expedient for the agency to effect payment on what is loaded in tanks and discharged at different filling stations but not on the volume of import fuel.

Major oil marketers have consistently faulted the PPPRA as the repository of corruption in the oil sector. They are directly in charge of the subsidy scheme, which has become an avenue for

¹⁹² There are documents to support the authentication of the marketers' claim of loading a specified volume of fuel from the oil depot or storage facility. The DPR license shows government approval to lift and distribute fuel. The Bill of Landing certifies the authenticity of fuel imports or loading from a depot, while Shore Tank Certificates reveal the volume of fuel in a storage facility.

¹⁹³ The Lloyd's List Intelligence remains the best vessel tracking and deepest source of shipping intelligence database designed to monitor the shipping world; see <http://info.lloydslistintelligence.com/our-channels/lloyds-list-intelligence/>.

corruption. Sadly, since many of the corruptible are associates of the ruling class, they are celebrated and not prosecuted (MOMAN, 2012). The Major Oil Marketers Association of Nigeria (MOMAN)¹⁹⁴ made reference to what was obtained at inception, whereby participation under the PSF was limited only to marketing companies that could boast of minimum storage of 5,000 metric tons and a web of petrol stations and retail outlets spread around the country (MOMAN 2012). Pressures from different players destroyed this; thereby attracting all manner of oil businessmen, including inexperienced individuals to suddenly become oil marketers.

The PSF is funded by the three levels of government (federal, state and local government) and also by funds provided by the participating marketing companies. The scheme is designed in a way that only companies with substantive and identifiable assets in the downstream sector could be held accountable. However, MOMAN (2012) notes that a change in Part V of the standing rule of the PSF in 2007 empowered companies and *marketers without owning any company* to benefit in the PSF due to just mere agreements with PPPRA officials. According to the oil association, this explains the high rate of oil ‘quack and briefcase’ companies, which have no experience, no asset base or accountability practices and have participated in the scheme until 2012. It is therefore not surprising that the marketers engaged in false subsidy claims (House of Representative, 2012). Moreover, it is most surprising that the government looked the other way and allowed this to persist until the public became political active as a result of the January 2012 fuel crisis (Social Action, 2012; House of Representative, 2012).

Players in the marketing sector under the Independent Petroleum Marketers Association of Nigeria (IPMAN),¹⁹⁵ MOMAN and other sporadic oil companies and marketers are in the forefront of the agitation for deregulation. MOMAN in particular has always been a proponent of the complete deregulation of the downstream oil sector and viewed the subsidy scheme as an intermediate measure, which would always be unsustainable (MOMAN 2012). The oil marketers are in charge of fuel importation, distribution and marketing. MOMAN maintain a direct link with the NNPC to distribute and supply across Nigeria in an organized manner. For instance,

¹⁹⁴ MOMAN is the umbrella association for major oil marketers in Nigeria. Their members are Conoil, Forte Oil, Mobil, MRS, Oando and Total, which are MNCs operating in the Nigerian oil industry.

¹⁹⁵ IPMAN, established in 1972, is an umbrella association for all registered independent petroleum product marketing companies in the country. It was established to provide opportunities for Nigerians to actively participate in the downstream oil sector and sees to the welfare of members.

during the March 2014 fuel scarcity¹⁹⁶, NNPC supplied an additional volume of 33 million litres of premium motor spirits to MOMAN for onward distribution to fuel stations across the metropolis and beyond (NNPC, 2014a).

In this section, I made the claim that the new Stanley Rowland led-executive has improved on the performance of the PPPRA, especially by announcing a reduction in the quantity of fuel consumption and the downward review of registered oil marketers.. However, the appointment of representatives of many civil society organizations has not triggered the desirable efficiency in the downstream oil sector. The agency has been involved in many irregularities, mismanagement and corruption. The agency failed to provide accurate data in respect of the quantity of fuel consumed and imported. Rules and regulations in regard to registered marketers were violated. The agency also failed to ensure fuel availability, while the spate of pipeline vandalism and bunkering continued to increase. However, I claim that the data revealing the number of incidents of vandalism of oil facilities, pipeline destruction and oil lost to bunkering is inflated. This is so because oil is diverted by public officials for personal aggrandizement.

5.1.2.5 Pipelines Product Marketing Company

Reorganization within the NNPC was imminent. Therefore in 1988, the Pipelines Product Marketing Company (PPMC), a subsidiary of the NNPC, was established to ensure the availability of petroleum products all over the country.¹⁹⁷ This institution is directly responsible for maintaining the ease with which fuels are sourced and supplied to consumers across the country at the government prescribed price: an arrangement that is shrouded in complexities. The PPMC acts as a strategic business organ of the NNPC, which is administered to align with the management culture of total quality in pursuant to the directive of the NNPC.

The agency is mandated, among other things, to:

Ensure security of supply of petroleum products to the domestic market at low operating costs, market special products competitively in the domestic and international markets, provide

¹⁹⁶ Despite the assurance by the government that there would be an uninterrupted fuel supply during the January 2012 deregulation feud, there have been many cases of fuel scarcities in the country.

¹⁹⁷ See <http://ppmc.nnpcgroup.com/#>.

*excellent customer service by effectively and efficiently transporting crude oil to the refineries and moving petroleum products to the market*¹⁹⁸.

The PPMC discharges and distributes fuel all around the country through chains of processes. The agency receives crude oil from the NNPC Corporate Services Unit, National Petroleum Investments Management Services (NAPIMS), and supplies the crude oil to the four NNPC refineries. However, petroleum products are mostly imported to augment local refined products due to the inability for the refineries to meet local consumption. Petroleum products which are either imported or refined locally are received by the PPMC through import jetties or refinery depots and distributed through pipelines to depots strategically located all over the country from where the products is lifted to expected retail outlets or filling stations.

The NNPC subsidiary runs a fleet of marine vessels utilized for conveying oil products along Nigeria's coastal water from Port Harcourt and Warri to Lagos, and from Port-Harcourt to Calabar. The NNPC official website maintains that those products moved into Lagos via the coastal vessels are discharged primarily at the Atlas Cove Terminal where they are stored and pumped to Mosimi depot close to Sagamu. From here, the products are distributed to other NNPC depots in Ilorin, Ibadan and Ore.¹⁹⁹ Aside from this, some private depot owners are contracted to use their storage tanks for product reception and distribution, while some vessels are reserved for the evacuation of fuel oils from Port-Harcourt and Warri refineries for export. PPMC sometimes receive products through import jetties and pipelines and thereafter distributed through pipelines to bridging to designated filling stations. The use of rail system to move products from some depots is also explored for increased fuel supply.²⁰⁰

The PPMC tried to combat fuel scarcity and hitches in the supply of fuel across the country. The agency attributed these to smuggling and fuel theft and, therefore, calls upon buyers of crude oil in the international market to treat stolen Nigerian oil as 'blood crude' supplied by criminals (Premium Times 2013a). Accordingly, if the international community had a strong posture against stolen diamonds from Sierra Leone and the Democratic Republic of Congo by labelling them as 'blood diamonds', it could adopt a similar position on stolen Nigerian crude; a move that

¹⁹⁸ <http://www.nnpcgroup.com/NNPCBusiness/Subsidiaries/PPMC.aspx>

¹⁹⁹ For more details see <http://www.nnpcgroup.com/NNPCBusiness/Subsidiaries/PPMC.aspx> and also <http://www.nnpcgroup.com/NNPCBusiness/DownStream/ProductDistribution.aspx>.

²⁰⁰ <http://www.nnpcgroup.com/NNPCBusiness/DownStream/ProductDistribution.aspx>.

could drastically reduce oil theft in the country. The federal government, through the Minister of Petroleum, has called on the international community and global oil traders to reject stolen crude oil from Nigeria and align with the fight against the nefarious activities of oil thieves and pipeline vandals in the country.²⁰¹ The *Premium Times* reports that the huge loss of revenue due to theft was reiterated by the Minister of Petroleum Resources, Diezani Alison-Madueke, who maintains that Nigeria loses about 180,000 barrels of crude oil per day, BPD, amounting to almost \$7 billion (N1.05 trillion) yearly (Premium Times 2013a).

Oil pipelines are destroyed through bunkering²⁰² activities, which resulted in the expenditure of \$5 billion (N750 billion) for the repair of vandalized pipelines in 2011, while \$10.9 billion was lost in potential oil revenues due to oil theft between 2009 and 2011 (Agency Report, 2013). The chairman of the Nigeria Extractive Industries Transparency Initiative (NEITI), Ledum Mittee claims that about 136 million barrels of crude oil estimated at \$10.9 billion was lost to bunkering activities (Agency Report, 2013). The report further reveals that a large part of the theft, estimated at around 250,000 barrels per day, was stolen with the complicity of state officials specifically appointed to combat oil theft in the oil industry.

In 2012, the NNPC Boss, Andrew Yakubu, reported that the corporation recorded about 1,498 breaches in its petroleum pipeline systems between October and December (Salami, 2013). For instance, in the Atlas Cove and Mosimi depot, about 181 break points were recorded; while about 421 shattered points were discovered from Mosimi to Ibadan; and 50 vandalized points from Mosimi to Ore (Agency Report 2013). In all, 122 break points were discovered between Ibadan (Oyo State) and Ilorin (Kwara State). The proximity of these areas to Nigeria's border, explains the large volume of smuggling and illegal oil sales across Nigeria's state border.

Many of these countries do not have refineries, formally import in a low-capacity level, but they consume a lot 'smuggled' products through petrol stations located in Nigerian boarder lines. Apart from few instances of using 'tanker', some cars are specifically designed to store and transport across the border...this is thereafter sold in 5 or 10 litres containers (Interviewee Number Four, July 2013).

²⁰¹ See <http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/450/Press-Release--Drop-Your-Appetite-for-Stolen-Nigerian-Crude-FG-Tells-International-Community.aspx>.

²⁰² Bunkering is a common term in the Nigerian oil industry and refers to oil theft through the siphoning of crude and petroleum products from pipelines to makeshift vessels of trucks.

One would have expected a strong anti-smuggling operation around the pipelines, and specifically those that are very close to the borders. The PPMC, despite aligning with government securities to contest oil theft, has actually scored low in its responsibility to combat these illegalities and crime. The oil thieves are responsible for destruction of the pipelines and associated oil theft in the country (Salami, 2013). Reacting to the rising oil theft, Shell boss, Sunmonu notes:

We have now witnessed a significant upsurge in the activities of crude oil thieves. The situation in the last few weeks is unprecedented. The volume (of crude oil) being stolen is the highest in the last three years. Over 60, 000 barrels per day from Shell alone...the perpetrators are now setting up barge building yards; they are setting up storage facilities; they are setting up tank farms for storing the crude oil, prior to shipping out (Salami, 2013).

The Nigerian security apparatus has found it difficult to combat oil theft in the Niger Delta. However, the anti-bunkering force in the Niger Delta - the Joint Military Task Force (JTF) - has arrested 29 oil thieves and destroyed 127 illegal oil refineries in various locations in the area (Utebor, 2013). Utebor further reveals that the armed forces, and JTF operatives, also seized 61 pieces of 75 HP speed boats and a truck loaded with 33,000 litres of automated gas oil in the notoriously acclaimed dangerous zone, while 502 drums, 22 steel tanks, four plastic surface tanks, 77 metal drums full of stolen crude oil and four pumping machines were seized from the criminals.

The minister, Alison-Madueke explained that sustaining crude oil production is being challenged by increasing pipeline vandalism and crude theft, which intermittently results in production falling below the programmed 2.46mbpd and rebounding following government intervention to stem the menace (Okafor and Alike, 2013). Alison Madueke also said the country's crude oil reserve base as at the end of 2012 stood at 36.8 billion barrels while its total gas reserves by then was at 182 trillion cubic feet (Tcf). The crude oil reserve figures, she added, represents about 0.06 per cent decrease as compared to the figures at the end of 2011 accompanied by 0.01 per cent drop in gas reserves as compared to 2011 (Okafor and Alike, 2013).

5.1.2.4 Subsidy Reinvestment and Empowerment Programme

The Subsidy Reinvestment and Empowerment (SURE-P) Programme, established in the wake of the 2012 concerted efforts at deregulation policy, was not the first governmental institution created to manage the savings accrued from subsidy cuts. After another round of increases in the

price of petroleum resources in 1994, the Abacha administration established two decrees²⁰³ for the purpose of managing the savings from the subsidy removal – though, Section 2 (1) of that Decree exposed falsified data on fuel subsidies (Gani 2002: 17).

The Petroleum Trust Fund (PTF) was headed by a former military dictator, General Buhari, ‘a man noted for high discipline and zero tolerance for corruption, attracted credibility to PTF, and the appreciable impact of the body in terms of building and rehabilitation of schools, clinics, hospitals, and roads across Nigeria’ (Social Action, 2012: 14). The Abacha-led regime also founded the PTF to manage the extra revenue arising from the increase in the price of fuel. At the time, the PTF was receiving N2.32 per litre from the sale of petrol consumed in the country between October 1994 and June 1999 when the agency was declared illegal and scrapped by the Chief Olusegun Obasanjo administration (Eme and Onwuka, 2011).

The Presidency established SURE-P to provide a safety net to limit the negative impact of fuel increment and also to fill the gap by urgently combating institutional decay that has characterized the Nigerian social landscape. Although the agency was headed by the well-respected Christopher Kolade²⁰⁴, there remained strong allegations that the government carefully picked the apologists of deregulation as members of the SURE-P Board, which is the highest executive body of the agency.

The objective of this programme is to provide support to Nigerians in different sectors, including infrastructural improvements and job creation for the youth (IISD, 2012: 35). A successful implementation of the programme require N1.34 trillion (\$8.3 billion), which was projected upon the complete removal of subsidy, but the reinstatement of partial subsidy payment by the FG reduced funding for the agency to N300 million (\$2.6 million); additional N180 billion (\$1.1billion) was later added for broader scope of activities (IISD, 2012: 35). According to the IISD report, reduced budget necessitated a review of its programme to comprise maternal and

²⁰³ The Petroleum (Special) Trust Fund (Amendment) Decree No. 1 of 1995, and Petroleum (Special) Trust Fund Decree No. 25 of 1994.

²⁰⁴ Dr. Christopher Kolade, was honoured by the federal government with its prestigious award, *Commander of the Order of the Niger* (CON), serves as Director General of the Nigerian Broadcasting Corporation, as well as the Chairman and Chief Executive Officer of Cadbury Nigeria Plc. He was also a former Nigerian High Commissioner to the United Kingdom and a well accomplished broadcaster.

child health interventions, public works programs, mass transit schemes and vocational education programs.

A sum of N17.8 billion (\$100 million) was approved by the FG to accomplish its mass transit and youth programmes (IISD, 2012). About 1000 buses for mass transportation were commissioned, under the SURE-P programme, to ease transportation gridlocks; though the public were skeptical about how this would be distributed among the 774 local governments and cater for about 178,516,904 million population²⁰⁵. One respondent maintained that there was an absence of such “SURE-P buses” in Ibadan (Interviewee Number Fourteen, July 2013). Expectedly, there was really no excitement about the establishment of SURE-P because most of the infrastructure it was supposed to provide was already contained in the 2012 budget.

At the end of 2012, 809 vehicles worth more than N8b were released, and the buses were given out to operators selected from the six geo-political zones of Nigeria, including Abuja and Lagos. Each zone has at least one operator or franchise on routes on concession to them.

Table 2: Disbursement of Funds for Bus Acquisition

Vehicle Purchased Cost	N1,188,805,829.00
Cost of Unreleased Vehicles	N7,331,568,763.00
Total disbursement	N8,520,374,592.00

Source: <http://www.sure-p.gov.ng/main/index.php/achievement/progress-report-mass-transit>.

It was alleged that N500billion (\$3.3bn) out of the N800bn (\$5bn) accrued between January and September in the SURE-P fund was missing (Our Reader, 2013). It was shocking that an agency that was established to manage savings from subsidy cut could be faced with such scandal. In November 2012, the National Assembly mandated SURE-P to submit its 2012 budget expenditure analysis. Lawmakers discovered duplication of projects and SURE committee members allocated to the agency projects already being executed by the Federal Government. For example, the management board of SURE-P maintained they have spent N16 billion (\$100

²⁰⁵ Information is available online at <http://worldpopulationreview.com/countries/nigeria-population/>.

million) on the Benin Ore Shagamu road but the federal government had already awarded the same N65.2 billion (\$400 million) contract in September 2012 (Akinloye, 2013).

Similarly, the agency claimed to have contributed about N9.3 billion (\$57 million) to the Lagos/Ibadan railway project, but it was found that a \$1.4 billion contractual agreement was already in place between the federal government and the China Civil Engineering Construction Corporation in August 2012. There were reported cases of mismanagement in Makurdi, Bornu State where SURE-P was reportedly unable to pay workers' salaries (Interviewee Number Twenty-Two, June 2014). The Kaduna State Legislature suspended SURE-P in the State and established a committee to investigate the implementation of SURE-P's projects in the State. A sum of N560 million (\$3.1 million) was reportedly missing from the Kaduna State SURE-P jurisdiction (Akinloye, 2013). By November 2013, the Chairman of the agency, Christopher Kolade, resigned his appointment due questions around financial mismanagement and poor performance of the agency (Ijioma, 2013).

However, SURE-P did successfully implement some projects. Apart from investing in transportation, the agency has also delved into other areas. For example:

They have intervened in flood eroding areas, which is quite difficult for people to see or quantify but I have not seen any SURE-P buses in Ibadan...SURE-P should increase its presence in the transportation sector by providing buses, not only in the cities but semi-urban locations...nothing has really changed in terms of palliatives (Interviewee Number Ten, July 2013).

Commenting on the impact of SURE-P, a labour leader noted:

The money raised is divided between the three tiers of government and there are reasons to think the body is performing well in some areas but on the whole, in my perceptive, the money has brought little satisfaction to people. For instance, Lagos state is constructing a mono rail and there are similar constructions of such in few places. Generally, the impact has not being satisfactory and fall below expectation (Interviewee Number Seven, July 2013).

It remained to be seen how SURE-P would concretely ensure infrastructural development and assure the public of its capacity to be the safety net for the most vulnerable groups that are negatively affected by the fuel increase. I claim that SURE-P is not different from other governmental institutions that have failed to efficiently achieve its set objectives.

5.1.2.5 The Petroleum Equalization Fund

The Petroleum Equalisation Fund (PEF) - managed by the Petroleum Equalisation Fund Management Board PEF(M)B – is a special brainchild of the federal government and agency under the Ministry of Petroleum Resources. The PEF(M)B was established in 1975²⁰⁶ and its role is mainly to administer uniform prices of petroleum products within the country, which is achievable by equalizing the cost of transporting petroleum products from product depots to filling stations. This transportation cost is considered to be a “bridging²⁰⁷ cost”, which is only payable to those marketers that transport fuel for more than 450 kilometers from the depots (PEF, 2012). The PEF has an Operational Office in Lagos, five Zonal Offices across Nigeria and twenty-two Depot Offices located at the 21 NNPC Depots and Marketers’ storage facilities at Apapa and Ibafo.²⁰⁸ The agency is headed by the Executive Secretary who acts as the Chief Administrative Officer and is in charge of the day to day administration of the fund.²⁰⁹

The PEF(M)B was established principally to reimburse marketers of petroleum products, which is only applicable to petrol and kerosene that has not been fully deregulated. The DPR is directly responsible for regulating product prices and ensuring compliance with the government approved prices for petroleum products. However, the PEF(M)B collaborates with DPR and PP-PRA to ensure that regulated pump prices prevail (PEF, 2012). The operational tools for effecting the same price throughout the country are built on a price equalization mechanism, which ensure that marketers whose petrol filling stations are cited close to depots make contributions to the Equalization Fund, but oil marketers with filling stations that are much further away from the depots claim from the pool of the fund.

The agency designed a matrix that players in the sector utilize to determine those marketers that are mandated to contribute to the fund. It specifies how much they are to contribute and draws parameters to determine how much marketers located far away from filling stations are reimbursed (Interviewee Number Seven, July 2013). This presents a huge responsibility and burden on the PEF(M)B for paying about 10,000 different oil marketers on a regular basis.

²⁰⁶ The Petroleum Equalisation Fund (Management Board) Act of 1975; see <http://www.abfrco.com/1.htm>.

²⁰⁷ Bridging is the movement of petroleum products for distances beyond 450 kilometres within the country. The cost of transporting the products, from the supply to the retail points is the bridging costs.

²⁰⁸ See the website of the agency, <http://www.pefpengassan.org/about-us/aboutpef>.

²⁰⁹ See <http://www.servenigeria.com/charters/petroleumresources-pef.doc>.

Coordinating such “a large number of payment transactions can be a huge challenge to any organization in terms of time, logistics and human resources as PEF(M)B soon realized”.²¹⁰

The costs are not paid by the federal government but have been built into the overall costs of petroleum products; hence, the consumer pays the specified in-build transportation cost²¹¹ (N2.30kobo per litre) irrespective of where the product is purchased in the country. The fluctuation of the price of fuel in international markets has created a lot of instability in the bridging costs, which is at present fixed at N1.87kobo per litre²¹². This is also built into the overall price of petroleum by-products and paid by the consumers. This is however different from the universal transportation cost.

In all, the most significant achievement of the PEF has been the efforts to fully automate the delivery network with proof of actual delivery achieved through modern technology. Therefore, AQUILA²¹³ technology, under the ‘Project AQUILA’ has been deployed to 33 depots, and this would be extended to all the 45 depots accordingly. This becomes the first e-loading solution in the Nigerian downstream petroleum segment (Nigerian Newsday, 2013). In addition, the organization developed, deployed and implemented solutions including Depot Operations Software (DOS) and Verification, Scheduling and Reporting Software (VSR) and implemented a Remita e-payment platform to effectively deal with issues of transparency and fraud.²¹⁴

Huge costs have been expended on transportation and bridging due to Nigeria’s absolute reliance (oddly) on a road transportation system. An alternative means of products delivery is by railway; however, it is common knowledge that the railway network in Nigeria is moribund²¹⁵, while the only realistic option is road transportation, using trucks and trailers (PEF, 2012). The PEF(M)B has struggled with paying marketers their bridging claims when due, while many marketers

²¹⁰ <http://systemspeccs.com.ng/documents/Remita%20Case%20Study.pdf>.

²¹¹ Transportation cost is related in distance traveled between the points of lifting the products (Depots) and the points of sale (filling stations).

²¹² Bridging is the movement of petroleum products by long distance road haulage (i.e above 450 kilometres) from a depot/refinery to another depot experiencing scarcity. Bridging is resorted to only when there is a pipelines break or where the refinery feeding the depot(s) experiencing products scarcity is shut for Turn Around Maintenance (TAM).

²¹³ This is a Petroleum Electronic Truck Loading initiative introduced by PEF(M)B to improve operations in the downstream sector. This project ensures effective monitoring and data accuracy as well as a strategic way of loading and delivering petroleum products across Nigeria.

²¹⁴ See http://www.pefmb.gov.ng/?page_id=173.

²¹⁵ The ‘cabal’ has also been labelled as those responsible for the inability of the government to fix railway transportation system.

claim to have had their payment refused and that the reasons provided to them for this are unsatisfactory. This is one of the reasons for fuel scarcity.

Some of the cases of fuel scarcity witnessed have been as a result of the refusal of marketers to make fuel available to consumers – through import boycotts - due to government insensitivity to the economics of timely payment. There are other motivations for fuel scarcity. For instance, a few marketers that are not fully registered due to bureaucratic inefficiency have also been refused payment (Interviewee Number Thirteen, July 2013). Although this aligns with the PEF regulatory mechanism, it has denied some unregistered marketers the opportunity to benefit from the fund. This results in fuel scarcity and explains the inability of the government to maintain uniform fuel prices in Nigeria.

The decision and complexities of maintaining uniform prices across the country have been a recurrent controversy. There has not been a point in time, since the year 2000 that Nigerians – irrespective of their location within the country – have enjoyed a uniform price of petroleum products (Interviewee Number Twenty, September 2013). Energy subsidy economists have queried the uniformity of prices of petroleum materials across the country. Interviewee Number Four (July 2013) maintains that:

Insisting on a uniform price is against the logic of economics... tomatoes is cheaper in the Northern than in Western Nigeria. Any time government decides to work against the market, there must be an effective institution or structure to manage such complexities: this is lacking in Nigeria (Interviewee Number Sixteen, July 2013).

With structural decay, institutional malfunctioning, corruption and impunity evident in Nigeria's socio-political and economic environment, it is right to query how the government would seriously monitor the delivery of oil and the sale at official rates throughout the country. It was expressly stated that the decision to effect uniform prices and the policy of oil uniformity is to broaden the continuum of fuel corruption in Nigeria (Interviewee Number One, July 2013).

The PEF remains a lofty idea to make petroleum products easily accessible to Nigerians at equal prices, but the reality is inconsistencies in its implementation, especially the absence of effective monitoring of price uniformity, has called into question the continued relevance of the agency. Many factors, such as bad roads, insecurity on the highway and other economic considerations

have motivated oil marketers to avoid supplying petroleum to some parts of Nigeria. The result is divergent prices of fuel, especially in the northern and eastern parts of Nigeria.

5.2 INTERNATIONAL FINANCIAL INSTITUTIONS: FROM *SAP* TO *NEEDS*

International financial institutions did not just dominate the economy of developing countries like Nigeria. A series of socio-economic crises prompted the global financial institutions to intervene with a bid to revamp these societies from economic crisis. The economic woes that started in the early 1980's in Nigeria could be likened to the paradox of plenty, resource curse and the Dutch disease. The oil boom of the 1970s led to a neglect in its strong agricultural and light manufacturing bases in favour of an unhealthy dependence on crude oil (Odularo, 2008). In 2000 oil and gas exports accounted for more than 98 % of export earnings and about 83% of federal government revenue. With the sharp drop in oil prices in 1980, Nigeria started experiencing economic problems for the first time since independence, which was followed by budget deficit due to a decrease in the government's total revenue (Hajzler, n.d).

The response of the government was the implementation of the austerity measures that resulted in further economic hardship in the country. The inflation rate rose to 7.7% in 1982 and then skyrocketed to 23.2% by 1983, and further increased to 39.6% in 1984 (Robert, 2010). By 1981, the fiscal deficit rose to N3, 902.1m and hit N6, 104.1m by 1982. The standard of living of the public was greatly diminished. The resulting dire economic crisis manifested in high prices of food and other essential items which then threatened democratic sustainability and social stability.

As discussed earlier,²¹⁶ upon invitation, the IFI addressed the causes and solutions of Africa's economic crisis under the purview of the liberal school of thought, with absolute emphasis on liberalization of the economy to be guided under a limited government. The invitation of the IMF and the WB to salvage the economy of Nigeria and other African countries in the 1980's legitimately subjected these subservient economies to the manipulation of the core countries.²¹⁷ Stein and Nafziger (1991: 173-174) also found that the WB and IMF responded to sub-Saharan poverty and the economic crisis by encouraging a re-focus on economic growth through a

²¹⁶ See theoretical framework in Chapter Three.

²¹⁷ To fully grasp how African leaders invited the financial institutions to redress structural imbalances in the African economic sector, which led to adoption of SAP, see Uzodike (1996).

structural reversal of the state-imposed impediments to the efficient operations of markets: an intervention coined under the Structural Adjustment Programme (SAP). The restrictions of the state in economic and public enterprises did not gain wide circulation in politics until the late 1970s and early 1980s, which coincided with the rise of conservative governments in the United Kingdom, the United States, and France (Interviewee Number Four, July 2013; Paul, 1988). These countries influenced the interventionist strategies of the IFIs in developing economies like Nigeria.

Since the end of the World War II, the Bretton Woods Institutions (the IMF and the WB) have adopted a monetarism²¹⁸ that emphasizes the prominence of market mechanisms against private initiatives due to their strong distrust of state involvement in their economic processes (Yahaya, 2004). Such neo-liberal agencies would not advise any national economy to embark on any policy that contradicts liberalization.²¹⁹ Hence, the World Bank and the IMF continue to play a significant role in the Nigerian government's efforts to deregulate its economy, especially that of the power and energy sector. Therefore, the major undercurrent of SAP is the unbridled development of market liberalization and state divestiture (Umezurike, 2012: 57).

According to Yahaya (2004), the IFIs embarked on the policy drive in favour of private sector-led growth in place of state-led development due to their success story under the liberal economic framework. The state is, thereafter, reduced to the role of a catalyst and facilitator of economic prosperity and sustainable economic development as opposed to acting as an active player and driver of national economic development. Its primary responsibility in the new national economic order is limited to the provision of rules and regulations, protection of individuals and investments, regulation of economic transactions, and enacting policy frameworks to guarantee the smooth running of the financial and economic sphere of the society.

²¹⁸ Margeret Thatcher was the British Minister between 1979 and 1990 and her economic policy was coined Thatcherism. Thatcherism, represents a belief in a free market economy and a limited government, which led to the 'privatisation of state-owned industries, including the British Telecom, British Gas, British Airways and electricity companies, putting them back into private hands' (BBC, 2013). She felt government should not be involved in the planning and regulation of business. Rather, it should only maintain security and create the enduring environment for private business to thrive. In the bid to control inflation, she advocated for monetarism, which involved 'controlling the money supply with high interest rates, to tame inflation without resorting to union-negotiated pay policies' (BBC, 2013).

²¹⁹ Liberalization policy, driven by commercialization, privatization and deregulation, are the brainchild of Margaret Thatcher and Ronald Regan. For more information, see Stein and Nafziger (1991: 175).

SAP was aimed, through the combination of exchange rate and trade policy reforms, at revitalizing the non-oil sector of the economy with stabilization policies in order to restore the balance of payment equilibrium and price stability (Dagogo, 2011: 123). SAP emphasized the downsizing of the public sector for improving the efficiency of public asset management. Import licenses and agricultural marketing boards were eliminated, price controls were lifted and liberalization of the financial system became an important instrument of stabilization of the country's economic life. SAP mandated the Nigerian government:

To alter the system of determining the exchange rate of the domestic currency by replacing the previous fixed exchange rate system with an open bidding system...The other key instruments that were adopted under the SAP included progressive trade and payments liberalisation, adoption of appropriate pricing policies for public enterprises and rationalisation (i.e., commercialisation/privatisation) of public sector enterprises; reduction of government deficit financing and pursuit of tight monetary and fiscal policies to counter the inherent inflationary pressures that accompany currency depreciation in the short term (Umezurike, 2012: 51).

As laudable as these IMF-inclined policies, the realities across Nigeria are that of impoverishment and decline in the quality of life of the down-trodden, while the wealth of the elites keeps increasing. Between late 1999 and the end of 2002, there was widespread and continued resistance to the WB and the IMF imposed economic policies all through the developing world (Jones and Hardstaff, 2005). This research made reference to 238 separate incidents of civil unrest involving millions of people across 34 countries, which demonstrates the hostilities of people to the policies of IMF and WB. Jones and Hardstaff record that:

Many of these incidents ended with the deployment of riot police or the army, resulting in almost 100 documented fatalities, with arrests and injuries running into thousands.⁴⁴ Since then, the civil unrest has persisted with people continuing to protest at policies imposed on their countries by the IFIs (Jones and Hardstaff, 2005: 22).

As in other countries (Angola, Bangladesh, Benin, Bolivia, Cambodia, Ghana, Honduras, Kenya, Malawi, Mali, Mozambique, Nepal, Nicaragua, Niger, Pakistan, Senegal, Sri Lanka, Uganda and Zambia), the implementation of SAPs resulted in violence and economic hardship for the population in Nigeria. The economic hardship negatively affected domestic social forces in Nigeria and created political upheaval in the country as is evident in the series of mass protests that ravaged the country between 1988 and 1989. This is not only peculiar to Nigeria. SAP was regarded as 'a monster that continued to haunt other African countries' (Interviewee Number Sixteen, July 2013). In October 2004, after a series of clashes over privatization, trade and

investment policy, President Museveni of Uganda hit out at the IMF and the World Bank, claiming the policies they foist on countries were not compatible with the needs of poor African countries. President Museveni submitted; ‘these people are forcing their policies on us that cannot work in poor African countries but for me I have reached a point where I can tell them off because they are misleading our country’ (Jones and Hardstaff, 2005: 29).

The failures of SAP in Nigeria were evident. By the end of the 1980s, SAPs had collapsed in about 30 African countries. Globalists now advocated for a shift towards the private company as agent of development (Stein and Nafziger, 1991: 173). In Nigeria, the economic harshness of the SAP was compounded by the devaluation of the naira. A US\$ that exchanged for N0.6369 in 1981, and N0.9996 in 1985 was N9.0001 in 1990 and by 2000 it was above N22.0000 to the US\$. By 2014, it stood between N160 to N163 (Robert, 2010). It is untenable to implement classical liberalism in Nigeria decades after the introduction of SAP. It is more surprising that Nigeria is implementing deregulation and privatization after the apparent decline of economic liberalism, when other countries have realized the need for government regulation of private business (as in the USA under President Obama’s regime).

Indeed, it took close to half a decade between the time that the Berg Report recommended SAPs in 1981 and the time that the various sub-Saharan African countries including Nigeria finally succumbed to its adoption (Umezurike, 2012). In 1990, the WB report advocated African development by export-led growth focusing on the supposed “comparative” advantage of raw materials and agriculture.²²⁰ This policy eroded the industrialization of African economies. Therefore, SAP was debated and overwhelmingly rejected by Nigerians, yet government went ahead to implement it (Ake 1996:32). A SAP has been recommended for Nigeria since the beginning of 1980, but took five years, the toppling of an elected civilian administration and a counter-coup for the programme to take off. It was nonetheless understandable because as it has become quite clear that a SAP was introduced in response to the uncompromising pressures of creditor agencies to further the expansionist strategies of global capital.

²²⁰ For more information, see Iyoha, Milton A. (2005) “Enhancing Africa’s Trade: From Marginalization to an Export-Led Approach to Development”, *Economic Research Working Paper No 77*, African Development Bank.

The public and global hostilities, especially from developing countries, towards SAPs motivated President Obasanjo's administration in 2003 to re-package the neo-liberal policy as National Empowerment (NEEDS). NEEDS was to raise the country's standard of living through a variety of reforms, including macroeconomic stability, deregulation, liberalization, privatization, transparency, and accountability (Odularo, 2008). The policy fully came into force by 2004, and was directed towards right-sizing of the public sector; restructuring the various departments within each ministry of government; monetization of fringe benefits; reform of the pension scheme; the introduction of due process; intensified privatization and commercialization of public enterprises; the establishment of anti-corruption institutions; the reform of the telecommunication and energy sectors; extensive reform of the financial sector, especially the re-capitalization of the banking and insurance institutions; and the liquidation of a very large proportion of the nation's external debt (Umezurike, 2011: 53). The policy led to fiscal discipline and economic growth but this has not resulted in an improvement in the standard of living of the majority of the population.

The world financial body continued to pressurize the federal government to yield the liberalization of its economy, which would invariably transfer ownership of Nigeria's public enterprises into the hands of private individuals, mostly foreign MNCs that have the financial capacity to invest in those areas. To show commitment to Nigeria's economic recovery, the IMF approved a two-year Policy Support Instrument (PSI)²²¹ for Nigeria in 2005 under the IMF's newly created PSI framework, which is intended to support the nation's economic reform efforts (IMF, 2005). The satisfactory review of the benchmarks for the PSI has paved the way for the clearance of the debt to the Paris Club in April 2006 (Oshikoya, 2008). Accordingly, this is to strengthen an adherence to the IMF's advice of sets of re-liberalization of Nigeria's economy. Therefore, the world body had on May 10, 2011 called on the Federal Government to remove petrol subsidies to help in its fiscal adjustments (Adebowale, 2010). The IMF said that the

²²¹ The IMF report notes that Nigeria's PSI is founded on the National Economic Empowerment and Development Strategy (NEEDS), and focuses on sustainable non-oil growth and poverty reduction. The objective of the PSI is to assist Nigeria to develop a sound policy framework, including practical macroeconomic policies under strong institutions and promote a governance structure for improved private sector projects; see IMF (2005). For information on the establishment of PSI, see IMF (2005a) "Policy Support and Signaling in Low-Income Countries", Prepared by the Policy Development and Review Department, in consultation with other Departments, June 10; available online at <https://www.imf.org/external/np/pp/eng/2005/061005.pdf>.

removal of the fuel subsidy would also help to mobilize Nigeria's non-oil revenues, strengthen the oil price as well as act as an oil saving mechanism.

As committed as the government was in implementing NEEDS, many, including the labour unions were skeptical about the re-liberalization of the Nigerian economy. The SAP experience was still fresh and the global economic depression of 2008 remained a point of reference to oppose deregulation of the oil sector. One interviewee queried:

Why can't government run profitable business as applicable in other countries like Brazil and South Africa?²²² Is production and business not part and parcel of governance? Why can't government enterprises run side-by-side with private business?(Interviewee Number Seven, July 2013).

The government, at inception of the Obasanjo's administration (1999-2007), made the privatization and deregulation of the power, energy and communication sector a priority. A cursory look at the privatization and deregulation in the telecommunication and power sector was more efficient than the oil sector (Interviewee Number One, July 2013; Interviewee Number Three, August 2013). Unlike the oil sector, liberalization in the communication sector was subjected to fair competition, a public tendering system and the bidding process was made public and efficient. Some companies that could not meet the criteria for participation forfeited up to \$50million dollars that they had paid for the license (Interviewee Number One, July 2013).

Due to their inability to raise the balance of the money that was required they lost the deposit that they paid. Such market driven deregulation would attract decent investors, while the government role as a 'regulator' is not compromised. The regulatory institution, the Nigerian Communication Commissions (NCC)²²³ has tried to curtail the profit maximization of companies operating in the telecommunication sector, while their strong insistence on quality service and other initiatives has reduced the cost of mobile communication. Overall, the services in the telecommunication sector is still far from perfect, as the public still suffer irregular deductions of airtime, breaks in the ability to communicate during calls, and sometimes even a lack of a functioning communication network (Interviewee Number Sixteen).

²²² South Africa, a non-oil producing country, boasts of viable refineries and SASOL oil, which is a very vibrant player in the upstream and downstream sector of the oil industry across Southern Africa.

²²³ The NCC was a government agency established to monitor companies operating in the sector. Other objectives are to support a market driven communications industry and promote universal access. For information on NCC, see http://www.ncc.gov.ng/index.php?option=com_content&view=front_page&Itemid=107.

In the power sector, the government has also set up a strong mechanism to trigger effective power generation and distribution (Interviewee Number One, July 2013). The respondent maintains that “distributing companies, when they fully assume duties will not be given opportunity to arbitrarily determine the prices of energy they supply, while telecommunication companies are being controlled to limit their excesses”. It is important for the government to create a strong and effective regulatory institution to monitor the power sector. Nevertheless, he warns against creating an institution like the NNPC, which is an important stakeholder in the network of business in the oil sector, as well as a marketing company. As the NNPC is an investor it could not be an effective regulator in the oil industry, as this would be a substantial conflict of interest.

Apparently, NEEDS has incorporated certain tendencies in Nigeria’s political governance, which do not necessarily invalidate the argument that NEEDS is a carry-over from the erstwhile SAP. It is also a fact that the framers of NEEDS benefited from the experiences of the SAP implementers (Odularo, 2008: 54). Aside from this, the reform process has also been plagued with problems and controversies. NEEDS, like other reform agendas of the Nigerian state, exhibits what has been described by Joseph and Kew as a ‘partial-reform syndrome’²²⁴ (Luqman and Lawal, 2001), which is been experienced in the downstream oil sector. The government reversed the decision to implement complete deregulation. Rather, the government embarked on subsidy-cuts and continues its policy of price regulation. At the centre of the crisis that confronted the reform process was the marked dominance of the policy process by the donor communities and the Bretton Woods Institutions.

This dominance was vividly illustrated by the fact that the economic team comprised Nigerians with a strong link to the Brettonwoods institutions.²²⁵ Their membership drew suspicion from Nigerians, and rightly so, of the involvement of the IMF and the World Bank in the planning and execution of the programmes (Luqman and Lawal, 2011). Given the social crisis that emanated

²²⁴ This occurs when governments subject a sector to certain degree of privatization or deregulation but retain some measure of control, especially in pricing.

²²⁵ It is interesting to note that the driving-forces behind NEEDS and Nigeria’s economic management team, Ngozi Okonjo-Iweala (Finance Minister), Obiageli Ezekwesili (Minister of Power and Steel), and Charles Chukwuma Soludo (Governor of Central Bank), have all worked in various capacities for the World Bank. Therefore, they influenced the Nigerian political economy with Brettonwood’s ideology, while the theoretical and practical aspects of the reform process and general economic management were approached from the purview of these institutions (Luqman and Lawal, 2001: 71).

from the adoption and implementation of SAP policies and programmes in Sub-Saharan Africa in the 1990s, many Nigerians continue to be skeptical and unsure of what the outcome of the reform agenda will entail for their social wellbeing (Khor, 2001b).

I assert that global financial institutions did not just become a major actor in Nigeria's political economy since the mid-1980s. Nigeria's socio-economic crisis and the state's inability to maintain fiscal balance led to the interventionist activities of these IFIs. The result was the introduction of SAP in Nigeria. However, it was soon evident that the implementation of SAP did not result in the desired result of improved economic development. Rather, the economic crisis created by SAP led to massive protests and a demand for a return to democratic regime. By 1999, the military administration of General Abubakar Abdulsalam handed over power to a democratically elected regime of President Obasanjo. The Obasanjo-led civilian administration introduced NEEDS, which was a re-invention of SAP, to accomplish the liberalization of the Nigerian economy through the deregulation and privatization of state-owned enterprises.

Aside from the IFIs rhetoric of promoting liberalization policy as a panacea for Nigeria's economic development, I assert that the underlying motivation is to implement its universal free-trade regime and dismantle every limitation to private investment, which grants foreign MNCs the opportunity to invest in Nigeria's sensitive industries like the energy and power sector. The subsequent section captures the roles of MNCs in the downstream oil sector.

5.3 INVESTORS IN THE DOWNSTREAM SECTOR

5.3.1 *Multinational Corporations: From Local to Foreign*

If you want to understand the hold of foreign MNC on the Nigerian downstream oil industry; enquire into the owners of oil infrastructures (Interviewee Number One, July 2013).

The direct convergence between globalization and the continued expansion of MNCs into developing countries cannot be downplayed. Globalization has physically allowed state-borders to be flattened, encouraged free finance and capital inflow across the world: a deliberate attempt to create markets for MNCs. MNCs have been credited with contributing to the developmental initiatives of the developing world in terms of FDI, creating employment, expanding the reach of advanced technology to emerging democracies, and facilitating the conversion of raw materials

to finished by-products. However, the negative impact of MNCs in the underdevelopment of Africa's political economy is evident in the Nigerian downstream oil segment.

One of the fears against deregulation was the tendency of the policy to drive politicians and local oil investors to collaborate with foreign oil MNCs in order to have a greater grasp of the oil industry, and this could actually open up the industry to monopoly (Interviewee Number Ten, July 2013). This interviewee notes that over the years the Nigerian ruling class has seen their collaboration with the MNCs as a route to amass illicit wealth to fund and monetize electioneering campaigns. Nigeria's political space has been militarized by politicians who have recruited vulnerable youth to curtail free and fair elections, thereby imposing themselves on the electorate.

The MNCs and IFIs have been consistent in their calls for the deregulation of the entire oil sector. This call by private investors, especially by MOMAN²²⁶ (MOMAN, 2012) for subsidy removal was driven by what PENGASSAN calls 'business sustainability and returns on investment' (PENGASSAN n.d). In the upstream industry, the manipulating strategies of MNCs as well as their capacity to maximize profit was made possible by exploiting the weakness of Nigerian laws and other institutions of governance. For instance, the operating licenses of many of these oil companies have expired, yet, they continue to operate in the downstream oil industry unhindered, while prospective new entrants to the industry are denied registration. Mobil and Shell was allegedly guilty of this (Interviewee Number Ten, July 2013). Oil corruption has provided great opportunities for these companies to maximize their economic interests through various means²²⁷ in the oil sector (Gillies, 2009).

In the downstream oil industry, the domination by foreign MNCs remains an issue of great concern. The PPPRA, through Reginald Stanley, has expressed dissatisfaction over the domination of Nigeria's oil maritime and petroleum products freight services by foreign ship owners (Eboh, 2013). It may be argued that the domination of oil maritime services by foreign fender providers is contrary to Nigeria's best interests, especially in relation to capital flight

²²⁶ MOMAN members are Conoil, Forte Oil, Mobil, MRS, Oando and Total, which are MNCs operating in the Nigerian oil industry.

²²⁷ This is through exporting crude and importing refined products, offering bribes to break bureaucratic inefficiency and granting of licenses; see Gillies (2009) for more information on this.

(Eboh, 2013). This draws more concern due to the Federal Government of Nigeria's (FGN) transformation agenda and Local Content²²⁸ directed at improving the capacity of home-grown operators in playing the leading role in Nigeria's economic growth and development. Stanley maintains that 'maritime is one area where this country bleeds a lot of foreign exchange. This business is practically more than 95 per cent dollar denominated and a lot of this money, when you are hiring foreign vessels, practically leaves the country in foreign exchange' (Eboh, 2013).

Over the years, MNCs have been allegedly high-handed in the way they treat the Nigerian labour force and failed to adhere to acceptable labour practises. NUPENG lamented an increase in unfair labour practices adopted by multinational oil companies operating in the country and singled out Shell, Chevron and Agip Oil, for inflicting inhumane treatment on Nigerians (NUPENG, 2013a). Agip Oil was accused of terminating the appointment of 93 contract workers who have been employed for between 25 and 35 years without benefits, despite a contrary directive by the Ministry of Labour and Productivity (NUPENG, 2013a). Chevron employed the practice of only converting workers from contract to service labour, refusing them a Collective Bargaining Agreement (CBA) nor allowing them to join the union. SPDC was condemned for refusing to have a CBA with workers and denying them the right for unionism (Ahiuma-young, 2013).

NUPENG at a forum lamented the manipulating strategies of MNCs to scuttle unionism and perpetuate oppressive, repressive and hostile anti-labour practices in the sector (NUPENG (2013a). Contrary to the traditional and 'contract of employment relationship', they were accused of a shift to recruiting a high number of contract and casual labour. In general, globalization imposes hardship on workers across the country, and especially in the oil sector. The globalization of employment systems, as well as models of business transactions, sacrifices the welfare of the workers in place of profit maximization. NUPENG engaged in symbolic strike action to protest against the recurrent dismissal of workers, anti-labour outsourcing and the casualization of labour, which compelled the government to facilitate Labour/MNC negotiations towards redressing the oppressive practices (Interviewee Number Seven, July 2013). Although a technical working committee was inaugurated to reconcile opposing stands, it remained to be

²²⁸ This is the policy of the FGN to rebrand Nigeria in terms of capacitating local industries to be strategically empowered them to drive the developmental agenda of the Nigeria's state.

seen if the recommendation proffered, after 9 weeks of sitting, would be fully implemented by the oil MNC, who has oftentimes ignored government policies.

Both local and foreign MNCs operating in the oil sectors have displayed a similar modus operandi of aggressive profit maximization enterprises under the capital-driven globalization. Aside from SPDC, which was categorized as the worst end user of contract workers in the oil industry (NUPENG, 2013a: 7), it was found that local MNCs show more hostility to the welfare of workers, especially in respect to the freedom of expression and rights of association. For instance, MRS²²⁹ and Oando²³⁰ have systematically eroded unionism in the industries by outsourcing employment to recruitment agencies and disengaging those tagged “unionists” from employment. Others are also converted from full employment to contract labour, a strategy that denies workers acceptable conditions of service (Interviewee Number Seven, July 2013).

The labour union noted that:

The Shell management has neglected and frustrated implementation of the agreement reached on the 27th July, 2011 ...to put in place a contractors’ forum that will interface the Union on behalf of the service contract workers. Workers terminated at the expiration of contract are only paid one month basic salary irrespective of the numbers of years in service. This is slave labour (NUPENG, 2013a: 7).

One would have expected a more responsive government to intervene in the labour/MNC face-off through the Federal Ministry of Labour and Productivity, but the sheer impunity enjoyed by MNCs to abuse labour and degrade oil communities has become the usual practice in the country.

Both foreign and local MNCs operating in the oil sector have continued to display the similar attribute of maximizing profits. Foreign MNCs engage in bad labour practices which have drawn

²²⁹ MRS Oil Nig. Plc is a fully integrated company operating in the Nigerian downstream oil sector. MRS was established in 1913 and operated under the Texaco brand name. Texaco later merged with Chevron and by September 1, 2006, the name changed to Chevron Oil Nigeria Plc. By 2009, MRS successfully acquired Chevron under the name MRS Oil Nigeria Plc. For more information, see <http://mrsoilnigplc.net/aboutus/history.html>.

²³⁰ Oando is a MNC energy industry, owned by Nigerian investors that operate in the energy sector. Oando commenced business operations in Nigeria’s downstream sector under the name “ESSO West Africa Incorporated”, a subsidiary of Exxon Corporation of the USA. During the privatization programme in 2000, Ocean & Oil became a core investor in Unipetrol by acquiring 30% of the company from the FGN. The balance 10% of the government’s holding was acquired by the Nigerian public. In 2002, the company acquired 60% in the equity of Agip Nigeria Plc from Agip Petroli International. In 2003, Unipetrol Nigeria Plc merged with Agip Nigeria Plc and became ‘Oando Group’, which now operates in the marketing, supply and trade, energy services, trade and gas, exploration and production and refining sector of energy industry. This information is available online at http://www.oandopl.com/wp-content/uploads/Corporate_Brochure.pdf.

wide condemnation from Nigerian. The recurrent practice of replacing full time staff with part-time and contract appointments worsens the economic well-being of affected staff. The domination of the Nigerian oil sector by foreign MNCs engenders capital flight, which is antithetical to sustainable economic development. Capital flight and labour exploitation features in the arguments of the dependency school of thought that the activities of MNCs in developing countries are that of domination and exploitation.

However, foreign MNCs are more accommodationist of trade unionism than their local counterparts. A lack thereof negatively impacts democratic sustainability. One of the features of democracy, as prescribed in the Nigerian constitution, is the right to freedom of expression and the press (Section 39) and the right to peaceful assembly and association (Section 49).²³¹ Denying the Nigerian workers the right to engage in unionism for better welfare packages constitutes a breach of the Nigerian constitutional provisions. Cases of bribery and corruption have been labelled against many MNCs, yet the Nigerian government has not strongly reacted against such, while other cases of labour abuses continue in the oil sector.

5.4 THE NATIONAL ASSEMBLY

On many occasions and over many issues, the National Assembly has confronted the executive branch. This is particularly so on the reform agenda of Nigeria's successive governments since 1999. Parliament is not too well disposed to the liberalization policies of the ruling party, the PDP. In the 2012 fuel crisis, the legislative house stood behind the public and called on the President Goodluck-led administration to suspend deregulation policy until the conclusion of public engagement on the issue (Interviewee Number Eight, July 2013). Despite the more than two-thirds majority domination of the ruling party in the National Assembly, the President (Olusegun Obasanjo) 'strangely' had very little in terms of support for reforms, shown by the many reform bills pending before the National Assembly (Alex, 2011: 39). Therefore, the National Assembly was critical of his reforms in the downstream oil sector and showed disdain to mismanagement prevalent in the entire oil sector.

The National Assembly responded to the mass discontent, about the scarcity of kerosene and the controversy surrounding its status, with an inquiry into the activities of NNPC. The NNPC was

²³¹ See Constitution of the Federal Republic of Nigeria 1999.

mandated to refund to the Federation Account, the sum of N310, 414,963,613, which was received illegally as a subsidy for kerosene, contrary to the Presidential Directive of July 29th, 2009 withdrawing subsidy on the product (Yusuf, 2013; Agande, 2012). The NNPC sharply reacted and maintained that according to statutory powers and functions, only the Minister of Petroleum could give them a directive to effect such a presidential declaration, and the Minister did not approve the implementation of the directive.²³² However, in many instances, the PMS fuel increment has been a presidential directive, eagerly accepted and hurriedly implemented by the NNPC. The NNPC Retail, IPMAN and MOMAN should be the outlets for the distribution of Kerosene to ensure the availability and affordability of the product to Nigerians. The NNPC continue to be the sole importer of kerosene.

Although there is no breach of statutory authority, as the Minister has the final authority on fixing the price of products accordingly (Petroleum Act of 1990)²³³, every case of an increase in the price of PMS has been through a presidential declaration, transmitted in a nationwide broadcast. The main concern was the monopolistic hold of the NNPC as the only importer and distributor of kerosene. The lawmakers condemned this and attributed the persistent scarcity and high price of kerosene to the NNPC. Based on this and other controversies in the oil business, the National Assembly therefore set up a probe panel to scrutinize the activities of the NNPC and other public agencies involved in fuel distribution and marketing (House of Representative, 2012).

The probe panels completed their findings²³⁴ and revealed:

- i. Payment of N285.098 billion in excess of the PPPRA recommended figure for 2011.
- ii. Subsidy deductions of N310, 414, 613 for kerosene against a presidential directive.
- iii. Direct deductions from funds meant for the Federation Account in contravention of Section 162 of the Nigerian Constitution.
- iv. Illegal granting of price differential (discourse) of crude oil price per barrel to NNPC to the tune of N108.648 billion from 2009 - 2011.

²³² More information and complexities about the kerosene fraud is robustly discussed in the subsequent chapter.

²³³ See Section 6 sub-section 1 of the Act.

²³⁴ The probe panel held public hearings from January 16, 2012 to February 9, 2012. Within that period, they gathered sworn testimonies from 130 witnesses and got more than 3,000 volumes of documents as evidence (House of Representatives 2012: 4).

- v. The necessity to split the NNPC into two: upstream and downstream ministry.
- vi. The compilation of 17 companies that are to make refund totaling more than N41m.
- vii. That NNPC refining capacity is 53%.²³⁵

The panel alleged that the management of the subsidy regime was mired in corruption, with astronomically inflated subsidy claims. The probe into the administration of subsidy payments disputed the scale of payment for fuel subsidies and the figures given were vehemently disclaimed (House of Representatives, 2012).

Furthermore, the National Assembly report identified a series of inflated consumption figures and landing costs, and also a lack of due process in prequalification, allocation, verification, certification and payment for supplies (House of Representatives, 2012). For instance, the report claims that the daily ‘consumption of PMS by Nigerians is 31 million litres while that of kerosene is 10 million’ (House of Representatives, 2012; Nwokolo, 2012), contrary to official figures that imply a daily consumption of 60 million litres and 9 million litres respectively (IISD, 2012: 12). In response to public outcry, the National Assembly ordered a probe to unravel the rot in the sector, and presented its findings to the media. The probe was commissioned by the House of Representatives and conducted by the house Ad hoc committee to verify subsidy claims, led by Honourable Farouk Lawan (House of Representatives, 2012).

In the lower house, the House of Representatives Committee on Public Accounts (PAC) frowns at the manner in which the government keeps subjecting Nigeria’s finances to outright manipulation and abuse (Oluwasegun and Anofi 2013). The Committee mandated the Inspector General of Police (IGP), to present the chief executives of the NNPC, PPPRA and DPR before it in order to answer the queries raised by the Office of the Auditor General of the Federation on how money was being moved without authorization. The joint committee of the Senate on Petroleum, Appropriation and Finance, summoned the NNPC, PPPRA and 88 oil marketers to defend the N1.7trillion fuel subsidy claim in 2011. The sum of N240b was the budgetary allocations for subsidy in 2011, but the government claimed it spent N1.7trn (House of Representatives, 2012).

²³⁵ For more information on the findings of the probe panel, see House of Representatives (2012).

At the height of the subsidy probe, one of the big players in the oil industry - Zenon Oil boss - Otedola, exposed an alleged plot by a Senate member, Farouk Lawan (Chairman of the House ad-hoc committee of the probe panel) to extort \$3m from him (Tsa, 2012). He felt that his refusal to 'cooperate' led to the indictment of Zenon Oil in the subsidy scam. Lawan claimed he was acting as a private investigator trying to set up the oil magnate and that he revealed his intention to the Inspector General of Police. One could not but wonder why a Member of Parliament decided to be a 'spy' and perform 'baiting' work for the series of anti-corruption agencies in the country. Rather than this being the case, video evidence revealed a perfect case of bribery and corruption, and not of bait. However, the absolute truth surrounding the two claims is yet to be uncovered.

There were strong allegations that the probe only exposed those that 'steps on the toes of members of the ruling party' and few positioned as scapegoats, while the more culpable 'walks the corridors of power with their heads up' (Interviewee Number Ten, July 2013). The respondent maintains that these oil merchants are one of the biggest sponsors of the ruling political party - the PDP. Moreover, a Minister in the sector has also been directly linked with one of the oil companies that 'escaped' indictment at the initial stage (Interviewee Number One, July 2013).

In 2012, the National Assembly embarked upon a concerted effort to provide the legal framework for the reform agenda of the entire oil industry, particularly the downstream oil sector, which is centered on the implementation of the Petroleum Industry Bill (PIB). The PIB objective is to create 'the legal and regulatory framework, institutions and regulatory authorities for the Nigerian petroleum industry. It will also stipulate guidelines for operations in the upstream and downstream sectors' (Alison-Madueke, 2013). It becomes necessary to design a clear-cut separation between policy, regulation and monitoring and commercial operations, which have been a major challenge in the oil sector. The intent is the unbundling of the NNPC to create two new regulatory institutions - upstream petroleum and downstream petroleum inspectorates - directed to enhance effective regulation and monitoring that is expected and in consonance with the industry's best operational practices.

Not dismissing the intent of the bill, the problem in the sector is not just about creating institutions, but strengthening the subsisting agencies in a country riddled with a conflict in roles and responsibilities among different organizations such as the NNPC DPR, PPPRA and PPMC (Alison-Madueke, 2013). The Minister for Petroleum Resources further reiterates the objectives of the PIB, which are to:

- i. Enhance exploration and exploitation of petroleum resources
- ii. Significantly increase domestic gas supplies especially for personal and industrial use
- iii. Create a competitive business environment for the exploitation of oil and gas
- iv. Establish a fiscal framework that is flexible, stable and competitively attractive
- v. Create a commercially viable national oil company
- vi. Establish strong and effective regulatory institutions
- vii. Develop and promote Nigerian content, and
- viii. Promote and protect health, safety and environment.

The PIB bill is patiently being awaited by a cross-section of Nigerians, who have conceived of its passage as a viable mechanism and legal framework through which to drive the deregulation policy as well as to eradicate the inefficiency in the entire oil industry.

The National Assembly tried to use their oversight authority to improve oil governance and put pressure on the executive to address the crisis in the oil sector. This corresponds with Robert Dahl's assertion that democracy is characterized by the existence of autonomous and competing institutions. However, the allegation of corruption against the members of the committee undermined the credibility of the report. But the report revealed some staggering revelations that will form the basis of subsequent reforms in the oil sector.

5.5 CIVIL SOCIETY AND LABOUR UNIONS

We will support full deregulation, only if Nigeria is able to meet local refining of our fuel consumption (Interviewee Number Seven, July 2013).

Civil society organizations (CSOs) are moderately strong and vibrant in Nigeria. The media, NLC, trade unions, student groups, human rights groups and other NGOs played a decisive role in opposition to the military regime between 1986 and 1998. Their vibrancy, like in other parts of Africa, has been tempered with the advent of civilian administration. Many of the active

members of civil society organizations abandoned unionism for positions within the state institutions (Amundsen, 2010: xi). Many notable union activists have joined the ruling class, which became a leadership crisis in the case of NLC. The vibrant President of the NLC, Adams Oshiomole, that led mass protests against the government between 1999 and 2007 has joined politics and is now a Governor of Edo State. Contrary to his previous stance against fuel increments and deregulation, he was one of the FGN negotiating team in support of deregulation in January 2012.

The NLC and associated trade unions²³⁶ were unwavering in their opposition to the military, which frantically tried to disband their operations but later succeeded to politicize them towards the end of the military dictatorship in 1999 (Amundsen, 2010: xi). Nevertheless, CSOs continue to occupy a constructive position in democratic consolidation in the post-military dispensation. For example, they have been involved in constitutional and electoral law amendments, very astute in their opposition to the third term agenda of President Obasanjo-led executive²³⁷ (Sahara Reporters, 2006), while their unflinching opposition to all forms of fuel increment cannot be over-emphasized.

The NLC²³⁸ has been particularly hostile to the liberalization of the oil sector, and the union continues to mobilize its members and the population against successive governments that advocate this. The highest authority in the NLC is the national executive council, comprising of the president, general-secretary and treasurer of elected leaders of each affiliated union. Also, the chairperson and secretary of the state chapter of the NLC are members of the national executive council. Decisions taken are through consensus and if necessary by voting. NUPENG is an industrial union open to all interested workers in the oil and gas industry. PEGASSAN comprises of senior workers while NUPENG is the umbrella union for the junior workers. The two associations work hand in hand and take common decisions on issues affecting the oil industry,

²³⁶ In Nigeria, trade unions and NLC have a long standing coalition with civil society organizations under the umbrella of 'LASCO'. LASCO mobilizes Nigerian labour and masses during industrial action and protests against fuel increase and deregulation; see <http://www.socialistnigeria.org/print.php?print=1512>.

²³⁷ President Obasanjo made an unsuccessful attempt to spend additional 5-year single term after completing two-terms in office.

²³⁸ The NLC has a long history of engaging in a coalition with civil society organization to protest against government decisions. In 1993, the massive violent protest against the annulment of the June 12 Presidential elections was led by the NLC and its affiliates.

which is most times under a joint coalition tagged NUPENGASSAN (Interviewee Number Seven, 2013).

The most active industrial unions in the oil sector, PENGASSAN and NUPENG, oppose deregulation and fuel increases under any guise. They see a low price of fuel as the only benefit the citizens derive from Nigeria's oil wealth (Interviewee Number Seven, July 2013). The body *only* supports the removal of subsidies as long as structures are established to encourage local refineries. One interviewee reiterated the position of the union, which staunchly opposed the importation of fuel or an externally-driven supply of petroleum products.

The Trade Union Congress (TUC) has been very active in the anti-deregulation movement. The union strongly reacted against the call by the other tiers of government, (state governors and local government chairmen), for the complete removal of subsidies. The union vowed to resist any attempt to completely remove all subsidies on petroleum products and to embark on full deregulation unless the 2012 conditions of deregulation are met.²³⁹ Accordingly, the government is expected to rehabilitate the refineries and to also build new ones to ensure a stable supply of petroleum products without importation. The FGN is mandated to sign into law the Petroleum Industry Bill (PIB), publicly present the utilization of savings generated from partial subsidy withdrawal since 2012, effect improvement in decaying infrastructure, and rehabilitate roads and improve transportation networks. The government should also complete the dredging of the River Niger before the removal of subsidies and full deregulation.

The TUC also reacted to the declaration by the petroleum minister, Dieziani Allison Madueke, of N879 billion savings generated from fuel price increase and reforms without utilizing the fund for the building of viable factories, infrastructure and financing quality education (Fagbemi, 2014). The trade union maintains:

We still remember how many of the people mandated by the government to probe the implementation of the subsidy regime later became the probed. Madueke, (referring to the Minister of Petroleum Resources) then told the world that the Federal Government had saved N879 billion generated from fuel price increase and reforms, and our advice was that the money should be re-invested in the building of viable factories, infrastructure and to finance quality education for our children. But up till today, despite all government's claims to the contrary, we are yet to see any concrete evidence that these things have been done... While the congress is not

²³⁹ For more information, see <http://theeagleonline.com.ng/news/tuc-opposes-removal-fuel-subsidy/>.

totally against the removal of petroleum subsidy at some appropriate time in the future, we are of the view that this should be done only after several fundamental pre-requisite conditions have been met by the government (Fagbemi, 2014).

They accused the federal government of insincerity, ineptitude, lack of vision and political will. As much as Nigerians are used to the fact that oftentimes they personally provide service infrastructure – such as the generation of electricity via power-generators and the construction of bore-holes for water - it would be impossible for individuals to construct roads or rehabilitate the highways (Interviewee Number Sixteen, July 2013).

The government had the opportunity to restore its credibility and embarked on complete deregulation of the downstream oil sector in the post-2012 subsidy-cut regime. The government succeeded in imposing subsidy-cuts on Nigerians and founded SURE-P to utilize the savings for infrastructural development and other development projects. But SURE-P has failed to impress Nigerians and the persistent allegations of corruption against the agency's leadership and unfulfilled promises of the FGN has strengthened Nigerian opposition to subsidy removal and complete deregulation of the oil sector.

The NLC has a history of resolutely using the weapon of strike to oppose every attempt by the government, under President Obasanjo, to remove subsidies and initiate programmes for the deregulation of the oil sector. The same strategy was employed by the union during the most recent fuel price increase in 2012 and resultant civil disorder. However, in the 2012 case both parties (government and labour unions/civil society) realized the need to make concessions due to socio-political unrest and economic implications of the “total paralysis” of governance at all levels. The heavy loss suffered by government within the 6-days protest amounted to more than N2trillion (Ndujihe, 2012). This definitely influenced the decision of the labour union to agree with a reduction in fuel subsidy. The labour leaders defended their decision to accept the N97 price due to information presented by the government during a very prolonged negotiation between the labour union and government representatives. The union felt ‘it was foolhardy to insist on a return to N65 considering the information before us but we insist on judicious management of the extra fund...this led to the establishment of SURE-P’ (Interviewee Number Seven, July 2013).

It was important for the labour union to avoid unreasonable resistance to the increment in pricing and efforts at deregulation. A robust engagement with government was desirable in reconciling agitated Nigerians. He posits:

We must not fail to recognize the constraint with which the federal government operates...we don't have the level of efficiency in government that can successfully distribute and market petroleum resources...a blind insistence on N65 would have completely break down governance and the moderate gains of Nigeria's democratic experience completely destroyed (Interviewee Number Three, August, 2013).

Civil society associations, organized under “Occupy Nigeria²⁴⁰” and led by self-proclaimed activist, Tunde Bakare²⁴¹ vehemently opposed the decision of the NLC and TUC (as well as other members of the negotiating team) that met with government and agreed on accepting N97 per litre instead of insisting on the status quo of N65. A respondent explained the occurrence in Lagos.²⁴² The leaders of human rights groups and other activists mobilized Nigerians to disassociate themselves from the decision to accept the N97 fuel price, and insisted on a return to N65 and continued mass protests, which drew the ire of the state security services (Interviewee Number Eight, July 2013).

They hinged their arguments on the repeated reassurance from the government to the labour unions, and through public pronouncements, that an increment in fuel prices would be suspended until the conclusion of public debates and robust consultations with various segments of the population on policy options (Interviewee Number Eleven, July 2013). The government, however, reneged on this, and announced a fuel price increment and complete deregulation on the 12th of January 2012 (Interviewee Number Seven, July 2013). Based on public reactions and

²⁴⁰ ‘Occupy Nigeria’ is a protest movement that started in January 2, 2013 in response to the announcement by FGN of increasing the price of PMS from N65 to N141 and the commencement of complete deregulation of the downstream oil sector. It became a household name after the labour union-led negotiating team agreed a subsidy cut from N65 fuel price per litre to N97 in January 2013. A cross section of Nigerians in Lagos state organized themselves under the slogan ‘Occupy Nigeria’ to protest in demand for the reversal of fuel prices to N65 per litre, and opposed any form of deregulation. See Danny Schechter (2013) “#OccupyNigeria shows the movement's global face”, Aljazeera, January 23; available online at <http://www.aljazeera.com/indepth/opinion/2012/01/201212114314766322.html>; and Premium Times and Premium Times (2013) “#OccupyNigeria: One year later, the gains, the losses”; January 12; available online at <https://www.premiumtimesng.com/news/114890-occupynigeria-one-year-later-the-gains-the-losses.html>.

²⁴¹ Tunde Bakare was a former Presidential candidate and also became the vice presidential candidate to Muhammed Buhari during the 2007 general election.

²⁴² Lagos, in Lagos State, is the commercial nerve centre of Nigeria and remains the rallying point of political activism.

government defense of the announcement, consultations and public debate was yet to be concluded (Social Action, 2012: 5). This further explains the disconnection and mistrust between the government and its citizenry. It shows that the public debates and preceding negotiations with the labour unions was not intended to achieve any meaningful result. The decision was seen as an affront to the will of Nigerians.

A respondent angrily commented:

The Civil Society mobilized the people...NLC betray the trust of Nigerians by accepting N97 as the price of a litre. They only needed few more days of resoluteness and the government would have had no choice but revert to the initial N65. We are moving towards revolution and the labour union will be dumped by the way-side (Interviewee Number Eight, June 2013).

A large section of the Nigerian public failed to understand the acceptance of the hike in the price of PMS in a country associated with vast oil wealth, corruption, waste and excessive display of affluence by the ruling elites, while the media kept displaying information to downplay the government pronounced rationale for deregulation (Adesomoju, 2013; Falana, 2013a; Apekhade, 2012; Nwokolo, 2012; Ahmed, 2012)²⁴³.

The media stands opposed to deregulation and hikes in the prices of fuel. A respondent posits, “as much as there were well-researched editorial analyses to justify a resistance to government policy in the oil sector, there were few reports that lacked credibility” (Interviewee Number Twenty-four, September, 2013). The respondent further reveals that journalists in the forefront of anti-deregulation were subsequently constrained to effectively perform the responsibility of disseminating information to the general public. They were ‘secretly’ intimidated, trailed, frightened and molested, while many of their laptops and recording devices had been snatched, smashed and stolen by ‘thugs’ under the instructions of some oil merchants (Interviewee Number Ten, July 2013). Journalists had unrestrained access to all oil facilities and outlets in the NNPC, but not any longer. This impedes access to information and has frightened journalists away from releasing sensitive information to Nigerians. It also constitutes a denial of the citizens’ right to public information and journalists’ right to freedom of expression as provided for in Section 39 of the Nigerian constitution. According to Interviewee Number Ten (July, 2013), the affected journalists could not legally seek redress in the courts because their lives were threatened and the state has repeatedly displayed its lack of capacity to secure their safety.

²⁴³ The media were using inflammatory captions in their headlines to strengthen people’s resistance of deregulation.

CHAPTER CONCLUSION

Institutional reforms are urgently required for the entire sector, but the government seems to be only interested in increasing the prices of fuel and proclaiming the full deregulation of the downstream sector, while the status quo remains in the explorative (upstream) sector of the oil industry. There are too many public agencies involved in the oil sector with duplicate functions and responsibilities (like the monitoring responsibilities of both the DPR and the PPPRA). Aside from the contradictions generated in terms of increased funding for so many institutions, it leads to clashes of responsibility and inefficiency, while it makes it difficult to hold a specific agency responsible for hitches in the subsidy administration. This aggravates the inefficiency and under-performance of the downstream oil sector in terms of ensuring effective distribution and marketing of petroleum products in the country.

Many of the oil agencies, like the PPPRA and the DPR, have failed in their responsibilities to guarantee effective monitoring and management of the subsidy administration; and to ensure the uniform pricing regime across the country. Civil society organizations and labour unions have been very passive towards the divergent fuel prices in the country. Of more concern is the consistent practice by independent oil marketers to sell PMS above the regulated price in the Southern and Northern part of the country. They are quick to embark on mass protests against any increment of fuel by the government but fail to pressurise the government and oil marketers to ensure the sale of petroleum products at government's approved prices. The labour unions do not have power to monitor compliance to regulated prices but they could influence the government for maintaining marketers' adherence with the official price.

The roles of IFIs have not been particularly damaging, though the economic hardship generated by the IMF-inspired SAP creates hostility towards any IMF-inclined policy in the country. Their stance on the removal of subsidies corresponds with the ideological foundation of capitalism, but the Nigerian government has the choice of channeling its own course of capitalism. Therefore, the international financial powers could not have been responsible for the government's acceptance of implementing deregulation and the jettisoning of superior arguments calling for effective safety-nets to guard against the negative results of deregulation. After all, the IFIs and

other foreign donors have repeatedly mounted pressures on the government to combat corruption. Despite this corruption continues in the highest office.

I claim that the nature and character of the oil institutions are antithetical to effective oil management in Nigeria. The institutions lack the expertise and the capacity to drive the oil sector towards efficiency. This is primarily due to lack of technical knowledge required to formulate and implement sound policies in the oil sector. Public institutions in the oil sector have performed poorly. Inefficiency and corrupt practices are responsible for the high costs of subsidies, which in turn serves as the motivation for complete subsidy removal and deregulation. This is where new public management theory is useful, which advocates the transformation of public institutions of administration to a more effective public institution of management. In this way, public institutions are driven by an efficient labour force that understands the complexity required to successfully manage the oil sector and curtail the influence of MNCs. One would have expected the IFIs to insist on political and bureaucratic reforms before the implementation of SAP, but the Nigerian case was contrary to this. The same institutional format that plunged the country into socio-economic crisis was left unchanged. I claim that liberalization of an economy with weak public institutions and depleted public enterprises favour the MNCs which exploit the weakness and unprofessionalism of state agencies to maximize profits.

The following chapter undertakes holistic approach to understanding the motivations for the deregulation of the downstream oil industry. It further provides an understanding of the subsidy regime and how state and non state actors exploited the weakness of the Nigerian state to illicitly accumulate oil wealth at the expense of the citizen and the state.

CHAPTER SIX

DEREGULATION OF THE DOWNSTREAM OIL SECTOR: MOTIVATIONS, IMPLEMENTATION AND IMPLICATIONS

INTRODUCTION

Since independence, the Nigerian oil and gas industry has indisputably played a critical role in Nigeria's socio-economic prosperity and political stability. The attractions of oil wealth have been one of the most important rallying points for the continued existence of Nigeria as a single political entity. Nigeria's oil production currently stands at an average of 2.5 million barrels per day and confirmed reserves of 36 billion barrels are expected to last for the next forty six years²⁴⁴ (Alison-Madueke, 2013). In addition, there are recent discoveries of significant crude oil deposits in Eket, Akwa-Ibom State (Interviewee Number Twenty, July 2014). This has positioned Nigeria to set for itself ambitious targets of attaining four million barrels of production by 2020 (Alison-Madueke, 2013).

Despite the vast deposits of this natural resource, the country continues to be marred by an odd paradox. It is "an energy-rich country wracked by fuel and power shortages that are preventing infrastructural progress and stifling economic development" (Ogunbodede, Ilesanmi and Olurankinse, 2010). The failure of the Nigerian state to significantly improve the standard of living of its citizenry can be attributed to mismanagement of the oil wealth, a visionless and

²⁴⁴ Having reserves that will last for forty-six years is only meaningful if oil proceeds are substantially and effectively used to develop Nigeria.

corrupt political leadership, over-bloated institutions, and a large government. Corruption is identified as the most obvious impediment of the state to attain high level of development. The reality of Nigerian state is best captured thus:

Since independence, Nigeria has lost about \$400 billion to corruption. If anything, the looting of Nigeria's treasury is on the increase. A recent Gallup poll places Nigeria as the most corrupt country based on citizens' perceptions. The Transparency International Corruption Index ranks Nigeria 139 out of 174 countries with a score of 27 out of 100. The unemployment rate in the country is on the rise, public amenities are grossly inadequate, and the cost of living is high but the standard of living is low. Nigeria-popularly called the giant of Africa-is a shadow of itself with Nigerians increasingly seeing fewer reasons to believe in their country. About 70 percent live below the poverty line (Ilo, 2013).

The above statement represents the perceptions of the majority of Nigerians, irrespective of ethnic, linguistic or cultural group, or religious affiliation. The global coalitions against corruption also have a similar perception, as presented in their report. The 2014 International Corruption Index, as revealed by Transparency International, ranks Nigeria N144 out of 177.²⁴⁵

In reaction to Nigeria's socio-economic challenges, the international financial institutions and other global actors maintain that limited government would rid the country of its economic backwardness. Therefore, for the government to be effective, it has to restrict itself to the areas of governance and the provision of guidelines for the smooth operation of economic activities which can be performed better by private individuals and enterprises (Godwin and Dagogo, 2011). This is the ideological justification for the decision to liberalize the entire downstream oil sector.

Successive governments speak strongly on the need to deregulate and subject the sector to market forces; however, government is mostly interested in constantly increasing the prices of petroleum products as a means of increasing its revenue. Less priority is allocated to concerted efforts at embarking on full deregulation by relinquishing the control of the downstream²⁴⁶ sector to private ownership and control. The hesitancy of the government has led to a few emerging questions: Why have they not completely removed the subsidy²⁴⁷ and embarked on total

²⁴⁵ See <http://www.transparency.org/country#NGA>.

²⁴⁶ The downstream sector comprises the distributive and marketing aspect of the petroleum industry. It is not just a distributive and marketing network, encompasses oil infrastructure and the structure of fuel in the sector. Everything outside crude oil exploration falls under the downstream sector.

²⁴⁷ Subsidy in simple term is difference in the naira value of the cost of petroleum products, at the point of distribution to consumers, and the government approved price.

deregulation of the sector? The answer is located in the politics of electioneering. President Goodluck Jonathan is reluctant to embark on complete deregulation due to the negative effect this ‘anti-masses’ action would have on his interests in seeking re-election in the forthcoming 2015 presidential election (Interviewee Number Four, July 2013). Although, there are moves towards deregulation and the subsequent removal of fuel subsidies, the status of the Nigerian downstream oil industry is wrought with complexities and confusion.

Considering the high rises of the fuel price in Nigeria since the late 1970s and the efforts of President Obasanjo and President Yar’Adua’s to deregulate, President Goodluck made a bold step to announce the deregulation of Gasoline Motor Spirit²⁴⁸ (PMS) and the complete removal of the fuel subsidy in January 2012. Nigerians reacted violently and embarked on street protests that halted governance for six days (Social Action, 2012). World over, the high increase in international fuel prices between 2003 and 2006 proved to be very challenging for developing market economies – like Nigeria - where governments have regulated domestic fuel prices and where social safety nets are adjudged to be poorly developed (Baig 2007:3). Raising petroleum prices tends to be politically costly, with a number of countries suffering civil disorder, protests, and strikes in countries like Nigeria and Yemen. In Yemen, for example, the July 2005 fuel price increase ignited widespread protests, leaving 22 people dead and many more injured (Baig, 2007: 17).

The Federal government of Nigeria (FGN) justified its decision for the change in policy; however, the Nigerian Labour Congress and CSOs vowed to resist deregulation in any guise, and mobilized Nigerians to resist every increase in the price of fuel since 1979 (NLC, 2008). From the initial fuel price increase of N65 to N141 per litre the government, after a dialogue with labour leaders, agreed to a N97 price for PMS. The veracity of the rot in the industry, coupled with unrestrained corruption and the apparent weakness of the Nigerian state to combat the mis-

²⁴⁸ This is a “complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, blended to form a fuel suitable for use in spark-ignition engines. Motor gasoline, as defined in ASTM Specification D 4814 or Federal Specification VV-G-1690C, is characterized as having a boiling range of 122 to 158 degrees Fahrenheit at the 10 percent recovery point to 365 to 374 degrees Fahrenheit at the 90 percent recovery point. Motor Gasoline includes conventional gasoline; all types of oxygenated gasoline, including gasohol; and reformulated gasoline, but excludes aviation gasoline. Note: Volumetric data on blending components, such as oxygenates, are not counted in data on finished motor gasoline until the blending components are blended into the gasoline” (<http://www.indexmundi.com/energy.aspx?country=ng&product=gasoline&graph=consumption>).

governance in the oil sector motivated the NLC to shift in its strong anti-deregulation posture; a decision that informed the acceptance of the N97 price of PMS in January 2012.²⁴⁹

Kombo (2003) presents three viewpoints on the deregulation of the downstream sector of the Nigerian oil industry: the supporters that hold that deregulation is germane to the sanitization of the downstream sector, particularly in releasing the government of its complete 'control, and involvement in the businesses of refining, importation, and distribution of refined petroleum products in the Nigerian market' (Kombo, 2003: 1). This has been the position of the Governors, federal government functionaries and officials, who favour immediate deregulation to - once and for all - liberate the oil sector, privatize all state-controlled enterprises in the industry and conserve the funds that the state expends on subsidies. The deregulation of the sector was *securitized*²⁵⁰ and it was asserted that the developmental agenda of the federal government was in great jeopardy if the bid to fully deregulate the sector failed. The Minister of Information, Mr. Labaran Maku, maintained that Nigeria's economy would be truncated if full deregulation of the downstream sector is not implemented (Adetayo, 2013).

The second viewpoint, that of *moderates*²⁵¹, desires a phased implementation of the policy to prevent sudden economic hardship occasioned by fuel increases, and, among other things, to enable the state-owned monopolies (the refineries in particular) to recover full productivity before their outright privatization (Kombo, 2003). The third perspective strongly opposed any form of liberalization (deregulation or privatization) of the Nigerian petroleum sector 'for whatever reason, and that the status quo should remain, maybe, with some minor fine-tuning made...to improve efficiency, as appropriate, in the overall national interest' of the country (Kombo, 2003: 1).

²⁴⁹ The Federal government increased the pumping price of a litre of PMS from N65 to N141. The NLC reacted and embarked on a nationwide strike and mobilized Nigerians, along-side the Civil Society in paralyzing governance completely. After days of negotiation, the price was reduced to N97; NLC accepted by greater percentage of Nigerians and Civil Society accused NLC of betrayer.

²⁵⁰ The government vehemently argued that the security of Nigeria, as well as its corporate existence depends on the implementation of deregulation policy.

²⁵¹ These are sets of individuals that have displayed a moderate stance against deregulation and who believe in its implementation but are opposed to the manner in which the entire process is being implemented by the government. They would prefer a gradual process that includes a sustained subsidy payment until all the conditions necessary for full deregulation are put in place and strong institutions are created to manage the deregulation processes, backed with a legal framework to prevent policy reversal. They are more interested in availability of fuel at all times, and they fall within the upper-middle class. Many of these moderates are businessmen, senior public officials and highly-skilled professionals.

This has been the position of the mass of the people, civil society and the NLC, though the NLC has now seen reasons to agree on deregulation as long as their prescribed criteria are met (Interviewee Number Seven, July 2013). These criteria are the rejection of import-driven deregulation, the provision of safety nets for vulnerable groups and accountability in the governance of oil wealth. They remain non-negotiable. Breisinger, Engelke and Ecker (2012: 2864) note that ‘past experience with subsidy reform suggests that protecting the poor from the negative impact of reform is most important for successes’.

Therefore, in this chapter I locate the fuel crisis in historical perspective, explore country-specific cases of fuel subsidy administration, assess the motivations for the adoption of deregulation and the subsequent increase in the pumping price of fuel (PMS), evaluate the subsidy regime, and explore the impact of the policy shift in the oil sector on democratic governance as well as its effect on the Nigerian population. I found that the ineffectiveness of the government, which is manifested in weak leadership, poor institutional capacity and the complicity of public officials in corruption, is responsible for the crisis in the oil sector and the decision to remove fuel subsidies. This aligns with the position of dependent development perspectives that recognizes the need for institutional capacity and good leadership as essential ingredients of development.

6.2 HISTORICAL BACKGROUND TO DEREGULATION POLICY IN NIGERIA

The pioneer crude oil refinery was founded in port-Harcourt by the Shell/British Petroleum conglomerate in 1965 and, before then, overall consumption of fuel was through importation. It is therefore not strange that Nigeria relies on external sources for petroleum products. What seems odd is the high degree of importation and scarcity of fuel despite the establishment of four refineries²⁵² and the exportation of crude oil, without concrete improvements in the economic status of the population.

The decision to fully deregulate the marketing and distribution arm of the oil sector was concluded during the Interim Government of Ernest Shonekan in 1993. It was systematically designed as a phased model, which may well have addressed the concerns of the public and the protagonists of the prevailing deregulation initiatives. Petrol was to be fully deregulated, while

²⁵² The politics and realities behind low productivity of the refineries are discussed later in this chapter.

diesel and kerosene would continue to enjoy some levels of subsidy for about 25 months (Interviewee Number Four, 2013). General Sanni Abacha, who “snatched” power from the Interim President, Ernest Shonekan, was set to authorize the deregulation policy, but his abrupt death halted the announcement and disrupted the age-long plan.²⁵³

The first public indication of deregulation of the oil industry was given by the military regime of General Abubakar Abdulsalami on December 20, 1998 when he announced an increase of PMS from N11 to N25 and reiterated the intended deregulation of the petroleum products market (Gani, 2012). His decision was based on the recommendation of the *Vision 2010 Committee* headed by Ernest Shonekan. Deputy President, Admiral Mike Ahigbe supporting the Presidential proclamation insists that ‘government has no business regulating the petroleum price and this should be done by the market’ (Gani, 2002: 19).

As soon as President Obasanjo’s regime enjoyed a bit of legitimacy towards the end of 1999, he started strategizing on implementing a policy shift in the oil sector. In April, 2000 the federal government set up a committee to reform the oil and gas industry towards the deregulation and privatization of the NNPC. Under this arrangement, seven subsidiaries were to be sold including these refineries - Eleme Petro-chemical Company and Nyson Nigeria Limited (Alabi, 2003). By October 2000, the Committee submitted its reports and the government meticulously studied the recommendations and made two basic decisions: creating PPPRA²⁵⁴ and liberalization of the industry.²⁵⁵

With the acceptance of most of the recommendations of the report of SCRPPSD as contained in the government white paper, a Presidential Technical Campaign Committee on liberalisation of the downstream sector of the petroleum industry, headed by the then Special Assistant to the President on Petroleum and Energy matters now GMD (NNPC) Engr. Funsho. Kupolokun went into action to sensitise the Nigerian public on the need for deregulation and liberalisation of the downstream sector.

²⁵³ General Sanni Abacha forced the Interim President, Ernest Shonekan to resign in a bloodless coup. General Abacha therefore became the President; see <http://www.nytimes.com/1993/11/18/world/nigerian-military-leaders-ousts-interim-president.html>.

²⁵⁴ Petroleum Products Pricing Regulatory Agency (Establishment) Act 2003.

²⁵⁵ See <http://www.pppra-nigeria.org/history.asp>.

On 30th September, 2003 the federal government - through the Petroleum Product Price Regulatory Agency (PPPRA) - announced the deregulation of the downstream sector of the oil industry in Nigeria (Ogunbodede et al, 2010: 113). But the reality in the sector was the deregulation of diesel and an associated diversity of prices as deemed fit by private investors. However, PMS and kerosene remained regulated. This was the situation until the 2012 announcement of subsidy removal and commencement of deregulation policy. Therefore, the 2012 announcement of immediate deregulation and complete cancellation of fuel subsidy payments came as a shock to Nigerians: it very sudden for the Nigerian public and the government was unprepared for its implementation.

6.3 RATIONALE FOR DEREGULATION AND FUEL PRICE INCREASES

The intention of the Nigerian state to embrace a liberal economic ideology commenced with the acceptance of SAP under military dictatorship, while the urgency to re-enact SAP was disguised as NEEDS – a well-calculated attempt to implement fully-ledged economic liberalization under the Obasanjo-led civilian administration. The major proponent of this notion included the federal government, the Presidential Steering Committee on the Global Financial Crisis, the Nigerian Economic Summit Group (NESG)²⁵⁶ and the global financial institutions. Reiterating the importance of deregulation, a respondent asserts that deregulation is not just an economic concept that became imperative, but a necessity as a result of evidence of the limitations of the state controlled economic system, which Nigeria inherited from the colonial power several decades ago (Interviewee Number Three, August 2013).

State failures in Africa attracted the intervention of IFIs, which recommended economic liberalization for Africa. In the Nigerian case, Interviewee Number Three (August 2013) maintains that economic liberalization therefore became a critical element at a point when it became obvious that state's continued control of the oil sector was not serving the purpose for which it was intended. According to him, deregulation policy in the sector was to serve as a veritable means of injecting dynamism and efficiency into the petroleum industry. Also, since Nigeria operates in a capitalist system, it is general knowledge that the force of demand and

²⁵⁶ These committees have no formal power but play advisory roles in the economic programmes of the President.

supply is expected to be in operation. Thus, the oil sector should not be an exception (Interviewee Number Ten, July 2013).

A respondent queried the resentment against liberalizing the oil sector thus:

There is a big problem any time government interferes with the market. I ask myself, is there anything special about oil? Food stuff is more important and basic to our existence, yet, it is subjected to market forces. Market determines the price of garri (a local food made from cassava), fish or livestock. Their prices go up and down without mass protest... until 1972, Nigerians paid market prices for petroleum products and there were no complaints (Interviewee Number Four, July 2013).

The argument supports the assertion that private enterprises and the discipline of free market forces are a better inducement for businesses to be run, and for trade to be conducted efficiently, and thereby the state can attain sustainable improvements in social welfare and economic development (Riley, 2006). Market competition is expected to trigger reductions in fuel prices and distributive efficiency (as argued by the government) but the transfer of ownership from one section of the economy to another might be a superficial change. Riley (2006) argues that more vital changes have occurred when monopoly powers²⁵⁷ are broken down, which could be due to government policy or by relinquishing the market to private operators. The federal government chose the latter approach.

President Goodluck Jonathan and his officials have opted for the *alarmist* proposition that Nigeria's economy would completely collapse unless the subsidy on petroleum products is removed immediately (Punch Editorial Board, 2012). The government strongly maintained that postponing deregulation, even for one day beyond January 21, 2012, was dangerous for the supply and distribution of the product in the country, while the entire downstream segment would collapse.²⁵⁸ The consequence of this would be catastrophic for Nigeria's weak economy and its population. Finance Minister and Head of the Economic Team, Ngozi Okonjo-Iweala, warned that Nigeria may be plunged into the type of economic crisis currently faced by Greece and other euro-zone countries (Anyadike, 2013: 43). The governor of the Central Bank of Nigeria (CBN) at the time, Lamido Sanusi, adds that Nigeria would *never* develop unless the subsidies are totally removed (Punch Editorial Board, 2012).

²⁵⁷ One of the aims of the policy shift in the oil sector is to divide the responsibilities of the NNPC under different institutions.

²⁵⁸ Available online at <http://www.pppra-nigeria.org/faqs.asp>.

The federal government complained about the huge sum of money allocated for fuel subsidies and argued that such money could be better utilized to improve other sectors weighed down by inadequate funding. Savings by removing subsidies would amount to an annual income of \$8billion (Social Action 2012:16). Moreover, savings from reduced subsidy payments would be better utilized to boost electrical infrastructure. Nigeria generates less than 3,000 megawatts²⁵⁹ of electricity on a daily basis for a population of more than 150 million (Social Action, 2012: 12). Expectedly, this is insufficient in meeting individual need and industrial use.

The federal government embarked on public education on the need for Nigerians to accept the deregulation policy. These included efforts to enlighten the public on such issues as the burden of subsidies on the national treasury, the strain of financing Nigeria's state-owned petroleum businesses (Eme and Onwuka, 2011). Also, the government presents other motivations for deregulation, which include intra and inter-border smuggling of Nigerian petroleum products; the higher market prices of petroleum products in West Africa as against Nigeria's low prices²⁶⁰; the licensing of private refineries; the need to break the monopoly of the NNPC; and, the general benefits of deregulation (IISD, 2012; Eme and Onwuka, 2011).

A strong motivation was the need to revive Nigeria's ailing refineries. The federal government feels that with deregulation, private refineries would be built by private investors, which would trigger competition and subsequently "force" down fuel prices. The policy would generate employment opportunities to the large population of unemployed youth²⁶¹ in the country through the establishment of private refineries. The spill-over effect on those industries that have endured low capacity utilization and low productivity would be resuscitated and viable as there would be enough fuel to power their engines thereby increasing productivity.²⁶²

²⁵⁹ The 3,000 megawatts of electricity generated for Nigeria is extremely inadequate. This explains the epileptic supply of electricity and complete power outage in some areas (Ekiti State and Ondo State) for weeks. This increases the use of PMS as a source of power for private electric generators. South Africa, with an average population of 50 million people (http://www.indexmundi.com/south_africa/demographics_profile.html) generates 34,000 megawatts of electricity; see

http://www.eskom.co.za/AboutElectricity/ElectricityTechnologies/Pages/Generating_Electricity.aspx

²⁶⁰ Nigeria maintains the lowest prices of PMS in West Africa (IISD, 2012).

²⁶¹ There is a link between the high number of unemployed youth in the country and the spate of armed insurrection against the state. See Akinola and Uzodike (2014).

²⁶² <http://www.pppra-nigeria.org/faqs.asp>.

The Minister for Petroleum Resources, Alison Madueke, explaining the reasons for inadequate foreign investment in the sector and by extension the lack of privately funded refineries said: “we cannot have investment in the downstream sector when there is the subsidy regime... we need to deregulate the sector because we cannot *eat our cake and have it back*” (Okafor and Alike, 2013). The government consistently maintains that deregulation would attract foreign direct investment and foreign investors would establish refineries to boost the availability of oil (Interviewee Number SENATOR, September 2013; Social Action 2012). However, the NLC-led opposition were more concerned about the fate of Nigeria’s refineries in the face of import-driven deregulation. The logic behind the possibility of foreign capitalists building private refineries is not a cast-iron proposition for two reasons. First, investors’ confidence in the political stability of government is shaky. Second, it is very gainful to just import; hence, why build? (Interviewee Number Four, July 2013).

Nigeria has three refineries with nameplate capacity of 445,000 barrels per day, 5,120 km of product and crude pipelines, 21 storage depots and one import terminal at Atlas Cove, all of which have suffered from vandalism and poor maintenance over the years because of the lack of a commercially viable framework for cost recovery (Alison-Madueke, 2013). Justifying the need to expand FDI, the minister maintains that many Nigerian indigenous contractors lack proper business structure; they are small, fragmented and often times incapable of packaging or attracting loans. Only a few of them can deliver turnkey projects without resorting to some form of partnership agreement for equipment, expertise or technical support. The minister posits that local banks lack the financial base²⁶³ to make any meaningful impact on local content development (Alison-Madueke, 2013).

The government easily dismissed the fear generated by the public in reaction to repeated fuel increases by reiterating that the monetary effect of subsidy removal on people is very low; while the monetary benefits to government remains extremely high (Interviewee Number Four, 2013). That is, subsidy removal would not negatively affect the masses in a significant manner (interviewee Number Ten, July 2013), and that the price would ultimately reduce due to expected

²⁶³ This point was reinforced by Commercial Integration and Business Value Manager of Shell, Mr. Taaj Shobayo, who complained about the failure of local banks in the country to fund large oil and gas businesses. This information is available online at <http://www.vanguardngr.com/2013/05/nigerian-banks-unable-to-fund-large-oil-gas-deals-shell/>.

open competition associated with deregulation policy. Much of the fuel subsidies go to higher-income households. The top 20 percent of households received, on average, about 42 percent of the total subsidy, whereas the bottom 20 percent received less than 10 percent (Baig, 2007: 14). The government aligns with Baig's (2007) hypothesis that fuel subsidies are a costly method to protecting the actual incomes of the impoverished. The NLC presented a strong argument to the contrary and reacted thus:

We need to realise that while diesel is the energy source of the large firms, PMS constitutes the main base of the energy requirements of the small scale firms and the huge informal sector. The image of the hair dresser with a small petrol driven generator is familiar to us all. That same image is replicated for the business centre operator, the small shop operator and so on. The proposed policy will unleash chaos in the informal economy which is today the mainstay of the poor, the vulnerable and all those who cannot find gainful employment in the formal sector. Certainly, the potential social dislocation is not worth the penchant for more money to spend by our governments. The real challenge is how to reduce the excessively high cost of governance (NLC, 2011).

Baig's hypothesis failed to capture the reality in Nigeria. Any increase in fuel prices in Nigeria leads to inflation and increases in the expenditure of the population. The population rely on road transportation and the use PMS as fuel for generators and kerosene for household cooking.

One of the greatest long-standing motivations for an increase in fuel prices is the monolithic nature of the Nigerian economy, which conditioned the country to depend entirely on crude oil for foreign exchange. For instance, in 1987, oil exports were N28, 154.4 million while non-oil exports were N1, 423.6 million; in a year in which domestic exports had been N29, 577.94 million (Umezurike, 2012). Similar trends repeated themselves in 2005 and 2006. In 2006, oil exports increased to N7, 006, 591.1 million as against non-oil exports of N548, 550.2 million. The domestic exports and re-exports for the years 2005 and 2006 were N6,621,303.64 million and N7,555,141.32 million respectively. This shows the dependence of the Nigerian state on oil exports. Therefore, the downwards price of crude in the international market would negatively affect the state. Hence, the government has seen increases in fuel prices as a source of generating more income.

Oil-rich Nigeria relegated the agricultural sector to the background and thereafter became a major food importer which cost the state N116.40 billion in 1998, N119.87 billion in 1999, N134.81 billion in 2000 and N174.76 billion in 2001 (Dagogo, 2011: 124). The inability of the

ongoing neo-liberal reforms in Nigeria to diversify the economy largely explains the heavy dependence on oil for foreign earnings. Any increase in the prices of petroleum products in the international market increases the fuel subsidy payment, and any downward review of the prices of crude oil in the international market reduces government revenue.

The notoriety of oil bunkering constitutes another rationale for deregulation. According to Agboyi (2009), in 2007 the federal government lost N5.9 billion a day to pipeline vandals. Aside from the loss of heavy revenue to the government, there were more than 2000 deaths arising from oil pipeline exploitation. For instance, in 1998, leaking fuel from a vandalized pipeline in Jesse town in Delta state burst into flames, killing over 1000 people who were reportedly scooping oil from the damaged pipeline. There have been serious allegations of government officials and security “policing” the pipelines conniving with “oil thieves” to siphon millions of litres in oil theft.²⁶⁴ The opportunity created by oil smuggling has made bunkering very attractive, while high levels of smuggling into neighbouring countries due to the ridiculously low fuel prices in Nigeria also explains the government action (Interviewee Number Ten, July 2013).

The federal government believes that once the price aligns with international market prices, then bunkering will cease, but the argument seems weak (Interviewee Number fourteen, July 2013). The position of the government is really weak. Parity between the international and domestic price would not actually deter bunkering or oil theft since substantial amounts of money would still be realized in such illicit deals. Ojo (cited in Ogundodede et al, 2010: 119), maintains that almost 20% of the fuel (PMS) for local consumption is smuggled into neighboring countries, because of low fuel prices in Nigeria. As presented earlier, low prices or the prevention of smuggling would not halt the spate of bunkering as selling even below the prescribed official rate still makes the practice very lucrative. The respondent also explained that some Nigerians buy at the official rate of N97 and divert the sale to neighbouring countries (Interviewee Number Fourteen, July 2013). Fuel diversion, bunkering and theft aggravate fuel scarcity and inflates the quantity of fuel consumption, which invariably increase the FGN’s subsidy payment. However, I claim that public officials exaggerate the volume of data on fuel diversion, bunkering and theft to

²⁶⁴ See Ogunmodede, Ilesanmi, and Olurankinse (2010: 120) for more information. The study reports that about eleven million litres of fuel was allegedly looted in a day in the South-east depots. This figure could have been exaggerated by officials of the depot, who would have diverted the sales of this shortfall into their private pockets.

raise their subsidy claims. However, this is not to downplay the reality of across-the-border fuel smuggling and theft.

One interviewee claims that the Nigerian borders are porous and many of the customs officers are corrupt; hence, fuel is exiting the borders freely (Interviewee Number Ten, July 2013). This interviewee insists that deregulation, built on local refining capacity, is the only true antidote to continued smuggling and over-bloated figures of consumption by government functionaries in the oil sector. However, the respondent frowned at the “suddenness” of the announcement of deregulation without satisfying the prescribed criteria before deregulation. He further concluded that the present structure of the Nigerian state and the caliber of its leadership lack the capacity and foresight to implement a sustainable deregulation policy.

There is no denying the fact that the subsidy system is a huge racket for greedy players in the industry to amass wealth for themselves and at the cost of the Nigerian public. Many individuals have made money without necessarily lifting or importing oil, while many have undeservedly benefited from subsidy claims. This supports the government argument that the subsidy regime does not benefit the masses but instead it enriches a few oil marketers, corrupt civil servants and the rich are the sole beneficiaries of the prevailing system (Interviewee Number Three, August 2013). Over the years, the larger parts of Nigeria (northern and South-southern part), which experienced repeated fuel scarcity, do not enjoy the official prices. Instead the oil market is subjected to the economics of the market where the forces of demand and supply dictate the prices of fuel (Interviewee Number Three, August 2013; Interviewee Number Twenty, September 2013).

Fuel scarcity, which started in 1986, was also another causative factor for embarking on deregulation policy. Ogunade (2003) found that the root cause of the shortage in fuel supply is not price but deliberate distortions in the processing and marketing of petroleum products which made distribution and sales of the products difficult. He opined further that sometimes therefore, fuel shortage sometimes could be artificial so as to create a good atmosphere for upward review of prices.

The hoarding of petroleum products in homes, petrol stations and industries is a common practice during scarcity. This has led to fires in many homes and filling stations, destroying lives

and properties worth millions of naira. The selling of fuel in jerry cans, drums and tanks is not common in the southern part of the country unless there is a scarcity of petrol in the country. Once there is scarcity, the products are sold in jerry cans, drums and tanks in secrecy and not in the open as is done in the northern part of the country (Ogunmodede et al, 2010).

In summary, Kombo (2003) maintains that:

The low capacity utilisation of Nigeria's state-owned refineries and petrochemicals plants in Kaduna, Port Harcourt, and Warri, the sorry state of disrepair, neglect, and repeated vandalism of the state-ran petroleum product pipelines and oil movement infrastructure nationwide, the collateral damage of institutionalised corruption, with the frightening emergence of a local nouveau riche oil mafia that controls, and coordinates crude oil, and refined petroleum products pipeline sabotage, and theft ("illegal bunkering") nationwide, the insatiably corrupt military Task Force operatives that assist diversions of both crude oil and petroleum products, and large-scale cross-border smuggling of petroleum products, all of which are the root causes of the protracted, and seemingly intractable severe fuel crises that have bedevilled the country relentlessly (Kombo, 2003: 1).

There is no denying the existence of these challenges, but the government is saddled with the responsibility of providing securities for oil installations, repairing the refineries and actualizing effective policing of Nigeria's borders. I hold that the solution to government ineffectiveness and institutional inefficiency should not be a monetary burden on its citizenry through increases in fuel prices. A respondent referred to the highlighted reasons as 'laughable' and maintained that Nigerians were not ready to accommodate any justification to what he regarded to as the 'liberalization of impoverishment' (Interviewee Number Twenty, September 2013). Therefore, the efforts at fuel subsidy removal and deregulation were massively resisted.

The seriousness of Nigerian opposition was reflected in the massive turnout during the 2012 fuel crisis. For the first time, Nigerians were vehemently united across religious and ethnic divides, while those in the diaspora held protests in major cities in the United States, the United Kingdom, Canada, Ghana, and South Africa, to register their disdain for the policy.²⁶⁵ The gravity of these networks of protests compelled the 'willing' National Assembly to order a probe into the subsidy regime.

6.3 MOTIVATION FOR DISSENT

²⁶⁵ For more information, see Ori, Konye Obaji (2012) "Nigerians in Diaspora Joins Subsidy Protests", The African Report, 28 July.

Concerns about globalization, unsuccessful privatization and deregulation in some transition economies in the former Soviet Union and the Czech Republic and the failures of infrastructure privatization in other developing countries strengthened new critiques of the liberalization policy in Nigeria. Furthermore, the crash of Wall Street, the resultant economic depression that emanated from the advanced capitalists powers and the inability of the IFI to have projected it and to combat it raised renewed pessimism about so called 'limited government' bent on reviving Adam Smith's logic of unfettered market forces, manifested in economic liberalization.

The antagonists of the deregulation policy located their arguments within the orbit of dependency theory. Godwin and Dagogo (2011: 125) discuss a symbiotic relationship between capitalism, colonialism and imperialism as the theoretical milieu underlying deregulation. He maintains that right from the time the Nigerian economy underwent deregulation as part of SAP in 1986, every liberal policy succeeds in pauperizing a larger population of Nigerians. The human rights activist and SAN, Femi Falana queried the resurgence of SAP in form of deregulation; 'What did we have at the end of Structural Adjustment Programme? Structural poverty, institutionalized corruption and that is what they are dishing out again, decorated in another language called deregulation' (Balogun and Olusola-Obasa, 2012).

Nigerians could not comprehend why as citizens of an oil-rich country; they are denied the full benefits of a natural resource that ought to attract an economy of scale and comparative cost advantage, which should enable them to enjoy low prices of fuel (Social Action, 2012: 5). Okafor, supporting the opposition of the public to the policy commented thus: 'For Nigerians to cry wolf over deregulation is not out of place. Nobody is having it rosy, since even the rich also cry, while the poor yells. Time will tell whether government goofed or not' (Okafor 2009). There was also a claim that fuel price increases constitute a breach in constitutional provisions as stipulated in Section 315 of the 1999 Constitution²⁶⁶, which clearly lists petroleum products as a product, the price of which must be regulated by the government; therefore, any contrary policy would contradict the provisions of the constitution and be declared illegal (Punch, 2012a).

There is no doubt that the Nigerian state is wealthy and benefits tremendously from oil resources; hence, the public could not have been wrong in demanding maximum benefits from

²⁶⁶ See the Constitution of the Federal Republic of Nigeria 1999

petroleum resources (Robert, 2010). The fact that they do not receive this shows the total disconnection between the state and the population because, ordinarily, state wealth directly benefits the population, but in the Nigerian context, that logic is invalid (Odularo, 2008). Nigeria's proven oil reserves are estimated to be about 36 billion barrels and natural gas reserves are well over 100 trillion ft³ (2,800 km³).

The public believe that the policy makes room for government to divest itself of any social contract with the Nigerian people. This contradicts the essence and roles of states and depicts the motivations behind the historical *Bill of Rights*. The *Bill of Rights* repose in states the responsibility to fulfil its end of the social contract.²⁶⁷ Therefore, mass protest against fuel increases in Nigeria should be seen as a demand on the state to be responsible for access to social services. Therefore, low price for petroleum products in the country is conceived as the social security enjoyed by the masses.

The existence of fuel subsidies and the validity of subsidy payments have become another point of contestation between the government and opposition²⁶⁸ such as Gani Fawehinmi and Femi Falana²⁶⁹. There are allegations by key actors within the anti-subsidy groups that every claim of government on the subsidy payment was false. To them, there is no subsidy at all (Interviewee Number One, July 2013; Interviewee Number Eight, June 2013; Interviewee Number Sixteen, July 2013). A respondent said; "I believe there is no subsidy... it is a device for collecting from Peter to pay Paul. If there is a subsidy, then it is the sub-total of the wastage, mismanagement and corruption in the industry (Interviewee Number Eight, June 2013). Speaking in similar vein, another respondent posits that:

We cannot call it subsidy. What government is doing is paying subsidy to his close associate as patronage to subsidizing the excesses and wastes of state functionaries and a way of balancing the private expenses of public officers in the oil industry... the corruption that goes on in the oil sector is what they call subsidy (Interviewee Number One, July 2013).

²⁶⁷ For more information on the social responsibilities of a state, see Heyman (1991: 509).

²⁶⁸ Human right activists such as Gani Fawehinmi, Femi Falana and some civil society organizations strongly believe in this line of argument.

²⁶⁹ Femi Falana, one of the conveners of the civil-society led "occupy Nigeria", a member of the most honourable rank of the Nigerian Bar, Senior Advocate of Nigeria (SAN), was the President of the African Bar Association.

As strong and enticing as the ‘no subsidy payment’ position seems, there is persuasive evidence²⁷⁰ to refute this claim and accept the reality that the federal government pays some form of fuel subsidy to reduce the harsh effects of the international price of petroleum products on the Nigerian population. The fact that some people criminally colluded - and still collude – with the institutions of government and oil marketers to subvert the processes of subsidy administration does not dismiss the reality of subsidy payments. Although the amount paid as subsidies could be insignificant and insufficient to subject Nigerians to paying N97 or implement deregulation policy (Interviewee Number Four, July 2013). I claim that if the government eradicated corruption in the subsidy administration and created efficiency in the public institutions, there would be no need for price increases and the removal of fuel subsidies.

The lack of trust between the people and the state is alarming. My claim of a disconnection between the government and the citizens was reiterated by a respondent who commented as follows. A respondent commented thus, ‘If there is one thing that all citizens unanimously agree on, it is their distrust of the government’ (Interviewee Number Seven, July 2013. Sulyman (2012) also reiterates this point. Since the oil-boom of the 1970s, Nigerians have endured successive governments making unfulfilled promises of one kind of reform or another. Ironically, the billions of dollars brought in through oil revenues, have failed to translate into economic buoyancy, while the socio-economic state of affairs remains desperate with over 45% of the population living below the poverty line (Sulyman, 2012). The GDP per capita stands around \$2,500 compared to that of South Africa - a non-oil producing country with a population of just over 40 million – at \$8,300 GDP per capita.

In Nigeria, the public provide for their own water, electricity, security, transportation, infrastructure, education, healthcare, and often their own employment opportunities. This increases their resoluteness to hold onto cheap and affordable fuel. Therefore the abrupt reduction of fuel subsidy in 2012 and the associated increase fuel price was seen by Nigerians as not *just* a new level of economic hardship but a travesty and an injustice against humanity.

²⁷⁰ The National Assembly released data showing how payment was made to specific companies. See House of Representatives (2012). Also see Social Action (2012) and the websites of PPPRA (<http://www.pppra.gov.ng/>).

The Strategic Union of Professionals for the Advancement of Nigeria (SUPA²⁷¹ Nigeria) conducted a study and revealed that the cost of local refining in the country is less than N31.50 per litre (Alike 2010). The organization maintained that any policy that is driven by fuel importation would further devalue the Naira due to excessive inflation as well as Forex demand for fuel importation. This undermines national investments in the existing refineries. The foreign and local investors would ignore the need to construct domestic refineries and would instead increase their focus on importation (Alike, 2010). This would ultimately subject the masses to the vagaries of international market price dynamics, while the real income of workers would also be threatened due to hyper-inflation and the resulting devaluation of the national currency.

SUPA further notes that deregulation would create the ripple effects of political and socio-economic problems due to increased poverty, industrial crisis, increased crime and desperation, hopelessness, as well as an increase in socio-political tension due to increased poverty. This has been the point I earlier raised that increase in the price of fuel worsens the economic condition of the majority of Nigerians. The negative effect of the increase is further evident due to the inability of the government to provide ‘safety-nets’ to cushion the effect of such price increases.

Protagonists of deregulation contest the government’s point about the impending collapse of the Nigerian economy if deregulation was not immediately implemented and subsidy completely removed. This position remains unconvincing. Nigerians easily identified many areas of waste in the subsidy arrangement, which could easily cover up or be substituted for the alleged shortfall that the federal government was seeking through the fuel price increase (Sulyman 2012). Buttressing this point, a respondent posits that, “the operators are wasteful, corrupt, inefficient, and unprepared for the discipline required in the oil business. Hence how can the government shift these burdens of incompetence and corruption on innocent Nigerians?” (Interviewee Number One, July 2013).

Based on the character of the state, the claim that deregulation would increase funds for government was not necessarily to provide amenities or instigate economic development, but

²⁷¹ SUPA is an organization of Nigerian professionals across all disciplines committed to professional excellence, ethical integrity, social cooperation, justice, selfless service and the progress of Nigeria, see <http://www.supanigeria.org/>.

instead to satisfy the appetites of public officials for personal aggrandizement. The public could not comprehend why the federal government wanted to withdraw a policy that boosts the economic activities and lessens the economic burden on the poor (Social Action, 2012: 10). Gani (2002) reiterates the above point thus:

Every time they needed money to steal from the people they resorted to increase in the prices of petroleum products. Anytime they needed money to waste on unproductive and grandiose programmes they resorted to increase in the petroleum products. Anytime, they needed money to use on personal aggrandizement they inflicted the pain of fuel increase on the people. Anytime they needed money to hearken to the command of their foreign masters and to turn the screw of poverty on the Nigerian masses, they resorted to increase in fuel prices...Anytime they (referring to government officials) needed money to cover the track of their mis-governance and heinous mismanagement of the resources of our people they unilaterally increased the prices of petroleum products (Gani, 2002: 5).

The findings of the different probe panels on the subsidy regime strengthened Gani's claims. The table below highlights the increase in fuel prices in Nigeria between 1978 and 2012.

Table 3: Increase in the Prices of PMS by Successive Nigerian Government

No	Date	Price per litre	Regime	%increase
1	October 1, 1978	15 1/3kobo	General Obasanjo	73.86%
2	April 20, 1982	20 kobo	President Shagari	31%
3	March 31, 1986	39.5 kobo	General Babangida	99.5%
4	April 10, 1988	42 kobo	General Babangida	6%
5	January 1, 1989	42 kobo (Commercial vehicle)	General Babangida	43%
6	January 1, 1989	60 kobo (Awate vehicle)	General Babangida	43%
7	December 19, 1989	60 kobo for all	General Babangida	43%
8	March 6, 1991	70 kobo	General Babangida	16.6
9	November 8, 1993	N5.00	Ernest Shonekan	614%
10	November 22, 1993	N3.25	General Abacha	*** ²⁷²
11	October 2, 1994	N15	General Abacha	461%
12	October 4, 1994	N11	General Abacha	***
13	December 20, 1998	N25	General Abubakar	127%
14	January 6, 1999	N20	General Abubakar	***
15	June 1, 2000	N35	President Obasanjo	50%
16	June 8, 2000	N25	President Obasanjo	***
17	June 13, 2000	N22	President Obasanjo	***
18	January 1, 2002	N26	President Obasanjo	18.2%

²⁷² The asterisked columns (***) highlight periods where the government reduced the fuel price from initial upward review due to mass protests.

19	June 20, 2003	N40	President Obasanjo	153.8%
20	September 2004	N48	President Obasanjo	12%
21	April 11, 2005	N52	President Obasanjo	18.2%
21	May 28, 2005	N75	President Obasanjo	144.2%
23	June 25, 2007	N70	President Yar'Adua	***
24	January 15, 2009	N65	President Yar'Adua	***
25	January 1, 2012	N135	President Goodluck	207.7%
26	January 8, 2012	N97	President Goodluck	***

Source: Gani (2002)

A cursory examination of the table reveals that President Obasanjo adjusted the pumping price of fuel between 2000 and 2005. At each increase, there were always violent mass protests in resistance to the rise in fuel prices. One of President Obasanjos's reasons for the increases had been the inability of the refineries to produce at optimum capacity thereby forcing the country to rely on fuel imports.

Fuel importation – and its complexities - originated due to mismanagement, sabotage, a harsh operating environment and the high cost of Turn Around Maintenance (TAM)²⁷³ that negatively affected refineries' productivity (Ogumdodede et al 2010: 118). Local production became so low to the extent that the demand of fuel within the country had to be substituted through imports. Importation furthers the cause of corruption in the sector and acted as a fast approach of covering up the inefficiency of the Nigerian refineries under the management of the NNPC. The labour unions, and other opposition, repeatedly fault²⁷⁴ the high reliance on importation, when the local refineries could easily be empowered to perform at full capacity.

Dismissing the rigid insistence on local refining, a respondent argued that import-driven deregulation aligns with the principle of globalization since no nation could afford to be isolated (Interviewee Number Three, August 2013). Considering the huge amount of funding required and the absence of highly technocratic and management institutions, he believes it is better to refrain from investing in the dilapidated refineries. The government should utilize the opportunities of fuel importation. He also raised some concerns:

²⁷³ TAM is the periodic maintenance or repairs necessary to keep the refineries working at full capacity.

²⁷⁴ Fuel importation negatively affects Nigeria in many ways. The exporting country makes huge profits from selling refined products to Nigeria. Building more refineries or expanding the four Nigerian refineries would have provided employment opportunities and made fuel available at low prices. Fuel importation also expands the networks of corruption in the subsidy administration.

Even if Nigeria has 10 refineries, what is the guarantee that they will meet local consumption? If they even repair the existing ones, what if they wear out again? What of the possibility of private operators of refineries forming a cartel and monopoly and embark on arbitrary fixing of prices? (Interviewee Number Three, August 2013).

It is true that private investors in the refinery business may create a monopoly. Similarly, the oil marketers involved with fuel imports could also align together to form a monopoly; thus invalidating the position of the respondent.

The federal government laid the blame for the inability to fix the refineries on the so-called ‘cabal’ or ‘cartel’, which continued to undermine government’s effort to restore the refineries to good condition (Social Action 2012: 6). A respondent asked:

Why can't the government break down the so called 'cartel' or 'cabal'? The government is a joke. How could they have complained about any unknown cabal in the industry? Many of the 'faceless' cabal are close associates of the ruling party, the PDP. There was an allegation that the son of a Presidential Candidate in the 1990s is culpable, while another report linked a former Vice President to the questionable oil deals (Interviewee, Number One, July 2013).

Government continues to blame ‘the cabal’ for the protracted crisis in the oil sector. This is surprising. Licenses to extract crude oil and import petroleum products were issued by governmental institutions. Hence, players and vested interests in the oil industry are not secret. They are all well-known to both the government and a cross-section of Nigerians (Interviewee Number Seventeen, July 2013). It is particularly strange that government were shifting their inefficiency to the activities of some powerful forces considered to be a ‘cabal’. Considering that the state possesses instruments of coercion, it is particularly surprising that the federal government has publicly accepted its inability to maintain law and order within its jurisdiction. The National Assembly probe reports indicted companies and public officials in the fuel subsidy scam. Many of them maintain close relationship with the ruling party²⁷⁵, which explains why no one has faced prosecuted over the fraud in the subsidy regime.

Antagonists of the deregulation agenda also dismiss the federal government’s claim that oil-bunkering, smuggling and the low prices of fuel in neighbouring countries contributed to the reasons for subsidy removal. Femi Falana reacted to this thus:

²⁷⁵ A respondent revealed that one of the oil companies is strongly backed by a powerful minister under the current leadership.

For eight years, the Olusegun Obasanjo administration increased the prices of petroleum products six times and on each occasion, we were told more money would come to the kitty for development. What happened at the end of the day? More poverty, more impoverishment of our people” Look at the argument, a minister has been on TV saying a litre of fuel is N175 in Ghana, it’s N205 in Chad, but if we sell at N65, it will be smuggled to those countries. Do you hold me responsible for your failure as a government to curb the excesses of smugglers? Do you chop off the head because somebody has headache? Would you say because people are engaged in child trafficking across the border, you want to sterilise all women so that nobody would have a child? The bigger question is; will government continue to increase the price of fuel once those neighbouring countries increase? (Balogun and Olusola-Obasa, 2012).

The allegation that a high volume of fuel has been smuggled on daily basis was debunked thus:

The whole noise about smuggling is an artificial creation of the government to strengthen their motivation for deregulation. Where are the hundreds of tankers exiting our state’s border? What are the security operatives doing? If they are blind, are other Nigerians plying the border blind? There is no denying the fact that fuel is being smuggled at a very infinitesimal level, but the vast amount of fuel claimed to be smuggled out of the country per year remains excessively exaggerated (Interviewee Number One, July 2013).

Although, the federal government had accused the tanker drivers of complicity in the oil-smuggling deal, this insinuation was rejected by one interviewee:

Members of NUPENG do not import nor have access to any storage facilities or own any depots. The tanker drivers pick up the product and transport it to the designated point of offloading. Acting contrary to this would have triggered alarms from oil marketers and up till now, no oil marketers have ever any accused tanker drivers of such (Interviewee Number Seven, July 2013).

Few Nigerians displayed a moderate posture against deregulation and fuel price increases. This is understandable as many are linked to the state in one way or the other, while some have made their wealth from the state illicitly or legitimately. They conceive their support as a way of compensating the government and in expectation of future attainment of position. They possess the financial wherewithal to withstand the price hike as long as fuel availability is guaranteed. This is in accordance to what Adamu (2003) called the operation of corrupt clientelism in Nigeria. Aligning with this claim, a respondent argues:

A great percentage of Nigerians, like me, are not opposed to deregulation but government should meet the required conditions. Corruption is a major obstacle to development and any effort at reform. A strong leadership and effective institution is required to tackle corruption, and put in place sustainable deregulation in the oil sector. Strong institutions won’t emerge on their own. They will be formed by strong and honest men and not dictators (Interviewee Number Five, July 2013).

The government had the opportunity to dissuade the antagonists of full deregulation in January 2012. The labour union-led negotiation team accepted partial subsidies and the fuel price was adjusted from N65 to N97. But this was still short of the federal government's intention of completely removing subsidies and setting the price at N141 in conformity with the international market price of fuel. The federal government would have had the justification for complete removal of fuel subsidies if the government had fulfilled its promises of providing palliatives and judicious managed savings from the 2012 subsidy cut. Ironically, the Nigerian state has continued to renege on their promises. The federal government has also been unable to strengthen both the existing and newly created institutions of oil. For instance, a serious crisis has rocked SURE-P activities in some states like Benue State, where the agency even found it difficult to pay staff salaries in Markurdi (Interviewee Thirty One, June 2014).

There is a fear that the federal government might be unable to properly manage the post-deregulation regime. Baig (2007) maintains that:

In countries where the market for petroleum products is dominated by the public sector, price liberalization would require privatization of suppliers or commercialization and liberalization of import and distribution activities. It is thus important to strengthen the regulatory framework, including the capacity to detect and discourage anti-competitive behavior (Baig, 2007: 12).

The rhetoric of ensuring free competition by the government, which was employed to gather support for deregulation, has not dissuaded the NNPC from maintaining the monopoly of importing kerosene. It is very unlikely that the Nigerian government would enforce a free competitive market once deregulation is in operation. The government and its institutions lack the capacity to ensure such. It requires a disciplined government to do that, and successive Nigerian administrations have manifested the acts of indiscipline. The reality is that the management of the subsidy savings has created doubt and reinforced the insinuation that money saved would not be judiciously utilized to benefit Nigerians and provide safety nets for the public (Interviewee Number Four, July 2013).

The provision of safety-nets or palliatives - by the government - for the poor is very problematic in Nigeria. The government needs to create a data base to identify the poor and those that are negatively affected by fuel increases. The government needs to negotiate with the labour union to determine the extent of the negative effect of fuel price increases and the best way to ameliorate it.

In this section I situated the subsidy administration in context to provide a clear understanding of the motivations of the government in adopting the deregulation policy as a panacea for the development of the oil sector, while the inspirations behind the resistance to the policy was presented. I claim that the urgency to support full deregulation of the downstream oil sector was in order to raise income for the government through subsidy cuts rather than to fix the multidimensional crisis in the oil sector. Since January 2012, there have been no concerted efforts to institutionalize deregulation of the downstream oil sector. There has also been no serious attempt to cushion the negative effects of the fuel price increase.

6.4 SUBSIDY ADMINISTRATION IN NIGERIA

6.4.1 *The Reality of Oil Subsidies*

In this section I provide an assessment of the subsidy administration, examine the logic of fuel subsidies and review the way in which the regulatory system breeds corruption in the marketing and distributive arm of the oil sector. A proper understanding of subsidy administration reveals the mismanagement, unprofessionalism, depth of oil corruption and the foundations of public dissent against the deregulation policy.

Nigerians continue to be discontented by acute mismanagement, corruption and waste in the management of the country's oil resources. Social Action (2012) notes that fuel subsidies have expanded the tentacles of corruption in the Nigerian oil industry. This has generated social dissent and hostility against the government and its institutions. Oil theft, government deceit, falsified reports by oil marketers and the granting of amnesty to "looters of public funds" has become a reoccurring 'dance of shame' in the country.²⁷⁶

It is very difficult for the citizens to comprehend the complexities of the subsidy regime. A deeper understanding of the significant fiscal and social costs is lacking, while the need for a policy shift often are poorly understood (Baig 2007: 9). When oil-exporting countries - like Nigeria - do not adjust domestic petroleum product prices to reflect higher world prices, there is an implicit subsidy as the "windfall" from the higher oil prices is passed on directly to domestic

²⁷⁶ This is my response to questions on the state of Nigeria's oil reform during the 2013 edition of U & D Oil and Gas International Conference, International Conference Centre, Abuja, September 26, 2013.

consumers. The initial cost of implicit²⁷⁷ subsidies is typically assumed by the national oil company without explicit²⁷⁸ compensation through the supplementary budgets.

Petroleum products subsidies tend to be inefficient in part because they are poorly targeted. The higher the household incomes, the higher the subsidy, because higher-income households consume larger quantities of petroleum products, thus benefit relatively more from subsidies. A study by the World Bank in 2006 revealed that in Venezuela in the 1990s, the wealthiest 20 percent of the entire population accumulated six times more in subsidy per individual than the poorest third of the entire population (Baig, 2007). This typifies the wide gap between the rich and the poor, which corresponds with dependency theory. Despite the prospects of globalization, the interventionist strategies of IFIs and the developmental activities of MNCs, quite simply, the poor continue to get poorer, while the rich get richer.²⁷⁹

The federal government, through the federal ministry of finance,²⁸⁰ tried to amplify this assumption that fuel subsidy removal only affects the rich (who have many cars) and not the masses (who have no cars). But I claim that the fuel price increases have no significant impact on the income of the rich, while the increases have a tremendous impact on the income of the poor due to inflation, increase in the costs of transportation and accommodation. The Nigerian transportation system comprises primarily of road transportation and public transport is very scant. The Nigerian road transportation sector is private-driven and thus controlled by the rich.. Also, in the absence of government owned or subsidized accommodation, especially in the rural and semi-urban areas, the wealthy sub-let accommodation to the poor. Therefore, indirectly, the wealthy re-allocate the fuel price increases to the poor in the form of increased transportation fares and house rentals. My claim is supported by a respondent who also holds that the poor suffer more from the negative effect of any increment (Interviewee Number Three, July 2013).

Ironically, in March 2013, President Jonathan honoured the Late President of Venezuela, Hugo Chavez, for utilizing the oil wealth of his country for improvement in the lives of his people

²⁷⁷ Implicit subsidies are much harder to measure and often are not reported. They include costs borne by public entities such as oil producing companies that are not typically reported in the budget; tax expenditures, such as tax exemptions for oil products; and the difference between retail prices and import parity prices (Baig, 2012: 11).

²⁷⁸ Explicit subsidies mainly reflect compensation to the national energy company for the increased difference between the wholesale domestic price and the world price of fuels (Baig 2007: 10).

²⁷⁹ See Umezurike (2012).

²⁸⁰ See <http://www.fmf.gov.ng/component/content/article/3-trendingnews/63-faqfuelsubsidy.html>.

(Falana 2013a). Falana believes that President Jonathan should emulate Hugo Chavez who never increased the price of any petroleum product while he was in power for 14 years. It is important to note that, since 1978, all successive Nigerian Presidents have increased fuel prices.

Subsidy, as a concept became a widely used term in Nigerian in 1987, when the military regime of President Ibrahim Babangida announced the removal of 80% of the subsidy on PMS (Social Action, 2012). The effect of the increase of prices of PMS led to inflation and economic hardship across the country, but the ‘quick cash’ accruable to the government aggravated the level of corruption in Nigeria. His predecessor, General Abacha also increased government revenue through an increase in the price of PMS.

The intention of the government to deregulate the downstream oil sector was made public in 2011. The chain of events that triggered the removal of the subsidy was uncovered by the Governors Forum²⁸¹ when they visited the president in June 2011 (Social Action, 2012). That was during a period of national engagement over the Labour Union proposed N18,000 (\$120) minimum wage for workers at all levels of government. The call by the state governors for the removal of the subsidy, which was predicated on the Labour Union’s demand for improved minimum wage and implementation of Minimum Wage Act, was condemned by Nigerians (PENGASAN, nd). The governors insisted on their inability to pay and suggested the complete removal of the subsidy on all petroleum products to increase the federal government’s revenue allocation to States.

The federal government, during the presentation of the 2012-2015 Medium Term Expenditure Framework²⁸², revealed its readiness to embark on the phasing out of subsidies from 2012. The savings would be utilized on critical infrastructure (Social Action, 2012). The federal government has always promised the provision of critical infrastructural development, and claims that this is the basis for fuel price increases. The government frequently promises to

²⁸¹ The Governor Forum comprises of the 36 Governors representing their respective states. It was not a legally constituted body, but it enjoys strong legitimacy to make recommendation to the central government and react to issues on governance.

²⁸² The Medium Term Expenditure Framework (MTEF) is a statutory document that articulates the federal government’s revenue, spending plan and its fiscal policy objectives between 2012 and 2015. See <http://www.budgetoffice.gov.ng/2012-2015%20MTEF%20&%20FSP.pdf>.

utilize the funds to improve infrastructure each time there is a hike in the price of fuel. Akintunde²⁸³ (2009) strengthens this point thus:

A gradual approach to withdrawal of subsidy which has seen petrol price rise by more than 490% between 1999 and 2007 had failed to deliver promised infrastructure or improved funding of the social sector. Yet the same argument comes to the table even in the present episode. This has tended to introduce the negative adjective of insincerity in the view of government's failure to deliver on past promises. Simply put, the current effort at deregulation of the downstream sector of the oil industry is seen as treading the beaten track (Akintunde, 2009).

A similar promise was also made when the Paris Club made concessions on Nigeria's debt profile in 2006.²⁸⁴ As in November 2014, the country is yet to record significant improvements in infrastructural development.

In 2000, the government maintained that the "subsidy at one point or another must be systematically removed in order to strengthen the economy" (Gani, 2002: 23). Under this arrangement, the federal government needed to ensure the effective implementation of a well-thought out phased deregulation to comprehensive deregulation of both the upstream and the downstream arm of the oil industry (Kombo, 2003: 6). The criteria for motivating competition in the market would be enforced by the federal government in the bid to ward off monopolistic tendencies in the distribution and marketing of petroleum products. Kombo (2003: 6) further presents the following as the practical road-map for effective phased deregulation of the downstream oil sector, which involves the deregulation of the entire Nigerian petroleum industry:

- 1) Private suppliers of crude oil to Nigerian refineries would be encouraged.
- 2) The prices of crude oil and refined products would be set in line with international benchmarks, and prevailing foreign exchange rates.
- 3) All the NNPC Joint Venture contracts with MNCs operating in Nigeria would be replaced with Production Sharing contracts.
- 4) Crude oil produced by private operators would be subjected to competitive market prices in Nigeria or overseas.
- 5) The NNPC and its subsidiaries would be restructured in phases and subsequently broken up.

²⁸³ Jide Akintunde is the Managing Editor of Financial Nigeria Publications.

²⁸⁴ See <http://allafrica.com/stories/201110050736.html>.

- 6) The regulatory role of the DPR must be redefined to enhance its capacity to effectively monitor and enforce compliance as an independent agency of the federal government.
- 7) The availability of crude oil to the local refineries would be based on competition among private suppliers.

Surprisingly, the federal government decided to ignore phased deregulation to embrace a complex form of *semi-deregulation*. The reality is the retention of subsidies, while the efforts of the federal government to implement complete deregulation have been shrouded in indecisiveness and confusion. However, the government has reiterated its decision to begin the complete removal of subsidies and the implementation of the complete deregulation of the entire downstream oil sector shortly (Interviewee Number Eight, July 2013).

Apart from the conditions of phased deregulation highlighted above, any attempt by the federal government to liberalize the downstream oil sector should first sanitize the entire import-supply chain and re-position the port system to prevent the wastage and corruption that has characterized the fuel importation networks. One of the striking abnormalities in the subsidy regime was the importation of refined products from Spain (Interviewee Number Thirty, September 2014). Spain is a non-oil producing country; hence, it relies on crude oil importation for refining. Spain has a refining capacity of about 1.3millionbpd²⁸⁵, while Nigeria's four refineries, at full capacity, could only record 445,000bpd. Nigeria, a country endowed with large deposits of crude, continues to rely on fuel imports from Spain, which is a non-oil producing country.

The labour union rejected any form of fuel importation. Their leadership of the NLC maintains that:

It is a crime against the Nigerian nation and people that today, domestic products consumption continues to be almost completely import dependent....It is worth emphasizing that a reform policy based on importation of refined products is inherently destabilizing for the domestic economy. Importation necessarily puts pressure on the exchange rate of the naira.... We recommend a reform agenda that will seek to revive domestic refining and reduce dependence on imports. It is also our contention, that domestic products pricing must not be based on import price parity so as to confer on the domestic economy a competitive advantage based on the resource in which the country is richly endowed'(NLC, 2011).

²⁸⁵ This information is available online at <http://abarrelfull.wikidot.com/european-refineries>.

The NLC also condemned the federal government for contracting companies in Spain to supply petroleum products for the Nigerian market. Given that Spain is not an oil producing country, the financial implications of refining there are higher than in other countries that have a domesticated technology for refining oil because they produce crude oil. One respondent sees this as ‘just a direct economic logic of the market’ and maintains that ‘higher costs are passed on to Nigerians as subsidy’ (Interviewee Number Thirty, September 2014; NLC, 2008). This also motivates the labour union to demand improvements in the refining capacity of Nigeria’s four refineries as one of the conditions for deregulation.

The unions advised the government to satisfy the following conditions before entertaining any form of deregulation, if at all (NLC, 2008):

- 1) Embarking on the cancellation of demurrage on petroleum products in transit.
- 2) Dredging of the ports.
- 3) Independent verification of the transaction costs claimed by marketers.
- 4) Rehabilitation and expansion of Nigeria’s refineries.
- 5) Resumption and intensification of efforts to curb corruption.
- 6) Auditing of the operations and activities of the oil and gas industry.
- 7) Reduction of the dependence on oil and gas revenues and diversification of the economy.

The labour umbrella body also accused the shipping companies and the oil marketers of conspiring with government officials to charge demurrage from the time the products leave the country of importation rather than from the day the ship arrives in Nigerian ports (NLC, 2008). This is so because the ships carrying products cannot berth close to the jetties where the products can be offloaded because the ports are shallow and require dredging to allow the ships in. Smaller boats are therefore used to offload the products, which is then ferried to the jetties for loading into tanks. Oil marketers deliberately allow the discharge of fuel to overstay on the water, thereby charging demurrage (Interviewee Number Seven, July 2013). The federal government needs to dredge the ports to prevent the imposition of the additional costs of paying smaller boats to evacuate and ferry the petroleum products to the jetties.

The establishment of so many institutions of oil and replication of their monitoring roles is inimical to a successful oil industry. The clash of responsibilities has made it challenging to ascertaining the volume of fuel importation, consumption rate and cost of subsidy per day. A

respondent maintains that the inability of the government to also sanitize the system, in terms of determining the actual consumption of fuel, greatly influences the imperative of deregulation and its associated subsidy cut (Interviewee Number Ten, July 2013). Another respondent further commented that the provision of complete data on fuel consumption would have nullified the arguments by the federal government about an ‘unsustainable subsidy payment’ (Interviewee Number Twenty-eight, September 2013).

The table below highlights the amount of subsidy payments between 2010 and 2013. These figures are the official amount of money spent on fuel subsidies by the federal government. There are cases of conflicting figures, which further reveals the level of corruption (this in the form of inaccurate data) that characterizes the oil sector.

Table 4: Subsidy Payment between 2010 and 2013

Year	Subsidy Payment	Sources
2010	N561 billion (\$3.5 billion)	Sulyman (2012);
	N261 billion ²⁸⁶	Social Action (2012: 9)
2011	N1.3 trillion (\$6.1 billion) ²⁸⁷	Sulyman (2012); Social Action (2012)
2012	N832.06 billion	Ochayi (2014)
	N971 billion ²⁸⁸	Niyi (2013)
2013	N862.06 billion	Ochayi (2014)

Source: Compiled by the author

The presentation of different data on subsidy payments by government in 2010²⁸⁹ and 2011 was a major concern. I claim that the figure released in 2011 was inflated by public officials to justify the January 2012 announcement of subsidy removal and the immediate deregulation of the downstream sector. A scrutiny of the subsidy regime by the government, through the NEITI and the National Assembly, led to a reduction in the subsidy payment in 2012 and 2013. It must also

²⁸⁶ The FG released estimate of N561 billion was debunked by Social Action (2012: 16), which maintains that the cost of subsidy for 2010 was N261 billion.

²⁸⁷ There were divergent figures released by government officials as subsidy cost. The Director of PPPRA, Ronald Stanley, said the agency was able to reduce subsidy payment to N1 trillion as against N2.09 trillion spent in 2011 (Ugwuanyi 2013).

²⁸⁸ The FG budgetary allocation for subsidy payment for the year 2012 was N971.138 billion, while N971 billion was actually paid. The concern was that the budget pre-dated the infamous subsidy cut of about N34 per litre; yet, the budgetary allocation was expended on subsidy payment.

²⁸⁹ Either N561million or N261 million.

be noted that corruption, waste and lack of accurate data are responsible for the high rates of subsidy payment in 2011.

At the 2012 anti-deregulation organized public debate²⁹⁰, surprisingly and shamefully, the federal government team could not accurately ascertain the volume of daily or annual consumption of PMS²⁹¹, the quantity refined by the so-called moribund refineries, the volume of imported fuel and the landing costs of imported PMS (Interviewee Number One, July 2013; Social Action 2012: 19). All kinds of figures ranging from N138, N139, N140, and N141 were being presented as the landing cost of PMS, dependent upon the government official giving the estimate. House committee members investigating irregularities in the subsidy payment could not believe their ears when top officials of the DPR, the NNPC, the CBN, the PPPRA and the Accountant General of the Federation gave contradictory figures on the subsidy payments and quantity of PMS consumption (Social Action 2012: 19).

This just shows the caliber of Nigerian leadership. As hard as the dependency school of thought tried to downplay the assertion that internal contradictions is the sole cause of the socio-economic crisis experienced in developing states, the Nigerian experience shows the validity of some of their positions. For instance, Nigerian political leadership and public officials have failed to display transparency and accountability in the oil industry.

MOMAN (2012) released the template - as presented in Table 5 - for the cost of PMS importation, the regulated price and subsidy claim in the pre-fuel crisis of 2012. Table four also displays the petroleum products pricing template, which highlights the subsidy cost.

²⁹⁰ The federal government invited the labour union for a dialogue in respect of the need for deregulation. Nigerians were represented by the labour union and civil society groups. It was held on the 14th of November 2011. Despite the unanimous call by representatives of Nigerians to postpone deregulation and any increase in fuel prices until an amicable resolution of its modalities, the federal government announced subsidy removal and deregulation on the 1st of January 2012. For more information, see NLC (2011).

²⁹¹ PMS is needed to power automobiles which farmers and non-farmers towards transporting themselves and their goods from their homes to places of destination. Furthermore, PMS is required to power generating sets because there is irregular electrical energy supply from Power Holding Company of Nigeria (PHCN) (Ogunbodede, Ilesanmi and Olurankinse, 2010).

Table 5: Template for Subsidy Payment as at December 2011

Description PMS	(N/Litre)
Total Cost of Imported PMS/Expected Open Market Price	N141.38
Regulated Pump Price	N65.00
Subsidy Claim	N76.38

Sources: MOMAN 2012; PPPRA website (<http://www.pppra-nigeria.org>),²⁹² Social Action (2012: 18)

Table 6: Petroleum Products Pricing Template

PPPRA Approved Prices for PMS (Naira/Litre) as at July 11, 2013	
Expected Open Market Price (EOMP)	147.04
Landing Cost	131.55
Ex-Depot Price	87.66
Regulated Price (RP)	97.00
Subsidy (EOMP - RP)	50.04

Source: PPPRA website (<http://pppra-nigeria.org/pricingtemplate.asp>)

Table 4 reveals N76.38 subsidy claim per litre as at December 2011, while by July 2013, the subsidy claim per litre dropped to N50.04. The market price increased from N141 in 2011 to N147.04, which has to do with the fluctuation in crude oil sales and the addition of extra charges by marketers.

²⁹² For more information of the breakdown of calculation, see Social Action (2012: 18), which is also attached as APPENDIX 1.

It is pertinent to note that the federal government has no reliable and accurate data on the subsidy payments and the volume of fuel consumption. The government not only admitted that it did not have its own data on subsidies but confessed that it got its figures from oil marketers (NLC 2008; Interviewee Number Four, July 2013). If the real volume of fuel consumed is not uncovered and the real cost of a litre of oil not prudently determined²⁹³, then, government action in the downstream sector is ill-advised, and driven by increased corruption and governmental expenditure. It was discovered that about N220billion (\$1.4billion) was ‘deliberately’²⁹⁴ overpaid to oil marketers as subsidy claims (Social Action, 2012: 25).

The Social Action report claimed that the CBN presented N1.75trn (\$11.6b) as subsidy payments for 2011, while the Accountant General of the Federation (AGF) presented N1.9trn (\$12.6b). The Minister for Petroleum, Allison Madueke declared a daily fuel consumption of 35million liters, while the PPPRA boss stated that fuel importation per day stands at 59million litres. In the midst of this information gap, a subsidy payment of N670billion (\$4.4billion) was paid by the federal government as an “extra” subsidy on PMS in 2011 (Social Action, 2012). This amounted to about \$1.6 trillion paid out into private pockets in a single year.

The Nigeria Custom Service (NCS), through the Deputy Comptroller General²⁹⁵ alleged that most of the importation of PMS has no official record but got paid through a directive from the Ministry of Finance (Social Action, 2012). Not only this, the NNPC also failed to pay duties on imported petrol worth N45billion (\$300million) between 1999 and 2002. NEITI Chairman, Professor Asobie²⁹⁶ supported the NCS allegation and accused the oil corporations of throwing transparency and accountability in the dustbin (Interviewee Number One, July 2013).

Absence of transparency and accountability has discredited the government benchmarks for determining the actual amount of subsidy claim per litre. It is difficult to believe that public officials provide the true landing cost of fuel. Based on the character of public officials and different allegations of corruption in the sector, the likelihood of inflated costs remains very

²⁹³ It is revealed that many of the officials saddled with the responsibility of determining this are ill-trained, unprofessional, and incompetent and naïve in the knowledge of basic statistic. The problem goes beyond oil theft; many civil servants – especially those in the oil sector - are employed through the chains of nepotism.

²⁹⁴ This was another case of corruption, where the oil marketers collaborated with public officials to rip the country of excess payment on subsidy claim.

²⁹⁵ This is the deputy head of the Nigerian Custom Service.

²⁹⁶ Professor Assisi Asobie was a former president of the Academic Staff Union of Universities (ASUU): an umbrella association for all academic staff of government owned universities in Nigeria.

high. The federal government-approved retail price is set by the presidency and there are no clear indices that determine such prices. Prices are not changed at fixed periods but are determined at different times by the presidency (IISD, 2012). The template on the website of PPPRA²⁹⁷ for the first quarter of 2012 reveals that the international market price for PMS was N169.13 (US\$1.05) per litre in April 2012 and the federal government-approved retail price was N97.00 (us\$0.60) per litre.

The PPPRA maintains that the total volume of PMS consumed in 2013 was 39.66 million barrels (Okafor, 2014). The report notes that the consumption figure was different from about 60million barrels claimed to have been consumed in 2012. The reduction in consumption was made possible by stringent reform initiatives initiated by the agency and other government actors in the oil industry.

Nigeria is currently consuming about 40.32 million litres of petrol daily, which reflects a 22.18 percent increase and is 7.32 million litres higher than the 33 million litres per day recommended by the House of Representatives and approved in the 2013 budget²⁹⁸ (Opara, 2014). Although the pump price of petrol is currently N97 per litre, the federal government claims that the landing cost of a litre of imported petrol is N152.44, thereby paying about N55.44 as a subsidy on every litre of petrol that was imported.

The PPPRA reduced the subsidy payment by 49.7 per cent in 10 months when what was paid between January and October 2013 is compared to what was paid during the same period in 2011 (Yakubu, 2013). Yakubu maintains that while the federal government paid N1.351 trillion as subsidies between January and October 2011, what was paid during the same period in 2013 was N679 billion. The NNPC received N337.7 billion while other independent marketers got N342 billion. With this feat, the agency has been able to save about N671 billion in 10 months. This shows how oil marketers, in collusion with public officials, have illicitly amassed huge sums of money by inflating subsidy claims. Also, the N671billion was expected to be transferred to SURE-P for infrastructural development.

²⁹⁷ This is available at <http://www.pppra-nigeria.org>. The 2013 template is also attached as an APPENDIX.

²⁹⁸ The cost of the PMS subsidy is always higher than FG projected amount. In 2011, the Appropriation bill only approve N245 billion (\$1.5 billion), but the actual amount spent was about N1.348 trillion (\$8.4 billion) by the end of 2011 (IISD, 2012: 10).

The under-listed table shows PMS import and subsidy payments between 2006 and 2011. It highlights the volume of fuel imports, the total costs of subsidy, market value of fuel and subsidy claim per litres.

Table 7: PPPRA Figures on PMS Imports and Subsidy Payments in Nigeria (2006–2011)

Year	PPPRA data on PMS Imports (litres)	Subsidy Cost (N)	Average Subsidy (Per litre)	Average EOMP ²⁹⁹ (N Per litre)
2006	9.3million	151.9million	16.3	74.94
2007	10.2 billion	188 billion	18.4	88.4
2008 ³⁰⁰	11.3 billion	256.3 billion	22.7	98.57
2009	14.4 billion	421.5 billion	29.3	91.39
2010	15.7 billion	673 billion	42.7	111.67
2011	21.9 billion	1,300 billion	59.3	145.80

Source: IISD, 2012: 10)

The above figures represent data for imports and not for the overall consumption of PMS per year. As shown in the table, there is consistency in the increase of subsidy payments between 2006 and 2010, but the figure dramatically increased by 2011. This aligns with my earlier assertion that the rise in subsidy payments at the end of 2011 was to justify fuel price increases and 2012 efforts at deregulation.

The uniformity in the regulated price for petroleum products in Nigeria has aggravated the crisis in the management of the subsidy process. The need to pay bridging³⁰¹ costs becomes necessary due to the long distance from the NNPC depot (loading point) to the distributing outlets. It becomes prevalent due to the excessive reliance on road transportation in Nigeria. An alternative means of products delivery is by railway. However, Nigeria’s railway network is moribund

²⁹⁹ This is an acronym for “Expected Open Market Price”.

³⁰⁰ This only highlights PMS payments between January and July 2008, while other data from the agency has only lumped PMS and kerosene subsidy payments together. Determining the actual amount paid for the two products. In the year, a total of N630.5 billion (US\$3.9 billion) was paid on PMS and Kerosene (IISD, 2012: 11).

³⁰¹ This is the transportation of products for distances beyond 450 kilometres from the federal government approved loading point.

(PEF, 2012). The only realistic option is road transportation using trucks. Hence, the risk of transporting fuel on the road, and the challenge of getting reimbursements from government through PEF, denies some areas of a regular supply of fuel. The result is fuel scarcity and sale of fuel above the regulated prices.

The government's policy of uniformity of fuel prices within the country has faced consistent criticism by some Nigerians. An energy subsidies economist queried the uniformity of prices of petroleum materials across the country (Interviewee Number Four, July 2013). He maintains that:

Insisting on a uniform price is against the logic of economics... an onion is cheaper in the Northern than in Western Nigeria. Any time the government decides to work against the market, they should ensure the provision of an effective institution or structure to manage such complexities: this is lacking in Nigeria (Interviewee Number Four, July 2013).

Another respondent raised many questions concerning the uniformity in prices:

How do you seriously monitor the delivery of oil and the sale at official rates? Why do we have to sell at uniform prices? This policy of oil uniformity is another avenue to extend the network of corruption beyond state officials. It is directed at engaging new conspirators in the corruption eruption in Nigeria (Interviewee Number One, July 2013).

The uniformity in price, and the opportunity to claim bridging costs breeds corruption and this has been exploited by oil marketers. It becomes very difficult to effectively monitor and determine where products are supplied. For instance, a truck could load oil from Ibadan NNPC depot and claim to be heading to a far distance, whereas the supply unit is located in the same Ibadan. The Petroleum Equalization Fund (PEF) Management Board is specifically mandated by the federal government to reimburse marketers of petroleum products (such as petrol and kerosene) the cost of transporting the products from the supply points to the retail outlets. This facilitates the sale of the products at the uniform prices approved by the federal government throughout the country.

The management body of the PEF has sometimes failed to pay marketers their bridging claims as and when they are due, while only registered marketers are eligible to benefit from the fund. This has led to fuel scarcity at various times (Interview Number Thirteen, July 2013). According to an interviewee, there were cases where the marketer 'refused' to import fuel as a protest against the excessive amount of money owing to the marketers (Interview Number Twenty-Five, July 2013).

This respondent further displayed his disappointment at the level of deceit and misinformation the federal government kept releasing to the public when marketers boycotted fuel importation. Deceit, a character of the Nigerian ruling elites, has come at a price. In the oil sector, the price has been the scarcity of fuel and periodic increases in fuel prices.

Fuel scarcity has constituted a very serious problem to fuel consumers. Motorists sometimes queue up overnight to buy fuel during periods of scarcity. Delays in subsidy payments to marketers have been one of the major reasons for fuel scarcity. The fuel scarcity in August became so disruptive that NUPENG threatened to embark on strike action if the federal government failed to pay the subsidy claims that had accumulated to marketers (Edukugho, 2012). Apart from this, underperformance in the refineries makes Nigeria susceptible to incessant fuel scarcity (Interview Number Eight, July 2013). Although, the federal government had spent huge funds to increase the productive capacity of the four refineries in the past, the decision to deregulate the oil sector and fully privatize the refineries has debunked its intention of establishing more refineries or strengthening the existing ones. Presently, about 90% of PMS used is imported due to inadequate local production caused by redundant refineries (MOMAN, 2012).

6.5.2 *The State of the Refineries*

Between 1999 and 2004, \$90 billion was approved (Social Action, 2012: 15) and from 2003 to 2009, \$400 billion was expended for repairing the four refineries to enable them to produce at full capacity (Eme and Owyuka 2001). But these efforts and the huge sum did not improve the productive output of the refineries (Peter, 2014). The refinery facilities have under-performed, been over-used and characterized by consistent irregular TAM. The federal government accused “the cabals” of frustrating every attempt to resuscitate the refineries for improved productive capacity. A respondent said of this:

There is a cabal in the Nigerian oil industry that strategically positions itself to prevent our refinery from performing at optimal capacity. They are frustrating investment in the oil sector so as to create room for continuous fuel importation, confronting every initiative to stop fuel importation, combat oil corruption and frustrating all attempts by private investors to build refineries by all means, including blocking access to crude oil (Interviewee Number Seven, July 2013).

Sam Aluko³⁰² asserts that the oil import cabal conspires with political office holders and civil servants to prevent local refining. He maintained:

As Chairman of the National Economic Intelligence Committee, we found out that, for every shipload of petrol imported, the profit at that time was \$110,000. With this type of profit, they (importers) will not allow our refineries to work and will not set up refineries (Punch Editorial Board, 2012).

The above statement reinforced government's accusation of the 'cabal' as responsible for the dwindling performance of the refineries. But some of the importers referred to here are known to be closely associated with the ruling party, the PDP. And others are MNCs operating in the downstream oil industry. None of the foreign MNCs in Nigeria presently and substantially invest in running refineries, which is contrary to their investment in refineries outside the country. For instance, Shell has many refineries in Canada,³⁰³ Saudi Aramco and Total collaborated to build a refinery under the acronym (SATORP) in Saudi Arabia³⁰⁴, while Qatar Petroleum and Shell partnered to build a \$12.6bn refinery in East China³⁰⁵.

The unwillingness of these foreign MNCs to build refineries in Nigeria shows that these institutions are driven by profit maximization without a significant attachment to developmental projects. This view is shared by dependency theorists like Claude Ake.³⁰⁶ Building a refinery in the country would reduce fuel scarcity, reduce costs of fuel imports and subsidy payments, and provide jobs for Nigerians. But a Nigeria's investor, Aliko Dangote³⁰⁷ has embarked on huge investment in building a refinery in Nigeria. Dangote signed a \$3.3bn loan deal with local and foreign banks to construct about \$9million estimated refinery, which is expected to be the biggest in Africa (News African Magazine, 2013).³⁰⁸

³⁰² The late Sam Aluko was a Professor of Economics and a prominent economic adviser to the federal government under the military regime of late General Sani Abacha.

³⁰³ This information is available online at <http://www.nrcan.gc.ca/energy/infrastructure/5895>.

³⁰⁴ This information is available online at <http://www.total.com/en/energies-expertise/oil-gas/refining-petrochemicals/projects-achievements/outstanding-partnership-better-energy?%FFbw=kludge1%FF>.

³⁰⁵ This information is available online at <http://www.arabianbusiness.com/qatar-china-shell-push-on-with-12-6bn-refinery-441599.html>.

³⁰⁶ See Ake (1981).

³⁰⁷ Forbes lists Mr. Dangote as the richest man in Africa. The Nigerian business man made his wealth in cement, flour and sugar. He is worth an about \$16bn (£10bn); see <http://www.bbc.com/news/world-africa-23960843>

³⁰⁸ This information is also available online at <http://www.bbc.com/news/world-africa-23960843>.

The establishment of the private refinery would increase local refining capacity and take the pressure off Nigeria's dilapidated refineries. Nigeria maintains four refineries, which has a combined installed refining capacity of producing 445,000 barrels per day (bpd) (Adedipe, 2004). This represents a clear case of institutional weakness. New public management theory advocates institutional capacity and the introduction of management skills in public institutions to generate effectiveness (Quadri, 2008; Larbi, 1991)³⁰⁹. The table below highlights information about the age and the capacity of these refineries.

Table 8: Installed Capacity of Nigeria's Four Refineries

Refinery	Year of Establishment	Installed Capacity (bpd)
Port Harcourt	1965	35,000; upgraded to 60,000 ³¹⁰
Warri	1978	100,000
Kaduna	1980	100,000; upgraded to 110,000
Another one in Port Harcourt	1989	150,000

Source: Adedipe (2004)

In 2011, the refineries got 40,405,605 barrels (5,284,675 mt) of crude oil and processed 39,408,108 barrels (5,088,208 mt) into 5,379,854 metric tons of different petroleum products like PMS, Kerosene and Diesel (NNPC 2011 Draft Annual Statistical Bulletin). In that same year, the overall average refining capacity was 24% as against 22% in 2010. This represents a slight increase in local refining, but the increase remains insignificant in ameliorating fuel scarcity in the country.

As of February 2014, the NNPC maintained that Nigeria needs more than 50 million litres of refined products per day (Peter, 2014). The breakdown includes 30 million litres of PMS, 8 million litres of kerosene, 10 million litres of diesel and other products like liquefied petroleum gas and fuel oil. According to Peter, out of the 50 million required, the four refineries could only

³⁰⁹ See Aye (2005); Quadri (2008).

³¹⁰ This was constructed by Shell/BP in 1965: but Shell has refrained from participating in the downstream oil sector.

produce 12.02 million litres, leaving about 37.08 million litres as a shortfall. This shortfall is supplied through imports. In 2013, the four refineries produced 2.71 million litres of PMS per day, which was just 9 percent of local demand (Peter, 2014). In general, the refineries operated at 19 percent of their capacity in first three quarters of 2013.

The Nigerian refineries have been declared as the worst managed in Africa with just an average utilization of about 18% of its capacity (Petrolworld, 2012). Of Nigeria's four refineries, three are working at below 30 per cent of expected capacity while the Kaduna refinery is no longer operating (Punch Editorial Board, 2012). Out of the 42 refineries in operation in Africa, the four in Nigeria ranked among the lowest, while the operating efficiency of refineries in South Africa – the best in Africa - is 85% and that of Egypt stands at 81% efficiency (Petrolworld, 2012). The report revealed that:

There are 42 refineries in Africa. Nigeria has four and the third largest combined capacity of 445,000 bpd. The countries with higher numbers and capacity are South Africa and Egypt, with two refineries respectively, and corresponding capacities of 545,000bpd and 774,900bpd (Petrolworld, 2012).

Before 1990, Nigerian refineries refined adequate volume of petroleum products for local consumption and at the same time exported the excess (Atonko, 2012). Through fuel exports Nigerian refineries earned US\$124million in 1991 and US\$156million in 1992. As at 2000, the local cost of refineries was N21 for PMS, N21 for Diesel and N17 for Kerosene, while the pump price was N22 for PMS, N21 for Diesel, and N17 for kerosene (Gani, 2002: 57). This shows that the high costs of petroleum products is a direct consequence of the under-performance of the refineries. Hence the public is paying for the inability of the federal government to ensure the efficiency of the refineries. This is particularly unacceptable when one considers the vibrancy of refineries in Nigeria's neighboring countries. These countries regard Nigeria as an African giant and the biggest economy³¹¹ in Africa.

The Republic of Niger has just established a refinery, Ghana built another to supplement the existing one, Gabon and Cote d'Ivoire do not just have refineries but now export refined products (Punch Editorial Board, 2012). The Punch newspaper asserts that other oil producing countries are boosted by efficient refineries. For example, Venezuela has up to 14 refineries and

³¹¹ See BBC (2014).

produces about 1.28 millions of the 2 million bpd (crude oil) it extracts daily, Brazil has 13 refineries, Saudi Arabia boasts of 9 and Libya and Malaysia both have 6. These countries were once colonized and underdeveloped, but they have managed to effect sound oil management in their respective countries, a point advocated by dependent development perspectives. Colonial heritage is not an explanation for the oil crisis, neither is it the only explanation for Nigeria's socio-economic problems. Inept leadership constitutes a serious challenge to good governance in Nigeria.

The NNPC boss, Stanley further explains the constraints facing the refineries; although the Kaduna refinery has started to produce at a very low capacity in 2013. According to him:

The refineries are not yet there, Warri and Port Harcourt refineries are down and Kaduna produces just about 1.2 million litres daily. On the performance of the refineries, the PPPRA assigned zero percent to it, just to be on the safe side. So, whatever the refineries produce in a day is regarded as a bonus to us (Ugwuanyi, 2013).

The rationale behind ascribing a zero percentage remains flawed. They produced at extremely low capacity but whatever has been refined is quantifiable and deserves to be integrated into the subsidy calculation. NUPENG believes that the federal government has not shown the required political will to fix the refineries; and neither has the state displayed the expected responsibilities in creating an enabling environment for the oil sector to thrive. Supporting this viewpoint, NUPENG sister organization, PENGASSAN maintains that:

Our refineries should be encouraged with all the necessary concessions and waivers to function at optimal capacity to boost local refining, while there is the need for building more refineries by private sector operators. Government shall by so doing be providing the level playing field and enabling environment to all participants in the sector. In the meantime, we cannot run away from the provision of socio-economic relief measures to assuage impact of import-driven deregulation including the dredging and expansion of products loading and receiving terminals as well as fixing of other facilities (PENGASSAN, nd).

The two labour unions in the oil sector remain unflinching in their resistance to the privatization of the refineries. NUPENG, through their President, Ingwe Achese, vehemently condemned the insistence of the Minister of Petroleum to privatize the four refineries (NUPENG, 2014). The trade union reiterated their intention to resist any attempt by the federal government to transfer ownership of the refineries to private investors. Instead of privatizing Nigeria's strategic assets, it is more viable to rehabilitate and strengthen the capacity of the state's refineries to produce at

least seventy percent of domestic production, which would provide for healthy competition and protect citizens from private investor's 'aggressive' profit maximizing.

NUPENG believe that more emphasis should be directed towards enhancing the transparency agenda of President Goodluck Jonathan, especially in terms of job creation by granting licenses to private businessmen, irrespective of nationality, to set up private refineries (NUPENG, 2014). However, Nigerian companies that meet the criteria for establishing a refinery should be given more priority. The locally owned industries in the oil sector have better labour conditions than their foreign counter-parts (Interviewee Number Five, July 2013). The respondent also made the claim that most of the high positions in foreign MNCs are reserved for their nationals, while Nigerians are subjected to part-time and contract appointments. A Nigerian, Alhaji Aliko Dangote commenced the construction of a refinery and the creation of a free trade zone in Ondo/Ogun States, which will generate about 85,000 jobs for Nigerians (NUPENG, 2014).

As much as it may be desirable to have local industry participating in the oil sector, it is very important to consider professionalism, experience and competence in the choices made for the appointment of public management staff and investors in the oil sector. Femi Falana frowns at the reluctance of the federal government to explore the prospects of giving approval for the participation of non-Western countries - like China - in the downstream oil sector. He commented thus:

For the past 10 years, some companies from Asia have been begging the government that they want to build refineries, why have they not allowed them? Is it not because we're now in crisis that they now want to partner with China to build three refineries, one in Bayelsa, one in Lagos and one in Kogi? Is it not because of this crisis (mass protest of January 2012³¹²) that they (FG) want to hand over the Turn Around Maintenance of the refineries to those who built them instead of the 'political contractors'? (Balogun and Olusola-Obasa, 2012).

The federal government and other advocates of deregulation argue for the privatization of the refineries due to the need for increased productivity, to create a better maintenance culture and to provide tangible employment for skilled, semi-skilled and unskilled labour (Ogumdodede et al 2010: 116) but labour unions and the Nigerian public are opposed to the privatization of the refineries.

³¹² Emphasis is mine.

6.5 'DEREGULATION' OF OIL CORRUPTION

Amundsen (2010:13) categorized oil corruption under political corruption, which manifests in two ways. Firstly, it manifests as the accumulation perpetrated by government officials to use and abuse their monopoly of power to extract resources from the private sector to satisfy personal aggrandizement. (Amundsen 2010: 25). On the other hand, it involves a situation whereby extracted resources and public resources are exploited for power consolidation and extension purposes, which usually assumes the form of nepotism and patronage politics. Amundsen concludes that corruption in both forms is entrenched in Nigeria: extractive corruption and corruption for power preservation purposes. Alex notes that:

Opportunities for rent-seeking have distorted incentives throughout the extractive industries value chain—including, for example, oil block awards and licensing, in regulatory institutions, in tax administration, for governors at the state level, among oil producers, and in Niger Delta communities. Representatives of political and military elites are believed to have accumulated hundreds of billions of Nigeria's oil dollars in foreign bank accounts' (Alex, 2011: 7).

In the bid to halt corruption in the oil industry, Nigeria became the first country to endorse the Extractive Industries Transparency Initiative (EITI) and the subsequent establishment of NEITI in Nigeria, which was to subscribe to the Stolen Assets Recovery (STAR) Initiative (Alex, 2011: 3). Unlike other resource-rich countries, Nigeria introduces anticorruption mechanism that potentially exposes corrupt politicians but there is the need to go beyond *just exposing offenders* and institutionalize strong punitive measures to halt corruption in its stride.

Femi Falana insists that the environment of subsidy administration is hostile to development and accommodates unrestrained corruption; corruption is built into the network of oil marketing and distribution (Balogun and Olusola-Obasa, 2012). The National Assembly found that \$6bn (£4bn) has been defrauded from the fuel subsidy fund in the past two years (BBC, 2012). The 205-page parliamentary documents uncover a long list of alleged wrongdoings involving oil marketers, NNPC and its subsidiaries. According to the report, 15 fuel importers claimed more than \$300m

in 2010 without importing any fuel, while more than 100 oil marketers collected the same amount of money on several occasions (House of Representatives, 2012).

The document claims that the ruling class under the watchful eyes of the presidency greatly benefited from the subsidy fraud (BBC, 2012b). These allegations have been denied, with some individuals taking out full-page adverts proclaiming their innocence in local newspapers.³¹³ Based on the investigation by the House, it was evident that many oil importers switched locally refined petroleum products for imported fuel thereby claiming billions of naira as subsidies (Social Action, 2012: 28). This illicit practice was also extended to crude oil:

Even though the refineries were not fully performing, yet, crude allocation was still being met by NNPC, MRS and OANDO who do not have any refinery were allocated crude oil through NNPC. So they bought at the rate at which the refineries were bought supposed to buy cuts in so here we have Nigeria companies buying Nigeria crude at concessionary rate and then export it to willing buyers at the market rate thereby making huge profits (Interviewee Number One, July 2013).

These companies would thereafter utilize the profits to import petroleum products, sell in Western Nigeria at government approved rates while in other parts of the country, the prices are sold above the official rate and subsidy claim is appropriated for the shortfall between the official price and the international market prices of petroleum products (Interviewee Number Twenty, August 2013).

There were strong allegations of corruption against the ruling class and claims that the oil marketers were exploiting the weakness in the subsidy regime to engage in corruption. Many oil marketers that benefited from the fraudulent subsidy payment were identified as the major sponsors of the electioneering campaigns of the ruling party, the PDP (Social Action 2012: 10). NNPC uses its official percentage of crude oil allocation as patronage for ‘friends’ of the ruling party, PDP (Interviewee Number One, July 2013). Aside from the financial enrichment, the illicit acquisition of funds creates access to power. This is especially so in societies that have monetized their electoral process (Akinola, 2009). Money is used to ‘buy votes’ and secure party nominations.

The NNPC was accused of fuel diversions. The NNPC, through its Crude Sales department, is noted for diverting refined products - like kerosene and petrol - to middlemen players in the

³¹³ See *ThisDay* newspaper, June 11, 2013.

downstream sector that have private storage facilities; hence, this explains the scarcity of kerosene even in the NNPC mega filling stations (Interviewee Number Ten, July 2013). The middlemen also buy at more than the official prices from the NNPC and justify sales to the consumers at any price ranging from N100 to N150 per litre. Capital Oil was identified as one of the prominent local oil firms in the downstream oil sector due to the owner's close connection with the top echelons of government (Interviewee Number Fourteen, July 2013).

Officials of non-governmental oil marketers have also been accused of diverting petroleum products allocated to some regions to private hands and far away from the area for which the petroleum products are meant. For instance, 150 truckloads of fuel allocated to the Independent Petroleum Marketers Association of Nigeria (IPMAN) disappeared in Ore depot and this triggered a serious crisis among members of the association (Ogunbodede et al, 2010: 120). Those individuals behind the diversion of oil would have made N70.2 million if the product was sold at the regulated price of N65 per litre, which was the official price of PMS in 2010. The executive of the IPMAN was therefore dissolved and a petition was lodged with the EFCC by some aggrieved members of IPMAN in Ore depot³¹⁴. Other cases of corruption abound.

The House of Representatives Committee on Public Accounts (PAC) was stunned at the level of manipulation Nigeria's finances are being subjected to by the ruling class without a regard to constitutional provisions (Oluwasegun and Anofi, 2013). For instance, the legislature notes in its report that in 2007, sums totaling \$174,000 and \$911,224.15 were credited to the FGN Excess Proceeds of Crude Oil Sales Account as interest on fixed term deposits and interest on ordinary deposits, while about \$213, 354, 142.31 and \$20,515,048.62 were attributed to the FGN Excess Proceeds of PPT/Royalty Account as interest on fixed term deposits and interest on ordinary deposits. Surprisingly the required authority for placing the funds, which yielded the above interest in the deposit account, was not presented for audit verification. The banks where the deposits were made, the principal sums deposited, and the rate of interest were also not made available for audit verification (Oluwasegun and Anofi, 2013).

It was also revealed that:

³¹⁴ Ore depot is one of the NNPC oil reserves located in Ondo State (Western part) of Nigeria.

At the Office of the Accountant-General of the Federation, it was observed from the component statements of 2007 that Joint Venture Cash Calls (JVC) of N549,973b Excess Crude of N1,168 trillion and Petroleum Product Subsidy of the sum of N236,641b were deducted from proceeds of crude oil sales, while the sums of N25.951b and N62,542b were excess proceeds deducted in respect of Petroleum Profit Tax (PPT) and Royalties... These deductions were made before the net revenues were paid to the Federation Account, contrary to the provisions of Section 162(1) of the 1999 Constitution, which requires all such revenues to be paid directly into the Federation Account. NNPC boss Andrew Yakubu is also expected to shed light on the allegation that through NNPC mandates to the CBN, N549b was paid for Joint Venture Cash Calls but only N441b was actually recorded in the books of NAPIMS as overheads, leaving a difference of N108b unaccounted for (Oluwasegun and Anofi, 2013: 315).

The NEITI also discovered that the NNPC withdrew subsidy claims to the tune of N1.40 trillion from domestic crude oil sales proceeds before making remittances to the Federation Account between 2009 and 2011 (Ofikhenu, 2013). This fact was revealed by the Independent Oil and Gas Industry Audit Report³¹⁶, covering 2009 to 2011, put together by NEITI (NEITI, 2013). The report noted that subsidy payments claimed by the NNPC increased by 110 per cent, as the payments rose from N198 billion in 2009 to N416 billion in 2010.

In a sharp response, the Minister of Petroleum, Allison-Madueke – who did not know the number of NNPC mega-stations³¹⁷ - staunchly absolves the NNPC of any wrong doing and argued that the corporation is empowered to deduct directly before any remittance to the Federal government. This she did, citing Section 5(80) (3) of the 1999 Constitution (Social Action 2012: 27). However, the CBN Governor, Lamido Sanusi, accused the NNPC as well as the Minister of involvement in corrupt oil deals.

The CBN Governor publicly accused the NNPC of illicitly siphoning up to \$50 billion oil revenue, which does not include the loss of about 150,000 barrels of crude oil to armed militias or crime syndicates (UPI, 2014). For instance, a senior staff member from the NNPC said about \$24 billion could be accounted for in oil swaps, whereby crude oil was exchanged directly for

³¹⁵ See also Roti (2013) “House Committee Orders Arrest of 3 Top NNPC Staff over Missing Funds Running into Billions of Dollars”, March 12. Available at <http://www.informationng.com/2013/03/house-committee-orders-arrest-of-3-top-nnpc-staff-over-missing-funds-running-into-billions-of-dollars.html>.

³¹⁶ Nigerian Extractive Industries Transparency Initiative (NEITI), through the National Stakeholders Working Group (NSWG), continued its statutory mandate of ensuring transparency and accountability of the oil and gas industry in Nigeria by the appointment of Sada Idris & Co. (Chartered Accountants) in March 2012, as Auditors for the 2009 – 2011 Oil and Gas Industry Audit.

³¹⁷ This is NNPC outlets/filling station for marketing distribution of petroleum products directly to consumers at the official prices.

refined petroleum products without involving cash (UPI 2014). The Minister of Finance, Okonjo-Iweala who also claimed her Ministry discovered a shortfall of \$10 billion in the NNPC remittance has demanded to know the truth about the alleged missing funds from the federation account (Agbakwuru et al, 2014).

The Minister of Petroleum Resources, Alison-Madueke also claimed that the PPMC and the NNPC have absolved themselves of any complicity in the Kerosene deregulation scam. She reiterates the fact that her ministry directed a stay of execution on the removal of the kerosene subsidy in 2009 to avert its negative effect on the public³¹⁸. Yet, the Minister did not apply such a stay of execution to recurrent increments in the prices of PMS and the deregulation of diesel for the presidential declaration of hikes in the fuel price. The truth surrounding the validity of an estimated stolen \$50billion³¹⁹ remains elusive. The NNPC on its website³²⁰ refuted this claim, while others believe the figure was over-bloated, and that *only* \$20billion or \$10 billion was missing.

In this section I explored oil corruption and how the subsidy administration has created loopholes for the marketers and public officials to expand their corrupt activities. The Nigerian state lacks the capacity to eradicate corruption in the oil sector. This becomes challenging due to the involvement of public officials and political office holders in corruption. The ruling class that was supposed to protect the interests of the population is protecting their personal interests in terms of amassing wealth at the expense of the masses. This aligns with the dependency theory postulation that the state exists in the real sense to protect the interests of the ruling elites.

I claim that the oil resources in Nigeria, through licensing and other oil contracts, are used by the ruling class to amass both wealth and power, as well as to compensate their political associates. The section also reveals the lack of coordination between heads of government institutions, while they continue to accuse each other of corruption. The CBN accusing the NNPC and Ministry of Petroleum of corruption is a case of note. I claim that the subsidy cut creates an opportunity to raise more money to perfect the proliferation and ‘deregulation’ of corruption in Nigeria.

³¹⁸See <http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/510/Press-Release--Why-Kerosene-is-sold-Beyond-Official-Price-NNPC.aspx>.

³¹⁹ For more information about the missing \$50billion; see UPI (2014).

³²⁰ See <http://www.nnpcgroup.com/PublicRelations/NNPCinthenews.aspx>.

There are more serious cases of oil corruption in the oil sector. These are discussed under the next section that deals with a kerosene scam.

6.5.1 The Case of Kerosene

Why is kerosene³²¹ very expensive and scarce? Why are Nigerians passive and unwilling to engage in protests against the sporadic and steady increase in the pumping price of kerosene? Is kerosene deregulated or not? In this section I explore the ambiguities surrounding the scarcity of kerosene, the deregulation-regulation debate about the status of kerosene and the apparent indifference of the public to the scarcity and high cost of kerosene.

The government offers an explanation for the scarcity of kerosene. The reasons include inadequate reception amenities at the jetties, a limited number of refineries producing kerosene in the world, delays in the refund of subsidy claims, conversion of the kerosene to Aviation Turbine Kerosene (ATK) due to the higher price ATK attracts, and the mixture of kerosene with diesel to be sold as diesel because of the higher price and faster sales (Okafor, 2004). The management of the NNPC insists that kerosene scarcity is aggravated by its diversion to neighbouring countries; while industrial use, aviation fuel, and pipeline vandalism are other reasons why kerosene remains unavailable for domestic consumption. The NNPC boss, Engr. Yakubu maintains:

There are quite a number of competing demands for kerosene and until these are addressed by other relevant agencies, the issue of kerosene not being readily available for domestic use will continue to reoccur every now and then. The way out is for this committee to collaborate with the NNPC to encourage the sale of liquefied petroleum gas otherwise known as cooking gas.³²²

However, the reasons go beyond this (as later claimed in this section). It is a deliberate attempt to force the price up for the benefits of the ‘big players’ and powerful ‘middlemen’ in the downstream oil sector.

³²¹ Kerosene is also called Dual Purposes Kerosene (DPK).

³²²<http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/510/Press-Release--Why-Kerosene-is-sold-Beyond-Official-Price-NNPC.aspx>

The Nigerian public is quick to protest against fuel increases, but the middle class³²³ coordinates and galvanizes people into action. This is evident in the periodic non-violent and sometimes violent protests that follow any increase in the price of PMS. However, the labour leaders, civil society groups and the mass media refrain from calling for mass protests in the case of kerosene. There is no attempt by the federal government to explain the steady rise in the price.

This has deepened discontent towards the government. Femi Falana commented thus: ‘diesel was deregulated seven years ago. Today, it’s expensive and more scarce. Kerosene is 100 per cent regulated and the official price is N50 per litre, but it is sold to the ordinary people between N150 and N200’ (Balogun and Olusola-Obada, 2012). It is imported at N150 per litre and expected to be sold at the official price of N50, though only the NNPC sells at this price. Others sell between N120 and N200, yet they claim subsidy payment (Interviewee Number One, July 2013).

Although the federal government succeeded in phasing out subsidies for diesel, there has been no benefit in concrete terms (Apekhade, 2012). This has increased the resistance to the deregulation of the entire downstream oil sector, especially in the face of rises in the price of diesel after deregulation. The pumping price of diesel rose from the pre-hike price of N65 per litre to the post-hike price of N170. There was no public protest. Neither did the labour unions go on strike to insist on the reversal of subjecting the diesel market to the logic and economics of demand and supply. One of the major reasons is that the poor are not heavily affected by its rise, as only a small percentage of Nigerians use diesel fuel.

The scenario in the case of kerosene is different. As one interviewee claimed, it is the poor people that use kerosene in their homes. The middle class do not consume it (Interviewee Number Four, July 2013; Interviewee Number Eight, June 2013). Therefore, the middle class are not affected; hence, are not concerned.³²⁴ More so, charcoal and firewood provide much cheaper alternatives to kerosene. These can be used as a means of generating heat for cooking. This is unlike petrol that serves as the major source of power for road transportation. It was found that

³²³ By this, I mean the Nigerian working class and other individuals in similar socio-economic status.

³²⁴ Strike actions in Nigeria are always driven by the civil servants and civil society groups and participants cut across class groupings. The long years of military rule and protest against such has integrated the middle and working classes in resistance to government policies, especially in the oil sector. Many individuals that lost to the ruling party (PDP) during the election often see such protests as an opportunity to register their opposition to the government.

99 percent of Nigerians rely on road transportation, few use air transport, while rail transportation is almost non-existent (Interviewee Number Sixteen, July 2013; Ogunbodede et al, 2010: 115).

In fact, there was no controversy about the deregulation of kerosene until recently when the National Assembly probe revealed the huge sum being deducted by the NNPC for subsidy claims. The understanding was that both diesel and kerosene had been deregulated and were to sell at market prices, but recent revelations seemed contrary. The institutions of government, including the NLC were under the impression that kerosene was deregulated as far back as 2008 (NLC, 2008). The umbrella union of all Nigerian workers publicly said:

*Deregulation cannot and does not reduce the hardships faced by the Nigerian consumer; it only increases it. The situation with diesel oil and kerosene after their **full deregulation**³²⁵ is indicative of what will happen when the most important of the petroleum products – fuel oil – is fully deregulated as the government has now decided to do (NLC, 2008).*

Aside from the public and the NLC that were deceived into believing that kerosene was deregulated due to the proclamation of its deregulation by the Presidency, the PPPRA boss, Stanley also complained about the secrecy surrounding the status of kerosene, and reiterates the fact that his agency did not know if kerosene had been deregulated or not (Niyi 2013). This begs the question: how the common man on the street could possibly know what the PPPRA did not know? What does it require to confirm the status of kerosene? The executive secretary of MOMAN, Obafemi Olawore was also surprised and said: ‘First, go and ask NNPC whether they made any claims for kerosene they imported, go and ask PPPRA if they processed any claims for NNPC on kerosene and ask finance ministry whether they paid subsidy for kerosene for this period’ (Kalejaye, 2014). This shows the overwhelming lack of transparency alongside the persistence of insincerity and deceit in the oil sector.

The NNPC continue to debunk allegations of selling beyond the official prices. The DPR has failed in its responsibilities of implementing the N50 regulated price of kerosene. A respondent absolved the NNPC boss of any complicity insisting that the DPR is expected, by law, to prevent the oil marketers from exploiting the public through inflated prices. He asked: “Why is the regulator only bent on maintaining official prices of PMS and not that of kerosene? (Interviewee

³²⁵ Emphasis is mine.

Number Thirty, 2013). A respondent insists that many officials of these institutions, and specifically the DPR, maintain that kerosene was deregulated; hence, they have no authority to control its prices (Interviewee Number Twelve, July 2013). It was surprising that DPR senior staff do not know the status of kerosene. If this is the case, then the question must be asked: what are they monitoring?

Supporting the claim that kerosene was never deregulated, the NNPC Company Secretary, Anthony Madichie, citing the Petroleum Act (Section 6 sub-section 1), asserts that only the Minister of Petroleum Resources has the final authority to fix petroleum product prices (Kalejaye, 2014). He stresses the fact that if a presidential directive is given and endorsed by gazette, such a directive would not become implemented until the Minister gives her approval. This is very confusing and the intention of such a provision remains unclear. It is however shocking that this fact was only revealed after several probe panels as well as after the CBN governor indicted the NNPC and demanded a refund of the huge sum the agency deducted as subsidy claim. The tension this generated within the government eventually led to the removal of the CBN governor by the President.

According to Dakuku Peterside, the Chairman of the House of Representatives Committee on Petroleum (Downstream), the federal government spent N634 billion³²⁶ as a subsidy on kerosene between 2010 and 2012 (Yusuf, 2013). He describes this as a network of corruption and fraud. Despite the huge subsidy paid by the government on kerosene and the *deregulation of prices of kerosene*, the Minister of Information, Labaran Maku, confirms that the federal government were unable and unwilling to uphold the N50 regulated price. He insists on the implementation of deregulation policy as a viable option to redress it (Premium Times 2013a). But, he did not explain why the NNPC remains the only importer of kerosene and why the agency was involved in the diversion of kerosene to middlemen. No doubt, there is high degree of mal-administration in the oil business. This still typifies governance failure as manifested by the NNPC in its decision to be the 'only' importer of kerosene. According to the advocates of new public

³²⁶ MOMAN officially claims that the federal government spent N685trillion on kerosene subsidies during that period (see Kalejaye 2014). MOMAN and the National Assembly presented contrary data on the subsidy payments during that period. This reinforces the earlier assertion that government institutions and players in the oil sector should coordinate their activities and reconcile their data to avoid presenting contrary information to Nigerians and the larger global community.

management theory, reform of the organizational structure and changes in the roles of the NNPC would have solved this problem.

Commenting on the necessity for the ruling class to inculcate the act of truthfulness, Nweze said truth telling:

*Is key to credible leadership. It is what makes or breaks a leader. The various Nigerian governments have not been telling Nigerians the truth. That's why people are tired of their lies and are reacting in this manner. What people are demanding for is to be told the truth, be accountable and be responsible.*³²⁷

Scarcity of kerosene was further aggravated due to its non-availability in many NNPC depots. A respondent claimed that, as of July 2013, kerosene was being refined in Port-Harcourt refinery but for more than a decade Ibadan depot has not received any supply (Interviewee Number Fourteen, July 2013). The monopoly of Port-Harcourt refinery on kerosene was a deliberate attempt to create stiff competition that illegally shoots-up the price at the NNPC loading point. Another respondent revealed that some time ago, a minimum sum of a million naira had to be unofficially paid to influence the NNPC officials before a tanker could load kerosene at the NNPC depot in Port-Harcourt (Interviewee Number Thirteen, July 2013). Aside from the official cost of loading a tanker full of kerosene, about N1.4million extra charges were added to the draft, before the draft was granted approval for onward transfer to the filling stations. This presents another outlet for corruption perpetrated by officials of the NNPC and its subsidiaries.

It was ascertained that the NNPC, who remains the sole importer of kerosene did sell fuel to depot owners rather than retail outlet owners which is contrary to the regulations. The National Assembly committee maintains that 'two-thirds of the kerosene sold by the NNPC between 2009 and 2011 was sold to depot owners and middle-men who in turn sold the product to the owners of retail outlets at inflated prices of between N115.00 and N125.00 per litre' (IISD, 2012: 15).

The executive secretary of MOMAN, Obafemi Olawore, frowns at the monopoly of importation of kerosene by the NNPC and calls on the government to deregulate kerosene and provide clarity on the policy surrounding marketing and distribution of kerosene (Kalejaye, 2014). This is a condition for the involvement of MOMAM in the kerosene business. He submitted:

³²⁷ Dr. Austin Nweze, a policy analyst who lectures at the Pan African University, Lagos Nigeria. The comment is available at http://issuu.com/thenation/docs/january_15__2012.

When you are talking about kerosene deregulation, nobody is buying it at N50 because there is only one importer that is why there is so much pressure on the price of kerosene. If NNPC imports, MOMAN members import, Independent Marketers import, the price will come down. As at today, only NNPC is importing, and they give it to those they feel like giving it to and quote me, no supply of kerosene has been made to any Major marketers at the Apapa facility in the last two and the half years. We must demystify kerosene and I'm choosing my words clearly; we must demystify kerosene (Kalejaye, 2014).

Therefore, the federal government, the NNPC and affiliated agencies are directly responsible for the scarcity of kerosene.. A practical way of reducing the consumption of kerosene is to encourage the use of liquefied petroleum gas (LPG), otherwise called cooking gas, as an alternative. Evidently, the poor, especially those in the rural areas are averse to using cooking gas for three major reasons. First, access to LPG is restricted. Second, many incorrectly believe it is very expensive (especially in comparison to firewood, which is cheap in cities and could be freely obtained in the rural area or other outlets like the sawmill industries³²⁸. Third, there is a fear that LPG could explode.³²⁹

There have been efforts by the NNPC to reduce the pressure on kerosene consumption by refocusing its strategy to encourage and increase the consumption of LPG which provides a cleaner and cheaper energy option to the use of kerosene (NNPC, 2014). The Managing Director of NNPC, Engr. Yakubu, posits that the:

NNPC's footprint in the domestic gas market has attained unprecedented growth. With the commissioning of the NPDC's 100 million standard cubic feet of gas per day Oredo gas processing facilities and the acquisition of the new assets, NPDC is now the biggest producer and supplier of gas into the domestic market, contributing over 400 million standard cubic feet of gas per day (NNPC, 2014).

Furthermore, he maintains that another agency in the oil sector, the Nigerian Petroleum Development Company (NPDC), was undergoing reform towards becoming an independent Exploration and Production Company with a production capacity of about 250,000 barrels per day by 2015.

One of the leading fuel retailers in Nigeria, Oando Marketing PLC (OMP) is willing to partner banks (Microfinance bank) to approve soft loans for low-income households in Nigeria to

³²⁸ A sawmill industry comprises timber and plank processing factories, which harbours unused planks of wood and subsequently burn such.

³²⁹ This is my personal observation as well as my analysis of multiple viewpoints on the reluctance of the public to use LPG.

purchase LPG (Oando, 2012). Aside from making cooking gas available, the company provides cooking stoves, which are directly available to consumers through the company's vast network of over 500 retail networks and other authorized distributors. This will reduce the scramble for kerosene and ameliorate the physical and economic hardship involved in accessing kerosene by Nigerians. The Oando initiatives have not significantly reduced the pressure on the household use of kerosene.

MOMAN official, Obafemi Olawore maintain that the world has abandoned the use of kerosene for domestic cooking, while kerosene is only used in Nigeria and less than 10 other countries (Kalejaiye, 2014). Instead, he advocates a switch to gas cylinders for domestic use, cost reductions and subsidies for these cylinders (as done by the South African government) and education about their use and benefits to ordinary Nigerians.

The rising prices of kerosene and its scarcity, the high level of corruption involved in the kerosene business and the secrecy surrounding whether it was deregulated or not was very revealing. I claim that the monopoly of the NNPC as the sole importer of kerosene engenders corruption and is responsible for its rising price. This is a clear case of institutional failure.

6.6 THE DEREGULATION-POVERTY NEXUS

The deregulation-poverty nexus has motivated resistance by Nigerians to the liberalization of the downstream oil sector and its associated subsidy removal. This aligns with the results of a study which found that the price hike of PMS have negative effects on the real income of individuals, results in increased transport fares, and this has exerted more socio-economic hardship on the public (Ogunbodede et al, 2010: 113). Another effect is the distortion of the Nigerian economy to the detriment of the poor population (Ogunbodede et al, 2010: 113). One interviewee claimed that only the poor suffers tremendous economic downturn as a result of price increment, and not the politicians whose inconveniencies and excesses are paid by government (Interviewee Number Seven, July 2013).

There are multiple and negative impacts of incessant increases in the price of crude oil on the economy. It follows that whatever happens in the oil sector affects all other sectors of the economy and influences the macro-economic policies of the state. Increases in the price of fuel

aggravate inflation, which reduces the value of workers' income in such a way that greater percentages of their salaries are spent on consumption (Ogunbodede et al, 2010: 116).

Look around the faces of people on the street, what do you see? I live with them and I know better. About 90percent of the population are poor. The south west is the most developed, yet... (pointing his finger through the window towards the street)]... people suffers this much. Once there is increment in fuel's price, there is increase in cost of transportation, housing, goods but no increase of salary or provision of any incentive....people die of malnutrition, people live in shack, people die as a result of medical neglect, what kinds of government are these? (Interviewee Number Eight, July 2013).

The majority of the people continue to struggle to attain an acceptable standard of living in Nigeria. A respondent draws a connection between the dwindling economic well-being of the masses and the rise of insurgency against the government. Evidently, 'the standard of living had dropped, the masses are hopeless and desperate to survive' (Interviewee Number Five, July 2013). There is no doubt that majority Nigerians struggles to make a living. The youth are jobless and hopeless in a country blessed with vast oil resources. It could be said that government insensitivity to the economic plight of the population directly explains militancy in Nigeria.³³⁰ The poor socio-economic conditions in which the majority of Nigerians remain consist of a potent motivation for crimes and insurgency against the government. It must also be noted that armed groups draw their followership from the lowest cadre primarily due to their economic vulnerability. Femi Falana posits that:

From the royalties and taxes the Federal Government makes from exporting 2.4m barrels of crude oil per day at the current rate of \$110 per barrel there can be no basis for poverty. Any country in the world that makes \$2.6bn a day from one resource cannot be said to be a poverty-stricken country. The arguments of the government are spent: Nigerians are used to the same chorus of dishonesty and the same similar acronyms: austerity measure, Structural Adjustment Programme, deregulation, commercialisation, privatisation, all of them amount to the aggravation of poverty in our country. Today, over 70 per cent of Nigerians live on \$2 a day, are we making progress and you are singing the same tune of dishonesty? They are now saying that oh, 'Once we remove it, it's Eldorado!' (Balogun and Olusola-Obasa, 2012).

Despite economic reforms in Nigeria, including that of the oil sector, Nigeria remain a poor country with 50 percent of its population living below the poverty line and about 35 percent

³³⁰ For more understanding of poverty-security nexus, see Akinola, Adeoye O. and Okeke Uzodike (2013) "The Threat of 'Boko Haram' Terrorism and Niger Delta Militancy to Security and Development in Africa: From Myth to Reality" (2013) *Ghandi Marg*, Volume 35, Number 3, pp. 391-417; Akinola, Adeoye O. and Tella Oluwaseun (2013) "Boko Haram Terrorism and Nigeria's Security Dilemma: Rethinking the State's Capacity", *International Journal of Innovative Social Sciences and Humanities Research*, Volume 1 (3), pp. 70-78.

living in conditions of chronic poverty (Alex, 2011: 7) Alex notes that gross domestic product (GDP) per capita has remained almost unchanged (still below US\$1,200) and there are few signs of multiplier effects from the oil industry. This was short of the expectations of the population in the post-1999 democratic Nigeria. Economic reforms in the post-SAP epoch have been so contradictory that they negatively affect government legitimacy. Accumulated anger against the government provides mobilization against the fuel price increases. The mass protests and dissent against the government during the January 2012 fuel increase was unprecedented in the recent history of Nigeria (Social Action, 2012; Personal Observation, January 2012). In a democratic Nigeria, Alex (2011) maintains that petroleum policy is a sensitive economic issue, while fuel pricing policy, especially subsidizing energy prices, is politically sensitive.

Baig (2007: 13) argues that governments are reluctant to embark on deregulation and to increase fuel prices due to the negative effect such this has on the incomes of poor families. At this stage, Baig (2007) maintains that it is the responsibility of governments to be responsive by initiating sustainable fuel subsidy reform programmes that identify practically the impact on poor households and implement effective mitigating measures or safety nets. He notes that hikes in fuel prices would negatively affect real household incomes via two means:

First, there is a direct effect from an increase in the prices paid by households for consumption of petroleum products (e.g. kerosene for lighting or gasoline for private transport), and second, there is an indirect effect from increases in prices of other goods and services (e.g. higher prices for food, transportation and electricity consumption) consumed by households as producers pass on the higher costs of fuel inputs (Baig, 2007: 13)

Any increase in fuel prices in Nigeria results in a dramatic increase in the prices of goods, household utensils, public transportation as well as inflation. The table below highlights a breakdown of how much Nigerians spend on their household needs.

Table 9: Breakdown of Nigerian Household Expenditures

Expenditure Items	% of Total Expenditure	
	Urban	Rural
Rent	16.2	9.0
Food	55.4	72.0
Water	0.3	0.0
Clothing	4.9	4.7
Household Goods	3.7	4.8
Other Services	6.9	2.6
Health Expenditure	0.7	0.8
Education Expenditure	0.7	0.5
Entertainment	0.5	0.2
Fuel light	6.0	3.2
Transport	4.9	2.3
Total	100	100

Source: National Bureau of Statistics, 2012.

From the table, it is clear that fuel is allocated 6 percent of the total expenditure, while every hike in price will increase this percentage. The spill-over effect of such increases also has an effect on other areas of expenditure like transport, household goods, rent and food³³¹.

A respondent agrees that there is a need to enhance the economic status of the poor due to the harsh economic reality occasioned by subsidy-cuts. He said:

We have to identify the expenditure profile of the poor and take a step to reduce what they spend on other non-oil commodities to cushion the effect of price increments. Countries like China and

³³¹ The high rise of food price can be explained by various factors: neglect of the agricultural sector by the government due to over-reliance on the oil resources, environmental degradation in the Niger Delta which destroys farms, Boko Haram terrorism in northern Nigeria which drives away farmers, among other factors.

Iran were able to identify the poor and send money directly to them (mostly via cheque). This is made possible because they already have a database of the poor. This is difficult in Nigeria because we don't have that kind of data (Interviewee Number Four, July 2013).

He cites the example of Ghana³³² that declared free education after increasing the pumping price of fuel and felt Nigeria's government could possibly make university education free in the first year or first two years. Ironically, many public universities in Nigeria, like the Obafemi Awolowo University,³³³ have increased tuition fees after the announcement of the deregulation policy in 2012. Inadequate funding from the federal government made it an imperative of universities to raise funds through increases in tuition and other fees (Interviewee Seventeen, July 2013).

In 2010, Nigeria recorded one of the poorest human development indicators in the world (Amundsen, 2010) and the country was still categorized among countries with low human development (UNDP, 2014). The UNPD report put Nigeria at number 152 out of 185 countries rated (UNDP, 2014: 162). The prevailing economic conditions of Nigerians are characterised by a rural economy in extreme poverty, and lack of basic amenities and services like energy, water and sanitation, rails and roads, education, and primary health care. Social Action (2012: 5) claims that more than 80% of Nigerians live on less than \$2 daily. Some states in northern Nigeria have among the worst maternal mortality and girls' primary school enrolment rates in the world. This has a negative impact on Nigeria's development.³³⁴

³³² GNA (2005) "Parents urged to take Advantage of fee-free Basic Education"; available online at <http://www.modernghana.com/news/74174/1/parents-urged-to-take-advantage-of-fee-free-basic-.html>.

³³³ The management of the Obafemi Awolowo University, Ile-Ife, embarked on an upward review of tuition fees and other associated levy for both new and old students. The resultant effect was students' demonstration and eventual closure of the University since June 2014; the University was later re-opened on the 24th of August 2014. Series of violent protests by students for diverse reasons and strike actions embarked upon by both academic and non-academic staff have distorted the projected calendar of public Universities in Nigeria in the past two decades.

³³⁴ UNICEF reports that girls' access to basic education in Nigeria is very low. It is particularly poor in northern Nigeria. For instance, about 20 per cent of women in the North West and North East Nigeria are literate and have not attended any school at all. This constitutes an impediment to sustainable development. Girl's education is regarded as the best investment in any country's developmental initiative. Educated girls easily develop essential life skills, which increase their self-confidence and the ability to participate effectively in society. It also creates enlightenment among women about the ability to protect themselves from diseases like HIV/AIDS and combat sexual exploitation. Apart from these, UNICEF maintains that girl's education also helps in reducing children and maternal mortality rates and has the potential for contributing to national wealth. This information is available at UNICEF http://www.unicef.org/wcaro/WCARO_Nigeria_Factsheets_GirlsEducation.pdf.

It was found that one in five children dies before the age of five, about 8 million of primary school-aged children are not enrolled in school, while as many as 3 million people are infected with HIV/AIDS, which has made Nigeria the second largest infected population group in the world (Amundsen 2010: 6). The United Nation Children's Fund (UNICEF) reports that Nigeria loses about 2,300 under-five year olds and 145 women of reproductive age every day, which projects Nigeria as the second largest contributor to the under-five and maternal mortality rate in the world.³³⁵ The government, through SURE-P, has failed to utilize the savings from the subsidy cuts to provide improved medical infrastructure.

Subsidy cuts have worsened the economic condition of Nigerians. Increases in the price of fuel have led to inflation and excessive increases in the cost of household expenditure, which has affected the population and particularly the poor. The expectation of a reduction in the prices of fuel once deregulated was a ruse for acceptance of the deregulation policy in the oil sector. Diesel was deregulated years ago, but the price continues to rise. According to the dependency theory proposition, the liberalization of African would not translate into tangible development, especially in improving the livelihoods of the citizens, is valid in the case of Nigeria.

6.7 CASE STUDIES OF COUNTRIES RESPONSE TO SUBSIDY REMOVAL

A cursory insight into the approaches of other countries on subsidy removal/cuts and the mechanisms used to alleviate its negative impact on the vulnerable section of the population would be beneficial at this juncture. Therefore, specific country case studies are presented. Two of these countries (Iran and Indonesia) are endowed with oil resources and are members of the Organization of the Petroleum Exporting Countries (OPEC)³³⁶, while the other two (2) are not. South Africa has an automatic and regulatory mechanism that reconciles local sales with international market prices of fuel, while Yemen represents another country experiencing a crisis in its attempt to remove or reduce fuel subsidies.

³³⁵ This is available online at http://www.unicef.org/nigeria/children_1926.html.

³³⁶ This is an association of oil producing countries. It was founded in 1960 and presently has 12 members, namely Iran, Iraq, Kuwait, Saudi Arabia and Venezuela, Qatar, Indonesia, Libya, the United Arab Emirates, Algeria, Nigeria, Ecuador, Gabon, and Angola, Angola and Indonesia have terminated their membership. See http://www.opec.org/opec_web/en/about_us/25.htm. The organization regulates the supply and price of crude oil in the international market. With the exception of Nigeria and South Africa, other countries are under authoritarian or totalitarian regimes.

6.7.1 *South Africa*

In non-crude oil producing South Africa, the government sets prices for all grades of petroleum products through a pricing mechanism applied automatically and independently; free from government intervention for political, economic or social reasons (IISD, 2012: 39). Between 2012 and 2014, the price rose from ZAR7 (equivalent of N140 in 2012) to ZAR14 (equivalent of N244 presently), but there were no public protests. South Africa meets almost 40% of its energy requirement from local sources - coal and natural gas (Peter, 2014). To make up for the shortfall, the country imports crude oil, which it refines locally. This is different from the Nigerian experience of importing refined petroleum products, while South Africans only depend on crude oil imports.

South Africa has more advanced socio-economic shock-absorbers and safety nets to mitigate against the impact of rising fuel prices than Nigeria. Hence, citizens do not protest when the price rises. One of the major achievements in the post-apartheid period was in obtaining constitutional safeguards for the right to social security and social assistance for individuals and groups who are in need as stipulated in Section 27 and Section 28 of their constitution³³⁷. The table below presents the forms of social security in South Africa.

³³⁷ See the Constitution of the Republic of South Africa 1996.

Table 10: Forms of Social Security in South Africa

Forms of Social Security	Nature of Social Security
Social Assistance/Grants	The government provides a safety net for impoverished individuals; non-contributory; means tested ³³⁸
Occupational/Social Insurance	Benefits to cover risks which are wage-related; contributory; examples – pensions; provident funds; medical benefits; maternity benefits; unemployment insurance
Private savings	Individuals save up for unexpected contingencies; example, chronic illness; unemployment
Social relief	The government provides funds (short term relief) for major disasters such as fire, floods or other natural disasters. Non-contributory; means tested.
Road Accident Fund (RAF)	Social protection against risks with regard to motor vehicle accidents
Health care (twin system)	Both private and free primary health care. The latter is means tested and for people in need.
Private maintenance	Maintenance Act no. 99 of 1998 provides the means for individuals to claim maintenance for dependent children
Compensation for Occupational Injuries and Diseases	Compensation for injuries and diseases at work. COIDA no. 130 of 1993. Domestic workers, informal sector workers and self-employed contractors are excluded from COIDA.

Source: Triegaardt (nd: 4).

The South African democratic government further expands the scope of their social security, especially towards the poor and also strengthens their economy to absorb such pressure. However, incidents of unemployment among the poor population abound.³³⁹

³³⁸ Others are disability grants, child support grants, basic income grants, foster care grants (those looking after orphans), youth grants, and old age pensions.

³³⁹ The average unemployment rate from 2000 to 2014 is 25.27 percent. See <http://www.tradingeconomics.com/south-africa/unemployment-rate>

6.7.2 *Yemen*

Yemen has faced series of fuel subsidy crises for more than a decade. The government, like its Nigerian counterpart, has consistently raise fuel prices, which has been met with resistance from its population. A phased reduction in fuel subsidies was part of the government's economic strategy to bring the price at parity with the international market price, but price increases in 2005 were rescinded due to violent public protests (Baig 2007: 10). The ensuing violent protest left 22 people dead, while about 300 sustained serious injuries (Al-Sakkaf, 2014). The government found it challenging to sustain the subsidy regime, which was expected to cost the state about 43.5 billion this year (Al-Sakkaf, 2014).

Baig (2007: 10) claims that the subsidy is unsustainable because the projected fuel subsidy for 2006 was higher than Yemen's budgeted health expenditure. The subsidy payment in Yemen remained the largest single expenditure in the country's budget since 2007 (Breisinger, Engelke and Ecker, 2012: 2864). The country recorded a budget deficit of \$3.2 billion in its yearly budget but the government was reluctant to remove the subsidy due to the projected adverse effects on the population (Al-Sakkaf, 2014). Yemen, like Nigeria was rated low in the 2014 human development index. The country was ranked 154 out of 187 countries (UNDP, 2014: 166).

The Yemen Petroleum Company (YPC) reveals that government officials and major private corporations owe the corporation (YPC)\$4.7 million (Al-Sakkaf, 2014). The government finally announced the complete removal of subsidies in August 2014 (Associated Press, 2014; Ahmed, 2014). Expectedly, tens of thousands took siege of Yemen's capital in a protest led by Abdel Malek al-Hawthi (leader of Yemen's Hawthi tribe) to compel the government to reverse its policy but the President, Abed Rabbo Mansour Hadi declared the policy as inevitable (Associated Press, 2014; Ahmed, 2014). This rigidity of the President could be explained by the autocratic nature of Yemen and the powers of the office. But the case of Nigeria was similar to that of Yemen. The Nigerian government did not return to the status quo of N65 per litre. However, the federal government later reduced the initial increment from N141 to N97 per litre, which is the current regulated price for PMS in the country.

6.7.3 *Iran*

On April 28th, the Iranian President - Hassan Rohani - implemented the second phase of subsidy cuts by increasing petrol prices as high as 75%; from 4,000 to 7,000 rials (\$0.16 to \$0.28) per litre (Esfahan, 2014). Unlike the 2010 subsidy cut under President Ahmadinejad, Iranians have high hopes of the administration of the 2014 subsidy reform. In 2010, 50 percent of subsidy savings meant to be redistributed to the poor were mishandled (Esfahan, 2014). This was due to the government's inability to gather reliable data for identifying those people categorized as *poor*. Out of a population of 77 million, about 73 million categorized themselves as the poor. The government believed the figure was inflated as more than 80 percent of the population fell into this category (Esfahan, 2014; IISD, 2012: 43). The 2014 Human Development Index ranked Iran 75 out of 195 countries.³⁴⁰ This shows that the data generated, which reveals 80 percent population rate was flawed.

The careful sequencing of subsidy reforms in Iran and the provision of effective safety nets has significantly improved the credibility of its reform programme. Monetary compensation in the form of immediate funds was transferred to targeted individuals' bank accounts over a month before the reform was implemented (IISD, 2012: 43). The funds were deposited in their accounts but access was frozen until commencement of the policy shift.

Iran decided to cut the huge cost of subsidizing its growing population of 77 million. Up to \$40-100 billion is paid every year to augment fuel prices as well as other consumables (Esfahan, 2014). According to Esfahan, the government realized the rising consumption rate of fuel due to it being inexpensive and ascertains that the country consumes 80% more than the average consumption across all Middle East countries. As in Nigeria, oil smugglers exploit the opportunity of Iran's cheap oil by transporting it across borders to Pakistan and Iraq.³⁴¹

³⁴⁰ <https://data.undp.org/dataset/HDI-Indicators-By-Country-2014/5tuc-d2a9>.

³⁴¹ See http://www.atimes.com/atimes/Middle_East/EE29Ak05.html.

6.7.4. *Indonesia*

In Indonesia, citizens enjoyed very low price of petroleum products until 2003. From that point onwards, increase in fuel prices characterized the energy environment in Indonesia. Prices for PMS and diesel for non-industrial users are set on an ad hoc basis. Although price increases in 2005 and 2008 were not linked to international market prices, the issue of subsidies re-emerged as fuel prices increased in 2010 and 2011 (IISD, 2012: 39). The Indonesian government, like Nigeria, allocates huge amounts for subsidy payments. For instance, in Indonesia, the subsidy amounted to 3.4 percent of GDP in 2005, which was more than the budgeted expenditure for health and education that year (IISD, 2012: 39).

Increased subsidy payments have led to reduced spending on infrastructure and other developmental projects, while any plans for subsidy cut or total removal continue to concern the population. In 2012, the President Yudhoyono-led administration attempted to increase fuel prices by 335%, but parliament failed to support this (Otto and Ismail, 2014). Otto and Ismail (2014) say that advisers to the president-elect, Mr. Widodo, hope to pressurize the administration to remove subsidies on petroleum products before the October 2014 handing-over date. This did not happen.

Mr. Widodo, after his swearing-in-ceremony as President, announced his readiness to completely remove fuel subsidies³⁴². Expectedly, citizens are bracing for a protracted battle with the new president in opposition to fuel price increases. Fuel in Indonesia remains one of the cheapest in Southeast Asia. From 8% budgetary allocations in 2010 and 2011 (IISD, 2012a), the fuel subsidy has accounted for 20% of the budget amid rising consumption boosted by economic prosperity that results in more cars and motorcycles on the road.

Indonesia implemented an unprecedented cash transfer program to 16 million poor families which qualifies each family to receive Rp.300, 000 (\$30) every three months amounting to 0.7 percent of Indonesia's GDP (Baig, 2007: 15). Baig notes that the documentation of poor families is based on a method employed by the Central Statistics Bureau, which estimates a "proxy-means score" for potentially poor families built on obvious household socio-economic

³⁴² See <http://online.wsj.com/articles/new-indonesia-leader-looks-to-tackle-fuel-subsidies-1413793138>.

characteristics. Unlike the case of Iran, Indonesia was able to evade the categorization of almost its entire population as *poor*. Eligible families received their cards and receipt coupons through the post office, while people in rural areas were paid cash in their respective villages.

The Parliament approved 9.3 trillion rupiah to compensate 15.5m poorer families, to be paid in four monthly instalments of 150,000 rupiah (The Economist, 2013a). This is similar to what happened in Jordan when the fuel price was increased by 33 per cent and 76 per cent in 2005 and 2008 respectively. The government of Jordan increased the minimum wage as well as the salaries of low-paid government workers who also received a one-time bonus low income families received cash transfers; there was a reduction in electricity³⁴³ and lifeline tariffs were maintained at a low rate (IISD, 2012a). The state also diverts savings from subsidy-cuts to boost education, health and infrastructure packages that benefit both low and middle income homes.

The Indonesian government realizes the hostilities that subsidy removal would attract, and immediately embarked on concerted strategies and road-map towards its implementation. The main concern was how to devise an efficient strategy to compensate the losers in the subsidy-removal project. The phasing out of fuel subsidies in Indonesia is to be implemented over a long period of time in an effort to reduce the effects on the poor. The IISD (2012a: 14) discovered that most of the consumption basket of the poor is affected by increases in the price of fuel. IISD reiterates the point, ‘the phasing out strategy is to be sequenced through managing the demand side by adopting measures that will reduce fossil fuel energy consumption and then by gradually narrowing the gap between domestic and international prices’ (IISD, 2012a: 26). However, the challenge is the provision of effective monitoring and supervising mechanisms to enforce compliance with the government’s roadmap to successful subsidy removal.

In specific terms, the government also identified the following as part of its strategy to cushion the effect on the population, especially for poor households (IISD, 2012a: 14):

- 1) Limiting subsidized fuel users to households, micro businesses, fishery businesses, public transportation and public services. Sixty one percent of total fuel consumption was subsidized 2008, 59% in 2009 and 60% in 2010.
- 2) Reducing the consumption of fossil fuels by introducing new types of bio-fuel.

³⁴³ In Jordan, there is universal access to stable electricity. In Nigeria the rural areas, semi-urban areas, as well as remote parts of urban centres, are subjected to erratic electricity.

- 3) Enhancing the development of alternative energy.
- 4) Continuing conversion program of kerosene³⁴⁴ to LPG.
- 5) Encouraging the use of at least one motorcycle per household, which would reduce the consumption rate of fuel.
- 6) To enhance monitoring of subsidized fuel distribution and law enforcement for misuse.

Since the mid-2000s, Indonesia has assumed the role of a net oil importer of fuel with its oil bill increasing to \$39 billion as at 2013 (The Economist, 2013a). Therefore, Nigeria is not the only country in the fuel importation business, but they seem to be the only country that completely neglects providing direct compensation to poor households.

The world over, most countries (oil producing and non-oil producing) have liberalized the prices of petroleum product prices for local consumption, while some, like South Africa, established an effective automatic adjustment formula. An important condition for deregulation of the oil industry is devising an effective strategy to mobilize and appease the population to accept government action. Achieving this is very important to the socio-economic and political stability of states involved in the energy crisis. In general, some states such as Yemen and Indonesia, have devised a way to combine price increases with a package of targeted measures to alleviate both the immediate and long-term impact on the poor (Baig, 2007).

States that are about to remove subsidies should be very transparent and publicize accurate data in relation to average fuel consumption, the costs of subsidies, the beneficiaries of the subsidy regime and information about vulnerable groups susceptible to economic hardship as a result of subsidy-cuts or removal. Baig (2007) believes a great level of trust and government legitimacy is required to effectively remove fuel subsidies. For instance, the Nigerian government is 'entrenched in falsehood by repeatedly informing the citizenry of excess storage of petroleum products when in actual fact fuel scarcity loomed' (Interview Number Twenty-Five, July 2013). Experience suggests that if the citizens of a state trust the government to utilize the savings from the removal of subsidies responsibly, opposition to the policy shift is minimal and ultimately insignificant.

³⁴⁴ The government did not see the need to reduce subsidy on kerosene; hence, its price was about two-thirds of the world price. However, the implementation of the transfer program led to significant reduction of the kerosene subsidy (Baig, 2007: 15).

Before attempting to increase fuel prices, it is politically expedient for governments to get the timing and size of the price increases right to avoid political instability. Baig (2007) re-emphasizes the perspectives that abrupt vast price increases, if even feasible, might not be desirable. Instead a gradual, systematic, pre-determined, and pragmatic approach to phasing out fuel subsidies remains the best option. This would afford the state the opportunity to build up and strengthen political support and to re-design a sustainable road-map to liberalization of the oil sector.

In oil-exporting countries, petroleum revenue is often shared regionally. This means that the (implicit) subsidy of low domestic prices is borne by different levels of government, depending on the country's fiscal federalism structure (Baig, 2007: 17). Removing implicit subsidies in Nigeria increases the monetary allocations to states; hence, it is no surprise that state governors in 2014 publicly declared a renewed support for the removal of oil subsidies.

CHAPTER CONCLUSION

The urgency of the Nigerian state to accept the recommendation of the IMF towards implementing a liberal economic ideology – as a panacea to Nigeria's economic crisis - commenced with the acceptance of the SAP under the General Babangida military regime in the mid-1960s. Despite the contradictions of the SAP that led to its failure, President Obasanjo's democratic regime re-enacted SAP as NEEDS, which was to steer the economy of the state towards privatization, deregulation and commercialization. Therefore, the decision to fully liberalize the entire oil sector, particularly the downstream sector was taken decades before President Goodluck Jonathan's administration. His administration cannot, however, absolve itself from the shoddy roadmap of implementation as well as its inability to ensure accountability in the prevailing administration of subsidies.

The federal government has the responsibility to secure its borders to evade cross-border oil smuggling; to ensure the protection of pipelines to prevent oil bunkering; to strengthen the security operatives and other anti-corruption agencies – like the EFCC and the ICPC- to move against oil theft and prosecute erring individuals; to unbundle the enormous responsibilities on the NNPC as well as its monopoly on the importation of kerosene; to ensure transparency in allocating oil importation licensing; to establish inter-institutional consultation among

government structures to prevent discordant information; and to orchestrate a more sustainable deregulation policy in the entire oil sector. No excuse can absolve the government from the neglect and under-utilization of the four refineries. The recurrent TAM and other vast funds approved by the federal government to fix the refineries have not improved their productivity, but there are insinuations that the money found its way back into the purse of public officials through the unrestrained network of corruption.

There is compelling evidence to show that there is a lack of transparency by the government in the administration of subsidies and the collaboration between government officials and oil companies in stealing money that is fraudulently claimed as subsidies.

The claim of the existence of a ‘cabal by the federal government, shows the depth of the administrative weaknesses and their unpreparedness to confront the ills ravaging the oil sector. Years of persistent and extensive budgetary allocations have not resulted in a stable electricity supply. Rather, the more money the government releases to the power sector, the worse the supply of electricity becomes.

There are multiple arguments around the need for deregulation, the mode and timing of deregulation and how to ameliorate the impact of such a policy on the citizens of Nigeria. The need to deregulate became obvious due to the weakness of the Nigerian state to curtail the high level of corruption, negligence and unprofessionalism in the operation of the subsidy regime, as well as lack of political-will to ensure institutional capacity of the various structures that drive oil policy in the country. A painstaking and holistic evaluation of the oil business, based on reliable data, would have prevented the announcement of deregulation and the fuel price increase in 2012. Apparently, high rates of subsidy payments and official data on fuel consumption rates were the main justification for deregulation of the downstream oil sector. It was however discovered that this data was flawed and subsidy claims inflated.

The removal of subsidies would definitely abolish fuel scarcity as well as sanitize and inject dynamism into the oil sector. Savings from subsidy removal would trigger improvements in funding in other dilapidating sectors like health, education, power and infrastructural development. However, there are gridlocks that prevail in the full implementation of deregulation and which remain potent challenges to effective policy in the oil industry. These are

inept leadership, the politics of deceit, the pending PIB bill, the unpreparedness of the federal government as well as its indecisiveness due to the 2015 electioneering projections.

I claim that the crisis in the Nigerian oil sector is deeper and more complex to enable a single theoretical framework for its understanding and dynamics. However, institutional capacity is important to any initiative to properly manage the oil sector. Dependency theorists try to create linkages between the character of the Nigerian state and its colonial heritage. However, many of the challenges in the oil sector are internally generated, as argued by the modernization perspective. The Nigerian ruling elites have repeatedly shown their inability to effect attitudinal changes and provide a holistic reform of government institutions. I thereby claim that the deregulation of the downstream oil sector will not achieve the desired results. In the event of complete deregulation, there will not be an end to fuel scarcity. Neither will this create a reduction in the price of fuel.

The next chapter, which is the last, provides the general conclusion and recommendation for sustainable policies in the oil sector.

CHAPTER SEVEN

CONCLUSION

7.1 GENERAL CONCLUSION

At the heart of the study of politics is the relationship between the political system, the economy and society. This connection prompts the emergence of the term political economy. The sustained intellectual debate generated by the politics-economy nexus, and the quest to unravel its convergence, motivates this study. Therefore, this dissertation on ‘Globalization, Sustainable Democracy and Deregulation in Nigeria: A Case Study of the Downstream Oil Sector’ is situated within the broad spectrum of political economy.

In chapter one, I explored the scholarly debate on the globalization-democracy nexus. This dissertation is not concerned with debates about the cost-benefits of globalization, nor does it provide all the answers to the contemporary challenges of democracy. Rather, this study focuses on the issues surrounding the impact of the deregulation of the downstream oil sector on Nigeria’s democratic survival within the framework of globalization. In order to do this, I offered conceptual clarification about globalization, democracy and deregulation.

Globalization is the attempt to unify the world’s political economy through the exportation of liberal democracy and its associated open market economy, from the advanced capitalist countries to developing countries. This is intended to subject the socio-political and economic space of developing countries to the influences of global forces. This is achievable through foreign direct investment and the development of information and communication technology. Democracy offers the opportunity to entrust government in the hands of the majority through their elected representatives. Under democratic governance, the supreme authority rests with the people, while the regime permits institutional autonomy and competition for the collective good of individuals as well as the society. Deregulation, on the other hand, represents a liberal ideology that relinquishes the ownership of business enterprises from the state to private individuals in conformity with the principle of limited government.

Democracy is conceived of, by many Nigerians, as a means of ensuring socio-economic development, with effective and rewarding distributive strategies in favour of the population. However, the Nigerian state has struggled to engage in socio-economic transformation in the

interests of the population, while deregulation policy has exposed the population to economic hardships. The contradictions engendered by the deepening of democracy within the new global economic order, especially in oil producing countries like Nigeria, have been a focal point of discourse. This motivates a review of three viewpoints of the relationship between democracy and globalization: that of the optimists, pessimists and sceptics. Optimists hold that globalization promotes democracy. Pessimists posit that globalization does not promote democracy. Sceptics argue that globalization does not necessarily impact upon democracy.

In the second chapter I properly justified the application of theories in the study of social phenomenon. The place of theory in the discipline of social sciences cannot be relegated to the background and its applicability to social phenomenon has lived above orthodox contestations. Theories on development have occupied a unique position in Western and African scholarship, especially in explaining the underdevelopment of developing states. Two dominant theories that explains Africa's socio-economic crisis emerged: the modernization theory and theories of radical political economy (dependency theory and dependent development perspectives). I utilized the radical political economy perspectives and new public management theory to provide an understanding of Nigeria's development dilemma.

The modernization school adopts a prescriptive and evolutionary analysis to tackle the economic crisis of developing countries. The theory explains the logic underpinning the inability of underdeveloped societies to record a significant level of development, even decades after political independence from colonial rule. Modernization theory provides a liberal road-map to development. This is achievable by motivating Africa to reject cultural practices and adopt western cultural, social, economic (capitalism) and political system (liberal democracy). This form of socio-economic and political arrangement is regarded as the only sure path to development. The theory focuses on an evolutionary approach to development and regards internal contradictions as the lens through which to understand the underdevelopment of poor countries. According to this body of theory, development occurs in stages. Hence, there is a need to differentiate between the traditional stage and the modern stage of social evolution

In sharp contrast, dependency theory emerged as a response to the attempt by the modernization theorists to explain the socio-economic crisis confronting developing countries. It explains the

continued progress in the development of the advanced capitalist powers. The theorists criticize modernization theory for substituting Western European modernity with development, and also for not considering the socio-political history of developing states which is linked to imperialism and colonialism. Dependency theory dismisses internal contradictions (corruption, inept political leadership, the absence of democracy and industrialization) and locates the cause of underdevelopment in imperialism, colonialism and neo-imperialism. I reiterate my position that many of the arguments of the modernization theory are applicable to the Nigerian situation. But, the root-cause of the country's socio-economic crisis lays in its integration with the economy of the advanced countries during colonialism.

Over the years, there has been a shift in the scholarly exposition on the problems facing Africa, which was influenced by the inadequacies of dependency theory to explain some traces of development in former colonies, especially in East Asia. This led to the emergence of dependent development theory, which is a variant of radical political economy. The theory tries to redefine the role of states and the transformation of public institutions into management bodies directed towards sustainable economic development. Accordingly, the state's role should be that of providing rules and regulations for strengthening a dynamic private sector that is effectively regulated by the state to avert the challenges of an unregulated the market. In Nigeria, the state's ability to participate, not just as an investor but as a regulator of the private sector, is greatly constrained by global economic ideology wrought within the orbit of privatization and deregulation policy.

The need for institutional transformation by a developing state to advance out of its impoverished status and improve the economic livelihoods of its population necessitates the utility of new public management theory. The theory addresses the quest for a policy shift in the oil sector in the bid to transfer the oil wealth to national and individual posterity under a management-oriented civil service. New public management theory explains most of the structural, organizational and managerial changes taking place in the Nigerian public service, and in specific terms argue for a managerial approach to public administration in the oil sector.

With serious public management, institutional efficiency, micro-economic discipline, well thought-out economic policy that recognizes social realities, matched with responsible leadership

and political stability, under a very strong and economically active state, Nigeria could appropriate greater appreciable levels of economic development in spite of the weight of globalization and the pressures generated by democracy. Despite the influence of global forces, the state remains an influential institution with extensive public resources and powers to sustain social stability and act as an agent of development.

In chapter three, I reflected upon the methodology and methods of the study. I discussed the method of data collection, interpretation and analysis of data. The dissertation is established on carefully selected methodology in consonance with the nature of the phenomenon under study. The chapter justifies the motives behind the choice of qualitative method, which is based on unstructured interview. This becomes necessary due to the complexity of the oil sector reform and the adoption of critical theory. The chapter provided the opportunity reflect on how the research was actually conducted and analysed. I also revealed how the methodology chosen, and method used, impacted on the validity and reliability of the research.

In the fourth chapter I focused on the character of the Nigerian state and assessed the institutions through which legitimate power is exercised within the polity. The dissertation reinforces the recurrent argument that the Nigerian state, like its counterpart in many other parts of Africa and other countries in the developing world, lacks the capacity to deal with contemporary complexities of governance. There is no doubt that the “oil-infested” state, characterised by political instability and economic turmoil, corruption, illegitimacy, and poor macro-economic management lacks the attributes of a functioning state. The weaknesses of successive regimes in Nigeria explain the inability of the state to translate the oil wealth into sustainable development.

In chapter five I reflected on the way in which the flawed Nigerian federal arrangements have had a negative influence on the management in the Nigerian oil industry in general and on the downstream oil sector in particular. The federal government controls everything and everything consists of the state. The government dominates the other layers of government, established many public institutions and dispenses resources at its will and caprices.

The reality of over-bloated and redundant institutions in the sector has created an overlap of functions and responsibilities among these institutions. This is not only counter-productive, wasteful, costly and confusing, but it explains the inefficiency and under-performance of the

downstream oil sector in terms of ensuring effective distribution and marketing of petroleum products in the country. For instance, despite the allocation of N34.5 billion in the 2013 budget for DPR, the agency has failed to successfully perform its monitoring, regulatory and oversight functions in the oil sector.

Aside from the complicity of the state and its institutions, non-state actors have contributed tremendously to the recurrent crisis in the downstream oil industry. The IFIs and MNCs (local and foreign) operating in the oil industry did not hide their opposition to continued fuel subsidies and deregulation of the Nigerian oil industry. MNCs have greatly contributed to the extraction of mineral resources and their subsequent conversion to finished resources. The IFI (and the IMF in particular) attempted to ensure fiscal discipline and budgetary performance in the country. However, these institutions are also being influenced by a specific economic agenda that promotes their economic interests and that of Nigeria's investors at the expense of the majority. The population, through the labour unions, has pressurized the state to curtail labour abuse by MNCs, but they are unable to combat the economic aggressiveness of the MNCs towards profit maximization.

As much as civil society tried to resist policy shifts in the oil sectors their agitations were repelled by the government which insisted on the liberalization of the oil sector. In this light, I assessed the activities, and contributions, of governmental and non-governmental actors to the administration of the downstream oil sector, as well as their roles in the deregulation policy. I highlighted the manifestation of corruption and maladministration among the institutions of oil. A robust analysis of *oil corruption* is presented in chapter six. This becomes important in order to capture the nuances of the corruption-bulge perpetrated by state officials and non-state actors. This also reinforces the proposition that acute corruption in the oil sector explains the urgent and immediate need for deregulation.

In chapter six I situate the subsidy imbroglio and deregulation crisis in context. I explore the historical prominence of oil since independence in 1960, and how the Nigerian oil and gas industry indisputably plays a critical role in Nigeria's socio-economic prosperity and political stability. Oil wealth has been one of the most important rallying points for the continued existence of Nigeria as a single political entity. Nigeria's state failure and inability to

significantly increase the standard of living of its citizenry is attributed to the mismanagement of the oil wealth. Other causes of Nigeria's developmental crisis are ascribed to visionless political leadership, over-bloated institutions, and limitless government. No doubt, Nigeria maintains a very large government.

Furthermore, corruption is identified as the most obvious impediment of the state to attain appreciable economic development. In reaction to its socio-economic challenge, IFIs and other global actors maintain that limited government would rid the country of its economic backwardness. Therefore, for the government to be effective, it has to restrict itself to specific areas of governance, and to provide the peaceful environment and guidelines for the smooth operation of economic activities. This is the ideological justification for the decision to liberalize the entire downstream oil sector and the subsequent effort to deregulate the downstream oil industry.

Considering the increases in fuel prices in Nigeria since the late 1970s, and the efforts of successive regimes to deregulate, President Goodluck Jonathan made the bold step to announce the deregulation of PMS and the complete removal of fuel subsidies in January 2012. Nigerians reacted violently and embarked on street protests that halted business activities and governance in the country for six days. The western part of the country became the political headquarters of violent dissent. The region is portrayed as anti-government since the 'subsidy battle' began, but it is important to understand that petrol is only sold at the government's regulated rate in the western part of Nigeria. The zone has also been the centre of activism that dated back to the "June 12" struggle. The moderate protests against oil subsidies in the Northern part could also be explained by their socio-economic reality. The depth of their poverty and disillusionment has made it a difficult task for the labour union in the zone to mobilize the masses for political action.

Increases in international fuel prices have proved to be very challenging for developing market economies the world over – like Nigeria - where governments have regulated domestic fuel prices and where social safety nets do not exist. Therefore, this section located the fuel crisis in historical perspectives, engaged in country-specific case studies of fuel subsidy administrations, assessed the motivations for the adoption of deregulation and the subsequent increase in the

pumping price of fuel (PMS), evaluated the subsidy regime, and explored the impact of the policy shift in the oil sector on democratic governance and effect on the Nigerian populations.

Successive Nigerian governments reiterated the necessity to deregulate and to subject the sector to market forces. However, government's behaviour revealed that the underlining motivation for such a policy was the urgency to increase the prices of petroleum products to increase the state's revenue. Less priority is allocated to concerted efforts at embarking on full deregulation by relinquishing the control of the downstream sector to private ownership and control.

The indecision of the government has led to a few emerging questions: Why have they not completely removed subsidies and embarked on the total deregulation of the sector? The answer is located in the above-stated assertion and also the reluctance of the President to sanction complete deregulation due to his intent to re-contest the 2015 presidential election. Any fuel increment at this point in time would jeopardize the electoral prospects of returning Goodluck Jonathan as President in the forthcoming 2015 presidential election. Efforts at deregulation and the subsequent removal of fuel subsidies continue, though mostly as rhetoric. The status of the Nigerian downstream oil industry is presently wrought in indecisiveness, complexities and confusion.

One of the best contributions of liberalism to conflict and peace studies is the advocacy of the democratic peace theory, while the most prominent impact of globalization on the triumph of liberal democracy is the abolition of the USSR-led communist regime in the late 1980s. With the demise of the *organised impediment* to the global spread of democracy, globalization has taken its toll on the political economy of developing countries like Nigeria. This is made possible through the integration of national economies into that of the globalized centre under the control of the developed economies. It is imperative to note that the world economy was never globalized but concentrated in few countries in Europe, as well as China, Japan and North America.

Also, the contradictions generated by globalization led to the global financial and economic downturn of the late 2000s. This reignites state protectionist policies and cracks in democratic governance across the world. This signifies a rethink of the basic assumption of globalization as the epitome of accelerated economic development. Since the integration of Nigeria into the web

of globalization in the mid-1980s, the country has not experienced significant economic growth that is expected to trigger sustainable economic development. Instead, the population continues to slump into deeper impoverishment, while the gap between the affluent and poor gets wider. The deregulation policy further aggravates the degree of impoverishment of the greater population in the country.

Despite the development of liberalism in the world, there is a tactical withdrawal of IFIs insistence on “outright” liberalization of developing economies in the face of economic nationalism in the United States, Britain and *states in economic crisis* like Portugal and Greece. It is time to enhance the arguments of the South³⁴⁵ that good governance and mass-inclined democracy would be enhanced by the introduction of fundamental changes to the modus operandi of global institutions. In the midst of these realities, democratic governance continues to spread across the global environment, while the strong relationship between globalization and democracy has not declined. What remains contentious is the nature and degree of the impact of globalization on democracy, especially in emerging democracies like Nigeria. I make the claim that globalization has heightened the impoverishment of majority of Nigerians since the introduction of the SAP in the mid-1980s.

The urgency of the Nigerian state to accept the recommendation of the IMF towards implementing liberal economic ideology – as a panacea to Nigeria’s economic crisis - commenced with the acceptance of SAP in the mid-80s. Despite the contradictions of SAP and its failures, President Obasanjo re-enacted SAP as NEEDS in 2003. This was to steer the economy of the state towards privatization, deregulation and commercialization. Therefore, the decision to fully liberalize the entire oil sector, particularly the downstream sectors, was taken decades before the President Goodluck Jonathan administration. However, his administration could not absolve itself of the shoddy roadmap to its implementation as well as its inability to ensure transparency and accountability – a vital feature of democracy - in the prevailing subsidy administration.

Liberal democracy has been erroneously conceived as a bridge towards economic equity or a sure path to equality in the distribution of societal resources and values, or a means to

³⁴⁵ This represents the voice of developing countries.

redistribute wealth. Liberal democracy does not promise these. Democracy signifies the creation of an enabling environment of equal access to opportunities and personal development. This would naturally result in divergent levels of personal accomplishments. Liberal democracy connotes the freedom of the wealthy against the poor, elites against the masses, and the stronger against the weaker. Efforts at economic reform in the guise of deregulation are riddled in complexity and negativity, which is compounded by massive resistance against such policy. The downstream oil industry reform represents such a case.

Although globalization tends to facilitate some level of economic and political development in developed countries, it becomes contradictory that global expansion has impeded the expansion of democratic values in Nigeria. The globalization-democratization nexus revolves around the assertion that globalization could only be realised in an atmosphere of political stability, individual sovereignty, unhindered trade, liberalized markets and unhindered export of capital: only liberal democracy could guarantee these. Globalization facilitates the opening up of Nigeria's economy to the world. Paradoxically, it also strengthens local forces in support of democratization. However, the global economic order also generates a paradox by strengthening social movements as well as energized organized labour unions to resist military dictatorship: the same organised oppositions that later moved against the deregulation of the oil sector.

Studies on the deregulation of the Nigerian oil sector focus on oil governance and bureaucratic performance without paying adequate attention to the impact of globalization and democratization on the socio-political environments in which public officials in the Nigerian oil industry make decisions. This study fills this gap in knowledge. This is achieved by exploring the influence of globalization on deregulation policy, and relating its impact to the quality of democratic governance in Nigeria.

It was discovered that a major economic challenge in Nigeria has been its macroeconomic instability driven largely by the country's high reliance on oil export earnings. Nigeria's economic future is inextricably tied to what it does with its petroleum industry going forward. For example, the oil industry remains the most important provider of revenue for all governments in the federation. Therefore, oil wealth has put a responsibility on the Nigerian state to cushion the effect of the high prices of refined petroleum products in the international market

on its citizenry. It was discovered that the weakness of the Nigerian state, as well as its nature and character, explains its inability to curtail the coercive forces of global capital on the one hand, and reconcile all opposition against oil sector reforms.

It was also found that scholars and policymakers over-exaggerate the supra-nationalism of globalization and downplay the continued relevance of states that possess the choice to regulate the activities of capital over its national domain. However the level of control that a state - like Nigeria - could muster depends on its resources, the will-power of the ruling elites and the weight of the MNCs involved. Nigeria has a vital resource (oil) but successive governments lack the will power and discipline to re-negotiate with global actors in the interest of its citizenry.

The study utilizes dependency, dependent development and new public management theory for a better understanding and to properly situate the topic in context. Dependency theory locates the socio-economic crisis and developmental challenges of Nigeria in historical perspectives. The theory focuses on the history of imperialism, colonialism and exploitation of the state by the developed countries, and concludes that Nigeria could only develop, if they delink from the advanced capitalist countries. Is this feasible? I contend that this is not possible due to the extreme interconnectivity between Nigeria and the global environment and the impossibility of any state to isolate itself in the prevalent global economic order: an order controlled and driven by the developed countries.

The dependent development paradigm exposes the inadequacy of dependency theory to explain the development of the Asian countries. The theory advances strong arguments for the possibility of the development of developing states, like Nigeria, within the global village. The theory proffers a way out of Nigeria's economic woes by transforming the Nigerian weak state into a very strong and development state, with functional institutional frameworks, which could ameliorate the plundering of Nigeria's human and natural resources by internal and foreign actors.

New public management theory becomes necessary due to the institutional weaknesses and governance failures that have characterised Nigeria's political sphere. The theory provides an understanding about how the Asian countries embarked on public management and policy

transformation to facilitate the development of the hitherto underdeveloped states. The civil service that ought to be the engine-room and instrument of accelerating the developmental initiatives of the Nigerian state is found to be very corrupt, weak, and unprofessional and lacks the capacity to match the dynamics of democratic governance.

The Nigerian bureaucracy has been channeled towards administration, and controlling inputs and expenditure as against results-oriented service delivery. Such an institution could not have successfully managed the enormous wealth in the oil sector considering the strategies of MNCs. Their interests are driven by profit maximization. Despite successive attempts at reforms and the rhetoric of imbibing management in public administration, the sector remains ineffective, inefficient, wasteful, incapacitated, inept, unprofessional and uninspired to accomplish Nigeria's developmental needs. These institutions would not be able to successfully oversee a beneficial deregulation policy in the oil sector.

The need for a well-orchestrated institutional and policy reform in the downstream oil sector is imminent. The urgency to implement such is more pressing. Deregulation of the sector does not present doom for the Nigerian population, neither does it solve all the problems in the oil industry. Any form of reform in the sector must be performed to reflect the dynamics of the oil sector. For instance, creating a new national oil company and transforming the NNPC into an independent and self-sustaining institution would not resolve all the problems in the sector. Any form of reform that does not re-orientate the drivers of policy (public officials as well as the NNPC staff) would yield very minimal performance.

The persistent centralization of public administration and the culture of nepotism have denied the institution of the capacity to trigger economic development in the country, while implementing a sustainable, effective and result-oriented policy in the oil sector became a mirage. The development of democratisation necessitates a total transformation of important state institutions. But this could pose a challenge due to corruption, the complexities of institutional reforms in a culturally divided state like Nigeria, the institutionalization of military culture, and resistance by beneficiaries of the status quo.

I posit that policy shifts in any sector of the Nigerian state require a reform in the civil service: a reform towards service delivery and effectiveness as opposed to improvements in the

remuneration and promotion of civil servants. Although, the upward review of staff remuneration leads to staff motivation, but systematic training and the improvement of skills is more important for institutional effectiveness and improved performance of the Nigerian public service.

Personal observations and interactions with many high-profiled officials in the oil industry revealed a lack of knowledge and understanding of the workings of the oil industry among them. There was an instance where a DPR official – in July 2013 - insisted that full deregulation was in operation and that the DPR had no authority to further enforce compliance to the regulated price of PMS. This was surprising. A high level official in one of the government institutions of oil, in his interaction with me, displayed lack of basic knowledge and understanding about government policies in the oil sector as well as the roles of other associated agencies in the oil sectors.

The duplication of duties and responsibilities among government's institutions remain a concern. However, a lack of coordination among these institutions presents a source of more concern. It is unacceptable for government political office holders, government appointees, ministers and heads of government agencies to present contradictory data on the volume of fuel consumed daily. This calls for closer interactions among government institutions. This absence of uniformity in information could also be a deliberate act to confuse the public in the furtherance of high level of corruption in the sector.

Transparency and accountability should be entrenched in the mind of public officers, while civil society and the masses should perform the role of watchdogs, since it appears the three arms of government have colluded to engage in “sharing the public purse”. Unfortunately, it is not in the character of Nigerian leadership to resign from public positions on the grounds of allegation of corruption, poor governance, failure, incompetence, moral integrity or scandal. In Nigeria, public officials celebrate scandals!

With the identified challenges in Nigerian public institutions, it became challenging for the Nigerian state to eradicate impoverishment, maintain results-oriented public enterprises, engage in successful economic liberalization, monitor private investments and constrain the exploitative activities of MNCs within its geographical domain. The formation of the state, quality of its leadership and character of its population, its geographical location in the periphery has also

made it difficult for the Nigerian state to align itself with the expectations of the population or manifest the characteristics of an effective state.

Therefore, I make the claim that the Nigerian state exhibits some of the characteristics of state failure. The state has failed to provide security and the enabling environment for human development. It has also struggled to deliver an acceptable standard of living to its population. The state has been bartered economically, hit by the ‘resource curse’ and ‘paradox of plenty’, is stunted technologically and industrially, exploited economically, and has struggled to combat Niger Delta militants and *Boko Haram* terrorism. The state has degenerated to the point where it is unable to provide minimal social security as well as guarantee the security of lives and properties within the state’s borders.

There are high expectations about the passage of the petroleum Industry Bill (PIB), which would in a way provide the legal basis for reforming the public institutions involved in the Nigerian oil business. The bill is concerned about a change of roles and is not directed at human capacity and the attitudinal change of public servants. However, the PIB, which is a consolidation of about 16 different bills, once it is passed into law, will open up the entire oil sector to new players. It remains to be seen how qualified Nigerian companies would be given the opportunities to become big players in the oil business.

The government has the responsibility to strengthen Nigeria’s indigenous companies through tax reductions and the guarantee of a regular supply of crude oil to willing investors in the case of private refineries. The decision of the government to be the *sole-drafter* of the bill is a great weakness. Though the parliament made input in drafting the PIB, it would have been more desirable to have a bottom-up approach to its drafting, which would have presented opportunities for a broader input by keen and knowledgeable Nigerians. It is therefore apparent that the PIB remains a mechanism devised by government to justify and legalize deregulation policy.

A reflection upon existing studies reveals that global forces have played major roles in diminishing the potency of African states in general, and the Nigerian state in particular. However, internal contractions also shared in the factors responsible for the state’s weakness. Existing literature continues to downplay the magnitude of pressures generated by neo-liberal democratization, through the strengthening of civil society and proliferation of political

institutions that further diminish state capacity. On the other hand, existing studies remain silent on the character and idiosyncrasy of Nigerian political leadership, which influences their perceptions of globalization.

Nigeria's development efforts and good governance are impeded by poor infrastructural development, a lack of human capacity, corruption, weak institutions, and flawed elections that produced an unaccountable leadership. Prolonged military administration weakened the advancement toward political stability and good governance and widened socio-political and economic divisions, which current ruling elites are struggling to overcome.

The intellectual, philosophical and ideological differences between the radical political economy and neo-liberal (rooted in modernization theory) school of thought have a great influence on the explanation of the Nigerian capacity to instigate and successfully implement viable economic development. The two have some justifications for their claims. However, external constraints constitute the greatest impediments to development and genuine economic transformation of the Nigerian state. The weight of internally-generated challenges cannot be downplayed, but the mode of integrating the Nigerian state into the advanced capitalist world through colonialism, and recently, globalization has provided the foundation that has generated a substantial part of the internal contradictions.

Despite the influencing strategies of global forces and its exploitative posture, the state still has the required ability to manage its enormous influence. I agree with Olayode's position that:

The regulatory capacity of a developmental state, including the capacity to discipline the market to the requirements of long-term development, will need to be sharpened. Of particular relevance here is the capacity not only to generate and manage growth but also to distribute its benefits in a manner that is consistent with the goals of nation-building, a stable foundation for continued accumulation and the aspirations of the populace for improved social livelihood standards (Olayode, 2005: 40).

Therefore, the Nigerian state should act responsibly to find a balance in sustaining social stability, effecting tangible developmental programmes and improving the economic life of its population. Only a re-energized public service driven by visionary, responsive and selfless leadership could achieve this feat.

The imperative for a paradigm shift from a reactive to pro-active leadership founded on a culture of good governance, which reinforces the values of democracy, remains a sure path to Nigeria's economic development. An entirely different perception of politics is required. This is feasible where the route to attaining political office is not as corrupt or uncompetitive, and where such positions would not be as attractive and rewarding as witnessed in Nigeria. Political office remains the shortest and safest way of attaining unimaginable wealth in Nigeria.

The clumsy federal arrangements constitute a stumbling block towards establishing a stronger Nigerian state. Military regimes that distorted Nigeria's democratization shortly after independence were the most critical influence in the socio-political and economic crisis that has restricted Nigeria's attempt at sustainable development. The militarization of Nigerian federalism, bureaucracy and society as well as politics negatively impacted on state effectiveness.

The government has the responsibility to secure its borders to prevent cross-the-border oil smuggling, ensure the protection of pipelines to prevent oil bunkering, strengthen the security operatives and other anti-corruption agencies – like EFCC and ICPC - to move against oil theft and to prosecute erring individuals. It is important to unbundle the enormous responsibilities on the NNPC as well as its monopoly of the importation of kerosene, ensure transparency in allocating oil importation licensing, establish inter-institutional consultation among government structures to prevent discordant information, and orchestrate a more sustainable deregulation policy in the entire oil sector. No excuse can absolve the government of the neglect and under-utilization of the four refineries. The recurrent TAM and other vast amounts of funds approved by the government to fix the refineries have not improved productivity of the refineries. Instead there are insinuations that the money found its way back into the purse of public officials through corruption.

The government's inability to properly manage the downstream oil sector by promoting efficient subsidy administration has led to the fraudulent generation of data to inflate fuel subsidy payments. There is evidence of collaboration between government officials and investors in the oil sector in perpetuating fraud, thereby denying the state income.

I claim that the emphasis on activities of the “cabal” by the government shows the depth of government’s weakness and unpreparedness to confront the ills ravaging the oil sector, and other sectors that faced similar challenges over the years. The power sector is another case of note. Years of persistent and huge budgetary allocations have not resulted in stable electricity. Rather, the more money the government released to the power sector, the worse the supply of electricity became.

Arguments have revolved around the need for deregulation, the mode and timing of deregulation and how to ameliorate the impact of such a policy on the citizens. I found that deregulation became a necessity due to the weakness of the Nigerian state to curtail the high level of corruption, negligence and unprofessionalism in the operation of the subsidy regime. The government embraces the policy due to lack of political- will to ensure the institutional capacity of the various structures that drives oil policy in the country. I claim that the institutional weaknesses, the apparent cases of over-bloated subsidy claims and falsified data on fuel consumption rates present the foundation for the justification of deregulation.

Ultimately, deregulation, if managed properly would lead to a reduction in prices due to market competition and the effectiveness of the NNPC as a regulatory competitor. The NNPC has not displayed the capacity to perform this role. However, a well-targeted institutional reform of the oil institution could redress this. The policy will also inject efficiency and dynamism into the oil sector, while savings from the subsidy removal would trigger improvements in funding in other dilapidating sectors like health, education, power and infrastructural development. However, the following prevailing gridlocks in the full implementation of deregulation remain potent challenges to effective policy in the oil industry: inept leadership, politics of deceit, pending PIB bill, unpreparedness of the government as well as its indecisiveness due to the 2015 election projections and resistance from Nigerians.

Nigeria has gone through some measures of economic liberalization, but the road to political liberalization has remained blocked. Incidentally, these have gotten nothing to do with either the World Bank or IMF (they indeed support decentralization), but rather Nigerian political actors that have enjoyed so much power and authority at the national and even state levels. Presently, the most prolific opponents of decentralization in Nigeria are the South West governors who conceive fuel price increases as an avenue for improved budgetary allocations from the federal

government to their States'. This is what liberal democracy offers: a representative government that widens the division between the wish of the ruling elites and that of the masses.

Overall, the width and scope of mass protest becomes wider under democracy. Nigerians could ask questions freely, scrutinize government actions, query oil policies and demand accountability, unlike during the military era when such freedoms and protests were met with a military response. This facilitates more scrutiny into the management of the oil wealth, while dissent against government increases under civilian administrations. The prevalence of such confrontations between the government and the population should be understood as some of the features of democratization and the accommodation of discordant viewpoints, which eluded Nigerians during the military regime.

7.2 PREVAILING SITUATION IN THE DOWNSTREAM OIL SECTOR

The under-listed points provide the current situation of the Nigerian downstream oil sector:

- 1) The downstream oil industry, which is marketing and distributing refined products, has not been fully deregulated. Diesel is fully deregulated without any form of subsidy. Kerosene is not deregulated. Prices are supposed to be regulated and sold at N50 per litre but the oil marketers with the connivance of some NNPC officials, and other regulatory agencies, influence the sale between N150 to N200 per litre. PMS is not fully deregulated but sells at the regulated price of N97 per litre only in the western part of Nigeria and in federal capital territory, Abuja. Other zones buy PMS at a price higher than the government prescribed benchmark.
- 2) That *the people are not on the street in protest* does not translate into an enduring peace. Rather what is in operation is structural violence and negative peace. The mass of the people are experiencing systemic alienation. Impoverishment is deepening and threats to lives and properties increase daily.
- 3) The *Nigeria Labour Union* realized the futility of their opposition, accepted “conditional and gradual” deregulation, with strong insistence on the viability of refineries and resistance to fuel importation-driven deregulation. Civil society and a cross-section of Nigerians are poised to resist every attempt at any form of deregulation and the removal of subsidy.

- 4) Nigeria harbors a very weak, unprofessional and demoralized public service. The institutions do not have the capacity to oversee the subsidy regime and block loopholes exploited by the marketers. The institutions do not have the discipline and professionalism to regulate the excesses of oil-marketers when deregulation prevails.
- 5) Nigeria's four moribund refineries under the NNPC have been put up for sale without success. The daily output of the refineries is downplayed as a large quantity of locally refined products is presented to the government as imported fuel, thereby benefiting from subsidies through corruption. Foreign multinational oil companies that control the upstream section continue to show apathy towards building refineries and investing in the downstream sector.
- 6) Some oil marketers imported petroleum products, claim subsidy payments and smuggle part of the fuel into neighbouring countries. This is made possible with the complicity of government officials and security officers.
- 7) The oil industry has been resistant to genuine reform due to the interests of ruling elites. Deregulation under the present logic deepens what I call the "deregulation of corruption" in the oil subsidy regime. It represents an avenue to spread corruption from the Presidency to oil marketers, ruling elites and their associates via import/export deals, over-invoicing and the protection of erring marketers from prosecution. The subsidy regime is fraught with chronic corruption, insincerity, deceit, wastage, indulgence and gross incompetence from the oil-marketers, and public officials.
- 8) Recurrent liberalization policies since the introduction of SAP have failed to reduce social inequalities and have even aggravated such socio-economic imbalances. The government argues that the rich benefit more from subsidies, but it has been ascertained that the poor are more negatively affected by subsidy removal. Moreover, most of the promises of 'palliatives' through SURE-P are unfulfilled, while infrastructural development did not cushion the effects of deregulation.
- 9) The government's data on subsidy payments and fuel consumption rates have been very inconsistent and contradictory. Government institutions, the CBN, the NNPC, the Ministry of Petroleum, the PPPRA and public officials presented different estimates of the costs of fuel subsidies and the quantity of consumption per year. The government relies on data from the oil marketers. It is therefore not surprising that the amount of

subsidy, as presented by government officials, in different forums does not align with the quantity of fuel consumed.

- 10) Contrary to the government's assurance of fuel price reduction after deregulation, the experience of diesel runs contrary to that logic. After the removal of subsidy on diesel, the prices have kept increasing from about N125 (\$0.8) after deregulation to about N175 (\$1.2) now. The economic dynamics that drives the telecommunication industry is different from the oil sector. There is no guarantee of price reduction after the deregulation of PMS, due to the possibility of monopoly.
- 11) The NNPC remains the only importer of kerosene, which is not sold at the official price of N50 per litre but between N110 and N130. Yet government paid N634 billion as subsidy payments from 2010 to 2012. The government failed to enforce the sale of kerosene at the N50 (\$0.33) official price.
- 12) Persistent fuel increments and resulting mass action challenges government legitimacy and paralyzes governance and economic activities across the country. It leads to the loss of lives and properties as a result of violent confrontation between the police and protesters and a reduction in government's income. At such periods, public workers abstain from office and all business activities are suspended.
- 13) The deregulation crisis strengthened the liberal arguments for institutional checks and balances. For the first time, the National Assembly, at the height of the January 2012 mass protest, suspended their vacation, supported the masses and passed a resolution to compel the Executive to retain subsidy payments and suspend deregulation until all stakeholders agreed on its modalities. The pressure generated by citizens also triggered probes in the oil sector, which resulted in staggering revelations of acute corruption, the abuse of office, institutional weaknesses and gross incompetence of public officials.

Two scenarios are feasible in the deregulation-subsidy removal drive of the government. The government has the option of maintaining the subsidy payment by a reform of the process of fuel importation, curtailing corruption in the oil business and improving the productivity of the refineries. Once this is achieved, subsidy payments will be drastically reduced and affordable by the government. Under this arrangement, the NNPC monopoly on kerosene would be dismantled, while LPG – as a cooking alternative – would be encouraged. This remains the better

option. Nigeria is an oil-rich country. Nigerian citizens deserve to enjoy low fuel prices since there is no other significant social security implemented by government.

The second option is to fix the dilapidated refineries, combat corruption and mis-governance and embark on systematic initiatives towards full deregulation. The first call is to implement the 'suggested' conditions of deregulation by providing acceptable safety nets to cushion the effect of high fuel prices. This would curtail massive resistance to subsidy removal.

7.3 RECOMMENDATIONS

The the following recommendations are made:

To the government:

- 1) While the government has become so decisive about the subsidy removal, it is silent on addressing the root of the petroleum products crisis and proffering a sustainable solution for removing the supply bottlenecks and maintaining a healthy downstream oil sector. Government should display similar decisiveness in sanitizing the oil sector and maintaining an effective subsidy regime.
- 2) Deregulation could work but a strong regulator is needed. Strong institutions and agencies must be established. Alternatively, the NNPC could be transformed into an effective goal-driven regulator. This requires a strong political will from the government. The institution created should operate within the legal framework with clearly defined roles and responsibilities. The institution should be autonomous and driven by skilful and competent public servants.
- 3) All the labour union's conditions for deregulation should be met before complete deregulation and any form of increment in the fuel price is implemented. These criteria have been presented to the government by the Nigerian Labour Congress at many forums. This dissertation has also highlighted and emphasized the provision of safety nets for the population.

There must be the immediate provision of targeted measures to mitigate the impact on the poor. This is to be achieved by identifying public expenditures that are better targeted to the poor and middle class, which can be financed with budgetary savings from subsidy removal. These can be in form of free medical services, the establishment of a network of

railways as a transportation system, the provision of coaster buses for rural and urban transportation, the construction and maintenance of roads, improved electricity and rural electrification, and the provision of pipe-borne water.

- 4) The government should tie multinationals' continued participation in the upstream sector to concurrent investment in domestic refining. Participation of MNCs in the downstream oil industry should be contingent upon the establishment of a refinery and consequent investment in the distributive and marketing of petroleum products.
- 5) Deregulation before the privatization of refineries is counter-productive. Investors would be content with fuel importation, while showing reluctance to building refineries. Therefore, the local refineries should be producing at full capacity before their privatization. They should be able to refine about 75% fuels for local consumption. Recruitment of goal-oriented personnel, periodic maintenance, cost-effective management and eradication of corruption would increase the productivity of the refineries.
- 6) Institutional capacity and structural reforms, especially governance reform is essential. It is also important to combat corruption in all its forms, and transform the public service from a mere *administrative* to a *management* body. It is pertinent to eradicate uncoordinated reports among government functionaries, and discourage inter-institutional conflict (as witnessed in the confrontation between the Governor of Central Bank (CBN) and the Presidency). This led to the suspension of the CBN Governor by the President over missing oil claims.
- 7) The building of public trust and legitimacy is very important. This could be achieved by upholding transparency and accountability in the management of oil wealth. Periodic release of accurate data that highlight fuel consumption and subsidy payment as well as the release of any other data necessary information should be prioritized by the government.

To the population:

- 1) To alleviate the high costs of kerosene, the use of Liquefied Petroleum Gas (LPG) or cooking gas is recommended. The government should sensitize the population to explore the use of LPG for domestic cooking. It is noteworthy to reveal that the use of LPG for cooking is actually cheaper than using kerosene.

- 2) The citizens need to be actively informed and politically participatory. Electoral reform and peaceful electioneering process would motivate citizens towards increased political participation.

To the National Assembly

- 1) Firstly, address the concerns of people on the proposed PIB bill. There is a need to consult widely before passing such a sensitive bill into law. The National Assembly should influence the Presidency to sign and implement the reviewed PIB and other bills in support of public rights to information.
- 2) The national legislature should perform its oversight function by regularly interacting with major actors (both state and non-state) in the oil industry and insist on transparency and accountability in the oil sector.
- 3) It is important for the National Assembly to impose a responsibility on the security operatives and judiciary to prosecute individuals and companies indicted in for all corruption.

To the Nigeria Labour Congress and Civil Society Coalition

1. It is imperative for these groups to become a joint partaker in Nigerian developmental initiatives by providing genuine leadership for the masses, based on rationality and not on sentiments. Labour union leadership should be a willingness to avail the government of any professional information required to move the oil sector forward.
2. They should strongly condemn any act by their members of sabotaging the viability of refineries, conspiracy with oil companies and public officials to shortchange the government and Nigerians or smuggling petroleum products and destruction of pipelines etc.
3. They should resist any guise of deregulation or complete subsidy removal without the implementation of policies to reduce the economic burden of fuel increment. They should insist on the fulfillment of all promises the government made before, during and after the January 2012 fuel price increase.

I believe strongly that the study's main achievement is its contribution to the in-depth understanding of the impact of economic liberalism on sustainable development in Third World states, more importantly, Nigeria. It also provides a better understanding of the fuel subsidy crisis in Nigeria and reveals the complexities underlining the management of the nation's oil resources.

I submit that implementation of complete deregulation and the removal of subsidies without attending to the diverse concerns raised in this dissertation would be politically costly and economically hostile to the plight of the majority of Nigerians.

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The interviewees are categorised into seven groups: academics³⁴⁶, journalists and civil society/labour union, top officials of public institutions/agencies in the oil sector, oil marketers and managers of filling stations, member of National Assembly, senior officials of oil MNCs and fuel consumers.

The interviewees are presented as anonymous and the date only reflects the months and year of interview. The names and portfolio of the interviewee were not presented based on mutual agreement between the researcher and interviewee. This aligns with one of the basic ethical considerations agreed upon during the interview.

³⁴⁶ Some of the academics have held positions in the public domain at one time or the other.

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APPENDIX I

Hypothetical Process of Fuel importation to the Filling Station

After the extraction of crude oil from different oil fields in Nigeria, the Joint Venture Partners take their shares (45% for Shell and 50% for other players in the upstream sector). The remaining is transferred to the respective agency of the NNPC. The agency sells the Nigerian share of petroleum at the subsisting price of crude in the international market. Thereafter, the buyer/company conveys the cargo through the water-ways abroad for refining. The investor need to pay custom charges in Nigeria as well as the cost of freighting the petroleum resource. Once in the country of destination for refining, the investor will make additional payment for custom charges and costs of freight to the refinery where the crude is converted into PMS and other petroleum products.

Expectedly, costs are incurred at this point. Specifically tax will be paid in the country of refining, workers are also paid and profit margin set. The products, after refining, is sold and

again freighted from the refining foreign location, through the ocean and into Nigeria at a high cost. Many times, because of the limited spaces in the Lagos port and shallowness of the water ways, the investor will claim the costs of using small ferries to convey the fuel from the deep-sea to the shore. The monetary value of these ‘avoidable’ import processes is the usual tag of ‘landing costs’, which has been between N139 and N144 since 2010.

Source: Social Action (2012: 18) and contribution of author.

APPENDIX II

Petroleum Products Pricing Template

Approved prices as at 11th July, 2013	
PMS (Naira/Litre)	
Expected Open Market Price (EOMP)³⁴⁷	147.04
Landing Cost	131.55
Ex-Depot Price	87.66
Regulated Price (RP)	97.00
Subsidy (EOMP - RP)	50.04

PETROLEUM PRODUCTS PRICING TEMPLATE - Explanatory Note

³⁴⁷ This price changes, depending on the price of PMS in the international market.

1.0. INTRODUCTION

The PPPRA products pricing template (Daily & Monthly) is a pricing information sheet detailing the components used in deriving the PPPRA daily/monthly guiding products prices. It employs

Parity Principle and this includes;

- (i) Landing Cost of Products
- (ii) Margins for the Marketers, Dealers, and Transporters
- (iii) Jetty-Depot Through-put
- (iv) Other charges and Taxes

The objectives of the pricing template are:

- Transparency
- Full cost recovery
- Fairness
- Responsiveness
- Efficiency
- Competitiveness

2.0. DESCRIPTION OF COMPONENTS ON THE PRICING TEMPLATE *With Effect from February 2009*

1. PRODUCT COST (\$/MT)

This is the monthly moving average cost of products cost as quoted on Platts Oil gram. The reference spot market is North West Europe (NWE).

2. FREIGHT (\$/MT)

This is the average clean tanker freight rate (World Scale (WS) 100) as quoted on Platts. It is the Cost of transporting 30, 000mt (30kt) of product from NWE to West Africa (WAF).

Trader's margin of \$10/MT is also factored into the Freight cost.

3. LIGHTERING EXPENSES (\$/MT)

STS/Local Freight charge is the cost incurred on the transshipment of imported petroleum products from the mother vessel into daughter vessel to allow for the onward movement of the vessel into the Jetty. This charge includes receipt losses of **0.3%** in the process of products movement from the high sea to the Jetty and then to the depot. The mother vessels expenses are based on the allowable **10 days demurrage** exposure at the rate of **\$28,000 per day**.

The Lightering Expenses also includes the Shuttle vessel's chartering rates from Offshore Lagos to Lagos and Port Harcourt which currently stands at **N2.00 per litre** and **N2.50 per litre** respectively. Transshipment (STS) process is as a result of peculiar draught situation and inadequate berthing facilities at the Ports.

4. NIGERIA PORT AUTHORITY (NPA) CHARGE (\$/MT)

It is the cargo dues (harbor handling charge) charged by the NPA for use of Port facilities. The charge includes VAT and Agency expenses.

Currently, NPA charge attracts **\$10.50/MT** on the pricing template.

5. FINANCING

It refers to stock finance (cost of fund) for the imported product. It includes the cargo financing based on the International London Inter bank Offered Rates (**LIBOR**) rates+**5% premium** for **30 days** (for Annual Libor rate of 2.07%, LIBOR cost would be 7.07%). Also included in the Finance cost is the interest charge on the subsidy element being awaited for an allowable 60 days period at Nigerian Inter Bank Offered Rate (**NIBOR**) rate of **22%**.

6. JETTY DEPOT THRU PUT

This is the tariff paid for use of facilities at the Jetty by the marketers to move products to the storage depots. The value is currently **N0.80/litre**.

7. STORAGE CHARGE

Storage Margin is for depot operations covering storage charges and other services rendered by the depot owners. The charge is currently **N3.00/litre**.

8. LANDING COST

It is the cost of imported products delivered into the Jetty depots. It is made up of components highlighted above (1, 2, 3, 4, 5, 6 and 7).

9. DISTRIBUTION MARGINS

These include Retailers (**N4.60 per litre**), Transporters margins (**N2.99 per litre**), Dealers margin (**N1.75 per litre**), Bridging Fund (plus Marine Transport Average) (**N6.00 per litre**) and Administrative charge (**N0.15 per litre**). This amounts to **N15.49** per liter on the template. The overhead cost and other running costs have been considered in the determination of these margins.

There have been strong allegations that the bridging cost is excessively inflated and not accurately calculated by oil marketers with the complicity of public officials (Interviewee Number One, July 2013).

10. TAXE

These include highway maintenance, government, import and fuel taxes. It has the overall objectives of revenue generation, social infrastructure investment and servicing and efficient fuel usage. Presently, all these attract zero taxes.

11. RETAIL PRICE

This is the expected pump price of petroleum product at retail outlet. It is made up of landing cost of imported product plus reasonable distribution margins.

Source³⁴⁸: <http://pppra-nigeria.org/pricingtemplate.asp>

³⁴⁸ The parts that appear in slating forms are my emphasis.

APPENDIX III: PICTURES

Picture 1: A Scene of citizens in the quene to buy kerosene



Source: <http://www.bbc.com/news/world-africa-18238973>

Picture 2: Storing of fuel in jerry-can in the house during fuel scarcity



Picture 3: Protest against fuel price increase in January 2012



Source: Kate Henshaw (cited in Social Action, 2012: 17)

Picture 4: This reiterates the perception that the fuel price increase was anti-masses



Picture 5: Protest in Lagos against NLC decision to accept subsidy cut in January 2012



Picture 6: Protester confrontation with the police



Picture 7: Protesters ascribing subsidy removal to oil corruption



Source: (Picture 2, 4, 5, 6 & 7)

https://www.google.co.za/search?q=funny+pictures+of+fuel+subsidy+in+nigeria&biw=1280&bih=907&tbm=isch&imgil=USrRBsM7yHOKZM%253A%253B47TkueSevIteGM%253Bhttp%25253A%25252F%25252Fwww.vanguardngr.com%25252F2012%25252F01%25252Fsubsidy-beneficiaries-the-blame-game-continues%25252F&source=iu&pf=m&fir=USrRBsM7yHOKZM%253A%252C47TkueSevIteGM%252C_&usg=__z13hE_GDFspRoRBpYOm30FF_UqQ%3D&ved=0CDUQyjc&ei=HNlcVObCMuSM7AbTqYGoDw#facrc=_&imgdi=i=_&imgrc=i_qNequ-gn0uQM%253A%3BVS0FJt6SC66ENM%3Bhttps%253A%252F%252Fwatchtbjoshua.files.wordpress.com%252F2012%252F01%252F01%252Fnigeria.jpg%3Bhttps%253A%252F%252Fwatchtbjoshua.wordpress.com%252F2012%252F01%252Fpage%252F2%252F%3B396%3B223

Picture 8: Fuel bought in Nigeria are loaded into boats across the water-ways into Togo



Source: <http://www.bbc.com/news/world-africa-17525708>

Picture 9: Stolen oil from Nigeria is refined locally and sold at internationally



Source: <http://www.bbc.com/news/world-africa-24175264>