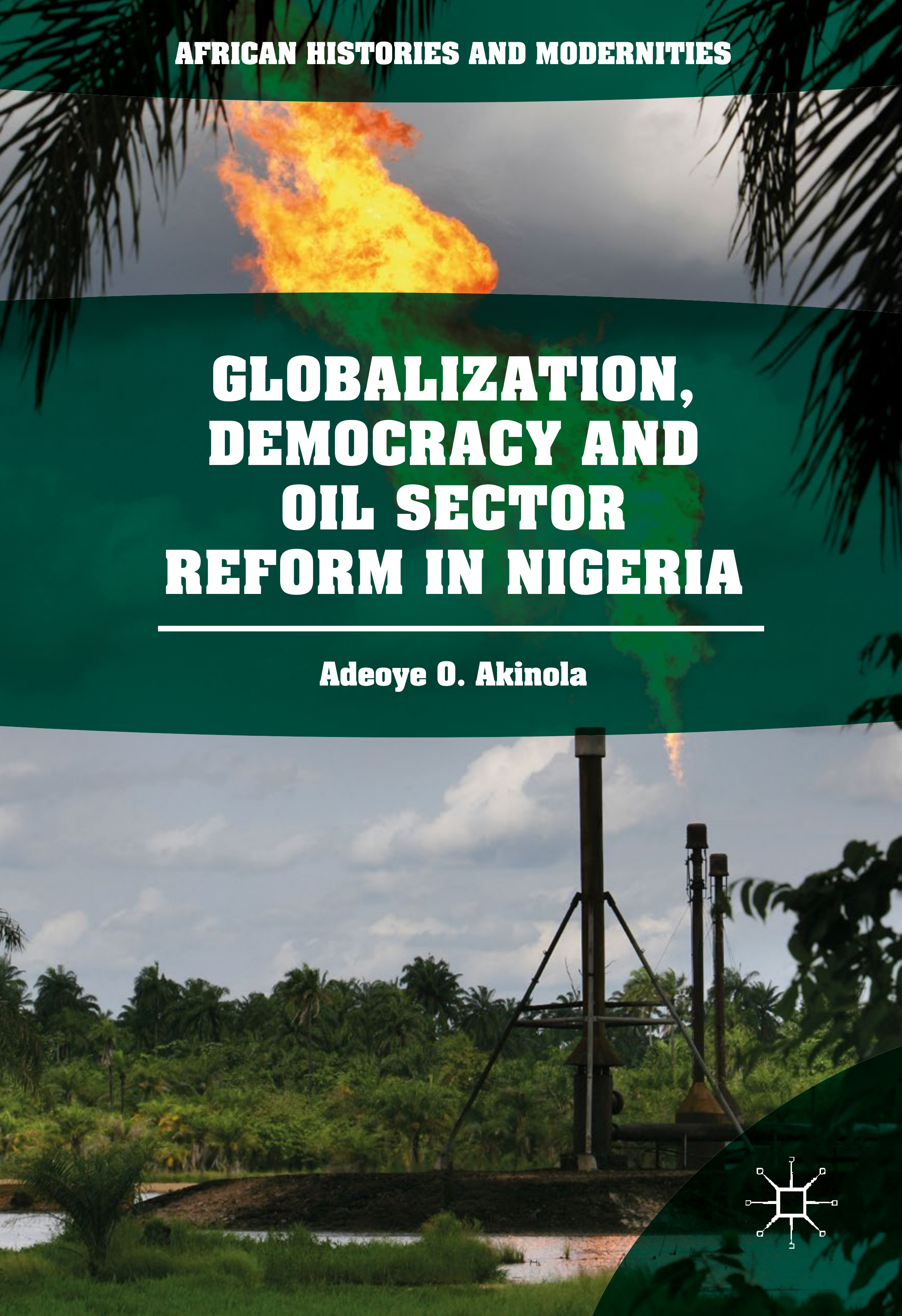

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GLOBALIZATION, DEMOCRACY AND OIL SECTOR REFORM IN NIGERIA

Adeoye O. Akinola

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African Histories and Modernities
ISBN 978-3-319-70183-7 ISBN 978-3-319-70184-4 (eBook)
https://doi.org/10.1007/978-3-319-70184-4

Library of Congress Control Number: 2017961112

Cover illustration: Friedrich Stark / Alamy Stock Photo

Printed on acid-free paper

This Palgrave Macmillan imprint is published by Springer Nature
The registered company is Springer International Publishing AG
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

This book is dedicated to the hundreds of millions of the Nigerian masses who bear the brunt of the mismanagement of the oil resource

Preface

The failure of the Nigerian state to convert its resource wealth to national greatness and the contradictions of liberalization, as reflected in the systematic impoverishment of the citizenry, has challenged the theoretical acceptance of globalization as the end of human development. Indeed, capitalism seems to have triumphed over all other forms of economic systems; but the hitherto celebrated 'logic of the markets' and 'invincible hand'—due respect to Adams Smith—has been debunked by the 'visible hand' of local and international capitals, which have manipulated and exploited the Nigerian downstream oil industry. The weakness of the state to 'liberate' the downstream oil sector from rot and inefficiencies explain the recurrent crises recorded in the sensitive sector of the Nigerian economy. Although, studies on the Nigerian oil sector are available, but this book offers a more succinct and robust understanding of the complexities of the pseudo-deregulation of the oil sector, and unveils the impact of globalization and pressures of democratization on the oil sector reform agenda of the Nigerian state.

The book has been inspired by the urgency to fix the Nigerian oil industry and instigate effective governance under the control of the local population, at this crucial epoch in history when globalization and its discontent have become more apparent. One of the core tenets of globalization—democratization and economic liberalization—are faced with diverse crises. Across the world, there are incidences of mass resistance against the implementation of subsidy reform in the oil sector. From Yemen, to Indonesia, cases of dissent abound. I am of the belief that the

Nigerian state still has the opportunity, with its enormous natural resources and human capacity, to reposition the country for greatness. Incidentally, the future of Nigeria seems to rest on the effective management of the resource sector, especially that of oil. It is instructive for the Nigerian socio-political and economic elites to rise up to the responsibility of engaging in policy transformation in all spheres of the polity.

Since 2009, successive Nigerian governments have shown their commitments towards the deregulation of the downstream oil industry, but the implementation of the policy has left much to be desired. Although the book is skeptical about the appropriateness of the deregulation project; however, based on the character of the Nigerian state and the acceptance of deregulation as the only policy-choice by the political elites, the book will provide a robust practical policy framework for the successful deregulation of the oil sector. It will serve as a resource tool for policy makers and stakeholders in the Nigerian downstream oil industry, while students and researchers interested in development, globalization and policy studies will find the book very useful. The findings will provide empirical and theoretical frameworks for African states as well as other developing countries on the brink of embarking on economic or institutional reforms, especially in the natural resources sectors. The book, broadly captures both humanities, arts and management sciences; thus, students and practitioners in the fields of political studies, political economy, international affairs, international political economy, public policy and administration, governance, resource and development studies will find the book very useful.

One of the uniqueness of the book is its adoption of interpretive and qualitative methodology founded on face-to-face, unstructured interviews conducted in Ibadan, Lagos and Abuja between 2013 and 2016. The target population, purposively selected based on their expertise and active participation in the democratization and reform schemes, comprised policy makers, political class, members of the National Assembly, media practitioners, masses, officials of civil society organizations, officials of oil multinational corporations (both local and foreign), University lecturers, officials of major institutions or agencies in the oil sector, major labour unions in Nigeria and those of the oil sector, as well as respondents drawn from both supporters and antagonists of the liberalization agenda of the Nigerian government.

I am grateful to the United Nations—University for Peace Africa Programme in collaboration with the International Development Research Centre (IDRC) for providing funding for field studies. I appreciate Mrs. Christy Olorunfemi for her professional editing.

Richards Bay
September 2017

Adeoye O. Akinola

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CHAPTER 1

Introduction

1.1 Introduction

This book critically explores how globalization and democratization affect the economic, social, and political environment within which state and non-state actors operate in the Nigerian oil sector. In other words, it presents the political economy of deregulation of the Nigerian downstream oil industry. The book revisits the continued intellectual debate generated by the politics-economy nexus; hence, it is situated within the broad spectrum of political economy. At the core of the study of politics has been the relationship between the state, economy and society, hence prompting the emergence of the term "political economy." Lenin observes that politics is economics in tablet form, but this proposition is only applicable to the capitalist epoch of history where capitalism represented a mode of social organization characterized by the hegemony of the economic dimension.

According to Marxist tradition, society is divided into a *substructure* and a *superstructure*. The substructure—the 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) (Rejai 1995, p. 12). The superstructure (politics) on the other hand, is "everything" that is not part of the economic system: art, philosophy, games, and religion. Based on the logic of economic determinism, the

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_1

substructure shapes and determines the superstructure. Therefore, a 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).

Economic development and democracy are embedded in the discourse on globalization. Thus, the main question centres on whether economic development is a prerequisite or precondition to democracy and/or modernization of politics. There have been heated controversies over whether democracy or authoritarianism is the requirement for facilitating rapid socio-economic development in underdeveloped or developing countries. These debates have deepened due to compelling evidence of democratic failures recorded in many developing societies, especially Africa, and the adjudged development under autocratic regimes in Asia. According to Smith (2003, p. 277), three perspectives responded to this recurrent political economy debate. The *conflict viewpoint* argues that economic development needs an authoritarian government to instigate policies required for rapid economic growth in the face of resistance. From this perspective, democracy is intrinsically unstable and permits the expression of domineering pressures to redistribute and consume societal resources instead of ensuring their accumulation and investment.

A second perspective, the *compatibility viewpoint*, asserts that democratic states are more capable of aligning growth with distribution, which triggers market expansion, economic growth and development. This is based on the premise that democracy remains a requirement for a functioning market economy that accelerates growth, human development and social equality. The third viewpoint, the *skeptical perspective*, is unconvinced 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. From this perspective, the evolution of globalization has imposed an international order on the world; an order founded on the internationalization of capitalism and liberal democracy.

In Nigeria, the imposition of the liberal order by the state has had far-reaching implications on the country's oil resource management and fuel price policies. The ideological distinctions of the development-regime type convergence were treated in isolation, without a critical exploration of the impact of external realities or global environment on regime types and national development.

1.2 Historicizing the Globalization of Deregulation in Nigeria

The collapse of communism in the Soviet Union in the late 1980s and through the early 1990s signified an end to well-orchestrated impediments to the spread of globalization, which invariably led to the triumph of liberal ideology as the only alternative for "good governance" (Akinola 2009, p. 1; Adesoji 2006; Ojo 2004; Ake 2000, p. 1). Furthermore, Smith argues that:

> *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, p. 276)

Globalization was presented by the neoliberal school of thought as the most desirable socio-economic order for fast-tracking democratization and sustainable development in Africa, motivating the securitization of democracy in Africa (Akinola 2016). But it has not proffered solutions to the un-democratization of world political and economic order, as evident in the sustained underdevelopment of Africa (Ake 1981, p. 178). The convergence between globalization and democratization and its effect on economic development in developing countries remain at the core of intellectual exposition and passionate conversations since the 1980s (Aghion et al. 2003). It is thus necessary to draw a direct relationship between globalization and the "export" of market-based and capital-intensive democracy to Africa. The scramble for democratization in Africa was initiated by global financial powers as "conditionality"[1] for developing

[1] 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 International Financial Institutions (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 International Monetary Fund (IMF) loans were carried out under a Structural Adjustment Facility (SAF). Over time the term structural adjustment became synonymous with failed policies that undermine democracy. This led the World Bank to rename the loans as Poverty Reduction Support Credits (PRSC), while the IMF changed it to the Poverty Reduction and

countries like Nigeria to receive financial assistance (Stone 2007; Khor 2001; Larbi 1999; World Bank 1997).

Since the beginning of what Huntington (1991) refers to as the "third wave" of democracy across the world, from Southern Europe to Eastern Europe, and later from South Asia to Latin America, and now lately down to Africa, promoters of globalization continue to celebrate the globalization-democratization nexus. Therefore, it is important to examine the motivations for the worldwide acceptance of neoliberalism,[2] and the "conditionality" clauses that characterized the International Monetary Fund (IMF) and World Bank dealings with developing countries, especially African countries (Stone 2007; Ake 2000, p. 128; Larbi 1999; Stein and Nafgizer 1991, p. 173).

Although promoters of globalization often highlight how the convergence of democracy, democratization and liberalization facilitates rapid economic development, especially in the Third World (Dunklin 2005; Kura 2005; Grugel 2003; Stiglitz 2002), the reality in many African countries, Nigeria in particular, contradicts this high optimism. Since the mid-1980s, successive Nigerian governments have found it quite challenging to institutionalize democratic principles and embark on sound socio-economic policy initiatives to facilitate socio-economic development in the country.[3] Successive governments attempted to implement effective subsidy reform and deregulation of the downstream oil sector to no avail. This raises questions about the push for deregulation[4] related to the need to ensure the effectiveness of the state, the utilization of its resources for the benefit of the masses, and government's capability to effectively discharge its responsibilities, especially in relation to service

Growth Facility (PRGF). The changes did not necessarily correspond to changes in conditionality; See Jones and Hardstaff (2005).

[2] 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. In developing countries, "neoliberalism emerged less for political reasons and more as a result of the need to adjust to international requirements" (Rapley 2004, p. 77).

[3] 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.

[4] Deregulation (sometimes called "market loosening") means the removal of statutory barriers that prevent private operators from competing with state enterprises or ownership.

delivery (Kura 2005). Therefore, it is imperative to explore how globalization would help enhance Nigeria's state capacity for economic transformation and utilization of the oil wealth for the benefits of Nigerians and development of the state.

Upon the discovery and commercialization of oil resources in Oloibiri by 1957, the country subsequently experienced an oil boom which led to a mono-cultural transformation of Nigeria's economy, termed "Petrol-capitalism" by Oronto (2003). Under petrol-capitalism, the mineral resources largely only benefited the Nigerian state, government business partners, and the Multi-National Corporations (MNCs)[5] operating in the Niger Delta region.[6] The exploitative activities of the oil companies impoverished communities in oil producing areas amid corruption, inept leadership, and systemic failure of successive partnerships between the state and the oil MNCs. Impoverishment became the status quo for Nigerians, especially those in the oil zones. This led to armed insurrections, notably by the divergent Niger Delta militant groups, and an environment of poverty and conflict characterized by 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 resources greatly benefit the extractive community (Ayee et al. 2011, p. 10).[7] Scholars have unanimously argued that developing states such as Nigeria, exhibit several characteristics of state failure,[8] but they differ on responsible factors. Uzodike (2009, p. 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." The integration of the Nigerian economy into the global order has also failed to improve the livelihood of the majority.

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

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

[7] 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. For more understanding, see Ayee et al. (2011).

[8] The debate on whether Nigeria exhibits the attributes of state failure or collapse is presented later. For more information on state collapse and failure, see Clapham (2002), Englebert (2000), World Bank (1997), Ake 1981, Mimiko (2009, 2010).

Nigeria became entangled in the web of globalization, historically, through imperialism and colonialism (Frank 2004; Ake 1981, p. 20), as well as relations with the Bretton Woods institutions (IMF and World Bank) in the 1980s (Nabudere 2000, p. 35). Despite the wealth brought by the oil boom of the late 1970s, the state became surprisingly bankrupt by 1985 with the collapse of external reserves (Adedipe 2004). The urgence to sustain wealth lured the state into seeking financial redress and economic assistance from the IMF and World Bank under the guise of instigating socio-economic development. The loans and other assistance were used to subsidize the rapidly declining income from oil exports and facilitate non-oil sector growth (Ibanga 2005). Nigeria, therefore, formally joined the global network in 1986 with the adoption of a globalist-inspired socio-economic reform initiative branded as the Structural Adjustment Programme (SAP)[9] (Stone 2007; Akinola 2008, p. 55). The government moved forward with SAP's implementation despite vehement opposition by eminent Nigerian citizens and among the widespread population to the policy during public debate under the Babangida military regime (Ake 1996, p. 32). The neo-liberal economic reforms were grounded in commercialization, deregulation and privatization[10] policies.

The IMF exploited the opportunity to impose the "conditionality" of democratization and other devolution of powers on Nigeria (Robert 2010). This insistence on the inculcation of democratization in Nigeria, as well as other states, would later shift from specific economic targets and acceptable policy tools to a more direct involvement in the domestic politics and policies of the borrower (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 became imperative that political systems be reformed to facilitate the operation of effective economic reforms by embedding key principles such as transparency and accountability in the management of the economy. However, it was not until 1999 that Nigeria experienced an iota of political reform to

[9] SAP was the brain child of Margaret Thatcher, the Prime Minister of the United Kingdom and Ronald Reagan, the President of the United States.

[10] 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.

expand the prerequisite political latitude to pave the way for the adoption of democratic rule.

The drivers of the "global village" insist that liberalization offers the most assured road-map to development in Africa (Adesoji 2006; Iwilade 2009, p. 4). Koelbe (2007) and Uzodike (1996, p. 5) offer the different perspective that democracy—which aims to bring greater socio-economic justice and equality—is impossible in a context of free and open markets. Neither economic, political nor social policies could be initiated and pursued in isolation under the new global economic order. As such, SAP was acclaimed for not only restructuring the Nigerian economy to the requirements of global capitalism, but also establishing mass poverty (Eme and Onwuka 2011; Akinola 2008), antithetical to sustainable democracy.

Generally, the contradictions inherent in the globalization of African economies underpin a nuanced argument for how SAP was unintentionally instrumental in instigating democracy in participating countries. Citizens opposed to the economic programme combined forces with Civil Society Organizations (CSO) to oppose SAP and demand direct political participation and democratic rights (Uzodike 1996). In the case of Nigeria, the insincerity and power intoxication of the military elite truncated the attempt at democratization in 1993.[11] The generally acclaimed "free and fair" election, allegedly won by MKO Abiola was annulled on June 23, 1993, and no concrete steps were taken immediately to relinquish power to the civilians. Nigerians reacted violently and the country devolved into mass protests, nation-wide strikes, and civil servant insubordination. This resulted in a chain reaction that disrupted government activities and a spiral of lost government revenue. The human rights violations which ensued attracted global condemnation and sanctions from international communities. Amid these conditions, Nigeria's debt profile escalated, basic infrastructure collapsed, and impoverishment spread. Economic liberalization was then suspended under President Abacha (Adedipe 2004), and there was no clear-cut economic policy between 1994 and 2003.

Upon the jettisoning of SAP towards the tail-end of the Babangida military administration, and also by President Abacha, the Obasanjo-led

[11] The Ibrahim Babangida-led military regime embarked on democratization in the early 1990s, 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 prolonging military dictatorship in Nigeria.

democratic regime devised a similar policy known as the National Economic Empowerment Development Strategy (NEEDS).[12] In 2003, the President appointed a Presidential Economic Team, which developed a medium-term plan for economic recovery, growth and development. 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 announced another socio-economic recovery plan branded vision 20:2020 in 2009. The policy ended up like all its predecessors—SAP, Vision 2010, and NEEDS—since the institutions of governance were not reformed and due to the prevailing character of the Nigerian state. By January 1, 2012, the government of President Goodluck Jonathan announced a botched complete deregulation of the downstream oil sector. The pump price of petroleum had been increased in five successions in the guise of deregulation during President Obasanjo's administration between 1999 and 2007. Complete deregulation led to continued increases in the price of fuel, allocated oil blocks without transparency and redistributed oil wealth (Idumange 2012).

Oil industry deregulation was initiated in 2003 during the tenure of President Obasanjo (Kupolokun 2004), causing both excitement and apprehension across Nigeria. Irrespective of the perceived benefits, the deregulatory process was seen by majority of Nigerians as an avenue to strengthen dependence and exploitation by MNCs and foreign interests involved in the oil business. Since oil earnings amounted to about 80% of the government revenue at the time—hence, the continued existence of Nigeria as a corporate entity—the country's democratic survival was dependent on the management of oil resources (Akinola 2011). Apart from the June 12, 1993 democratic "struggle", oil related issues continue to constitute one of the main threats to democratic governance in Nigeria. Oil-related concerns have nearly derailed Nigeria's push for democracy on a number of occasions (e.g. the execution of an Ogoni-born environmental activist Ken Saro Wiwa by the General Abacha regime in 1995 and militancy in Niger Delta; recurrent confrontations between the Nigerian

[12] 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 programs.

Labour Congress (NLC) and government over increase in the price of oil; unrest following unmet promises of palliatives to cushion the effects of hikes in the fuel price over the years).[13]

On the 12th of January, 2012, President Goodluck Jonathan reiterated the government's commitment to the full implementation of the deregulation of the downstream sector with immediate effect. The price of fuel rose from N65 to N135, the acclaimed market price of Petrol Motor Spirit (PMS). Meanwhile, the government's payment of fuel subsidies was abolished in a widely broadcast message.[14] Expectedly, the action sparked street protests and an indefinite strike by civil servants.[15] Revelations that the Managing Director of the IMF, Christine Lagarde, was in Nigeria to persuade President Jonathan to commence deregulation around the time of this announcement further energized Nigerians. Led by the Nigerian Labour Congress-Civil Society Coalition, Nigerians resisted the policy "by all means" (News Rescue 2012). The federal government later retracted its steps, reducing the price of PMS to N65, but insisting on fuel subsidy reform without necessarily embarking on complete deregulation of the sector. This retraction would prove only temporary as both President Jonathan Goodluck and his successor President Muhammadu Buhari went on to allow increases in the fuel price, leading to the present PMS price per litre of N145. This was in contrast to the government's arguments for sequential reduction in prices during the 2012 subsidy crisis.

This book seeks to reveal the crux of the "vexed" oil crisis through a holistic approach to the political economy of oil. Major actors are identified, the government's rationale for sector deregulation and subsidy phase-out is analyzed for cost-benefit, and the socio-economic and democratic consolidation consequences of deregulation on Nigerians are considered. The book also contributes towards a better comprehension of the fuel subsidy regime and the complexities surrounding the management of oil

[13] See This Day, (2010) "Theory of Deregulation: Landmines and Pitfalls," October 26.

[14] The prices of diesel and kerosene oil were 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 which characterized deregulation did not attract the masses.

[15] Nigerians, under the leadership of the Nigerian Labour Congress (NLC), have a history of mass protests and civil disobedience in reaction to increases in the prices of petroleum products.

wealth in Nigeria, addressing the root-causes of Nigeria's development dilemma under the influence of globalization.

The connection between globalization and political development offers an 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, p. 93)

Agreeably, studies on the link between the two are not exhaustive (Stone 2007); however, there are very few exceptions like Kura (2005), Li and Reuveny (2003) and Pevehouse (2002). Therefore, this book critically examines the complexity of embarking on developmental projects within the international global order. It is important to engage with the "pseudo-deregulation"[16] in the oil industry, examine the capacity of Nigeria's state to embark on policy transformation, and in addition 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 from developed and developing countries that deregulation is viable and capable of injecting dynamism into previously disarticulated economies, the underlying political economy of Nigeria remains a challenge in the context of effective deregulation of the oil industry. Umezurike (2012) 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 democratic rule in the country. The book further explores 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

[16] Meaning 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.

particular, a deregulation of the oil sector. By taking a critical standpoint and exploring radical political economy perspectives (dependency and dependent development theories), the book exposes the factors responsible for the inability of the oil-rich Nigerian state to convert its oil wealth to benefit its citizenry.

Previous studies which addressed 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), usually adopting the dependency school of thought as the basis of analysis. Successive governments appear to be confused on how to facilitate effective deregulation of the oil sector. This book bridges this gap by providing a practical framework for a sustainable deregulation policy in the oil sector. Logic is drawn from dependency arguments and combining dependent development perspectives with new public management (NPM) theory as more appropriate lenses for understanding the role of the Nigerian state in converting the oil resource into improved livelihoods in Nigeria. The hope is to advance the frontier of knowledge on complex reforms in the oil sector in order to maximize the benefits for Nigerian citizens.

Studies on the globalization-democratization nexus focuses largely on the impact of globalization on developing economies. However, there is a paucity of studies on how these countries—like Nigeria as an oil exporting country—could maximize the benefits of globalization and lessen the challenges of democratization and policy transformation in a sensitive sector like the oil industry. Hence, the book fills this policy-gap. Based on theoretical and empirical findings, it provides a theoretical understanding of the crux of the deregulation policy and a robust analysis of the cost-benefits of the oil industry reform, especially in relation to democratic consolidation.

In the area of practice of policy, successive governments have shown a commitment towards the deregulation of the downstream oil industry. The policy approach and its implementation has left much to be desired. The book provides a practical policy framework for the successful deregulation of the oil sector. It serves as resource tool and policy guide for political elites, policy makers and stakeholders in the Nigerian downstream oil industry and other sectors of the economy, as well as researchers interested in development, globalization and policy studies. Other developing countries in similar circumstances will find the book very useful. My findings provide empirical, theoretical and policy frameworks for the Nigerian state, and other developing countries on the brink of embarking on economic or institutional reforms, particularly in natural resource sectors.

The book's methodological approach also highlights its uniqueness. It draws from primary data, which were generated on the basis of face-to-face unstructured interviews with relevant stakeholders in the Nigerian oil industry, global affairs and democratic project between 2013 and 2016. The data were obtained in the following cities in Nigeria: Abuja, Ibadan and Lagos. Thus, the generation of original and new data enrich the study immensely through a cross-examination of data that allowed for deeper extraction of information from major actors in the global economic order, democratic and oil reform project.

1.3 Conclusion

This chapter presented the background to the study. As revealed in the chapter, literature on the link between globalization and democratization focuses largely on the influence of globalization on the economies of developing states. Little attention is directed at how resource-rich countries can exploit the opportunities presented by the global economic order and minimize the challenges of liberalization and policy transformation in a sensitive sector like the oil sector. The implementation of liberal policies in the 1980s in the form of SAP engendered many contradictions and created hostilities towards other forms of neo-liberal policies like deregulation. Despite the efforts of the Nigerian government to re-package SAP in the form of NEEDS, there was identifiable pessimism and skepticism towards its implementation. Nigeria's oil sector was considered as the "soul" of the country; thus, Nigerians were poised to guard it jealously, and resist any attempt by the Nigerian government to hand it over to global capital through deregulation policy. Promises of accelerated socio-economic development remain elusive following the integration of the Nigerian economy into global markets. Widespread poverty reigns supreme and the elites continue to be the sole beneficiaries of the oil wealth.

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CHAPTER 2

Globalization and Democratization Nexus

2.1 Introduction

The effect of the "new" international economic order on economic development has been the subject of intense debates since the early 1990s (Aghion et al. 2003). Literature is replete with concepts of globalization, democratization and economic liberalization (Grugel 2002), although mostly at a disparate levels. There remain inadequate studies on the points of convergence of these concepts. Rudra (2005, p. 706) reveals that systemic theories on the prospects of Less Developed Countries (LDC) democracy in the contemporary epoch of globalization are non-existent. In light of this, it becomes imperative to explore ways in which the globalization of neoliberalism and the activities of agencies of globalization have engendered contradictions in their attempts to "democratize" Nigeria's economy, especially that of the downstream oil sector. This chapter is not directed at debating the cost-benefits of globalization, nor does it claim to provide all the answers to the challenges of democracy. Rather, the chapter focuses on the issues surrounding the impacts of globalization on the expansion of democracy across the world. Conceptual clarifications on democracy, sustainable democracy and democratic consolidation are pertinent in this regard. Although these conceptual terms could sometimes be ascribed the same usage, they allude in strict terms to different meanings and interpretations. Using a literature review, this section engages on

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_2

conceptual clarifications of the two concepts: globalization and democracy. Areas of convergence and contradiction are then identified.

2.2 Globalization

Like many concepts in political science, the meaning of the term "globalization" is very elusive. Clapham (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 1800s by American entrepreneur Charles Russell but was only popularized in the 1960s 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 historical claims made on behalf of the state (Clapham 2002, p. 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 (n.d., p. 2) to ascribe globalization as a synonym for homogenization, uniformization, Americanization and Westernization.

Globalization is regarded as the process that pushes countries to become more integrated into the global economy, characterized by a high degree of information and technological flow, trans-national cultural convergence, and more trade and financial openness (Li and Reuveny 2003). 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. From this perspective, this engenders unprecedented economic integration that breeds more trade and financial transparency, as well as cultural convergence around the world.

Tsai (2007) concurs that the concept generates increased global flows and exchanges that in turn increase progress in human welfare. Globalization is also conceived 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, p. 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 only interconnectedness and internationalization, but also a force which is bringing into existence a new world order that forcefully binds the entire globe together (Clapham 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 individuals, states or communities on the other side of the globe (Kaarbo and Ray 2011, p. 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 (WTO), international non-governmental organizations and 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 organizations further facilitate the interconnectedness of national economies in the global environment, which in itself remains a more potent way of exerting pressure on states than exploring military might. This 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, p. 43). The web of this global unification transcends national borders and constrains the political and coercive actions national taken by government within their 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 subjects to the global market (Ohmae 1995). This school of thought argues for the supremacy of global market forces and the ascendency of the institutions of global governance, which continue to impede states' sovereignty (Foster 2010). The skeptics see globalization as nothing but a myth. They are of 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; Hirst and Thompson 1996). The transformationists, on the other hand, focus more on how people relate within a rapidly evolving world (Smith 2003). None of these three viewpoints clearly capture the scope of globalization as conceived in this book and as demonstrated by its reality.

By globalization, I mean the exportation of liberal democracy and open market economy from advanced capitalist countries to developing countries with the effect that the socio-political and economic spheres of these developing countries are subjected to the influence of global forces. This is achieved through four means: (1) the development of information and communication technology; (2) the exportation of capital from the advanced capitalist countries; (3) the internationalization of neoliberal political values; and (4) expansive activities of global financial institutions. The resulting effect of the domineering posture of the agencies of globalization (the IMF, World Bank and MNCs) align with Clapham's (2002, p. 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." Globalization is expected to result in the democratization and establishment of conditions favourable to structural transformation and change from totalitarian political systems to a rule by the people (Cerny 1999) on one hand, and on the other hand, the rapidization of development as well as the convergence of global economy at a centre—a centre determined by a few capitalist powers. However, different factors have impeded the realization of this optimism.

2.3 Democracy: An Overview

Democracy originated from a combination of two Greek terms: *demos,* meaning "the people", and *kratis,* referring to "rule" used as a combination of adjective (Demo) and noun (Rule) (Ostrowski 2012, p. 2) which became *dēmokratía,* which ideally means majority rule. The Athenian democracy—termed a direct or ideal democracy—is popularly defined as "a government of the people, by the people, and for the people" (Finley 1985) and represents a direct form of political participation. Although there are various conceptions of democracy (socialist and elitist democracy), the populist form of democracy appears the most commonly discussed. Here, democracy is founded on the notion that groups must agree to disagree; thus, they must accept a framework of autonomy for institutions within the polity.

Scholars like Przeworski and Limongi (1997) see democracy as a multilateral political arrangement that involves agreement, consensus, compromise and negotiation. According to him, democracy is a political arrangement in which groups of people with conflicting interests process their discord in accordance with some set rules. To establish democracy, different diverse and opposing groups must agree to resolve their conflicts, thereby paving way for regime stability and change. This is the foundation of the *democratic peace theory*, which posits that democracy remains a sure guarantee of national security and world peace. The assumption behind this is that democracies do not violently attack or wage war against one another, and that democratic a government has conflict resolving institutions that evade war within the international system.

On the other hand, democracy is realized where political rulers are selected by the people. Political rulers are imperfectly selected through a democratic political process and bound by certain supplementary constitutional rights (freedom of speech and assembly) protected by upholding due process and accountability. Contemporary political realities mean that these rights are interpreted and enforced by officials elected by popular majority (Ostrowski 2012). Crockett (2011, p. 1) holds that democracy is construed to be 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 view—supported by J.J. Rousseau—ascribes democracy to a system where the will of the people reigns supreme, and the government enjoys consistent legitimacy as a basis for authority. It exists where the primary determinant of the powers of the state resides with the people and have been contested based on the practicality of governance, irrationality and dictatorship of the majority. However, there is no denying the fact that what makes democracy distinct is the opportunity afforded the people to make significant input into their own governance.

Ideally, democracy ensures individual participation in the crucial decisions that affect 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). 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. The emerging political institutions operating under democratic governance differ from the city-states era, and are therefore required to effectively manage the ambiguities of contemporary nation-states.

Dahl (1982, p. 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 fulfilling the criteria of the Athenian/direct democracy, which was reflected in 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, p. 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 United States 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, p. 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. 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, p. 261)

Cammack (1998) re-echoes the notion that liberal democracy represents 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 defined as 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.[1] A move from dictatorship to liberal democracy is attainable through democratization; hence, what is democratization?

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 2004b; Dahl 1971). Democratization could therefore be categorized into three phases: the liberalization 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 Stephan 1996).

[1] See Cammack (1998, p. 225) for more understanding of liberal democracy.

The origination of democratization can be traced to Portugal and Spain in the 1970s, but acceptance of democratic regime rapidly engulfed the developing world in the 1980s and 1990s all over the world, particularly Africa. The fast rate at which the world yields to democratization prompted Samuel Huntington to term the phenomenon as the 'Third Wave'. The waves later penetrated Latin America and Eastern Europe, and subsequently became fashionable in Asia. Samuel Huntington identified five major factors that triggered the waves of democratization after the end of the Cold War: (1) deepening legitimacy problems of authoritarian government unable to cope with military defeat and economic crisis; (2) economic growth that raised the standard of living, educational attainment and urbanization; (3) changes in religion institutions that constrained their capacity as defenders of the status quo; (4) changes in other states' policy and that of international organizations to favour democracy and human rights; and (5) the spill-over effect that entrenchment of democracy in one state has over neighbouring states.

Smith (2003, pp. 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 incresed 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 claimed 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-elected military officers (Chile and Thailand), or other deviations from the ideals and values of democracy. Smith (2003, p. 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".

Pevehouse (2008) views democratic consolidation as the elimination of formal and informal institutions that are antithetical to democracy. This takes the form of a struggle between actors, who benefit (as well as 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 (2002) has a similar but slightly deeper understanding of sustainable democracy. He sees it through the lens of conflict management, which represents the process of gradual elimination or reduction of force and coercion, extreme repression, and related destructive conflict management techniques antithetical to democratic political arrangement. This becomes manifest when "democracy becomes so broadly and profoundly legitimate and so habitually practiced and observed that it is very unlikely to break down" (Aka 2002, p. 236). This has been the strong point of relating democracy with the bargaining and conflict management capacities of a state.

2.4 Convergence of Globalization and Democracy

As explained earlier, globalization evolved through the internationalization of capitalism, which led to the creation of a global market governed by market forces. The evolution of global capitalism was accelerated by core states that embarked on a 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 motivated capital, investment and business enterprises in the west to reach beyond national borders.

Scholars like Li and Reuveny (2003), Grugel (2003), Kura (2005), Mubangizi (2010), Uzodike (1996), and Pevehouse (2008) have raised concerns about the spread and effect of globalization on democracy. Pertinent questions exist 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 globalization on development and democratization, and explores the contradictions that arise out of the relationship. Power and Gasiorowski (1997, p. 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. Grugel (2003) traced 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, 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 book makes 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 thought—and the neo-liberalists with a strong foundation in the "Modernization" school of thought, led Grugel (2003, p. 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, p. 262) maintains that democratic demands are squeezed out or suppressed by the hegemony of global liberalism. The second viewpoint, representing neo-liberalists and other agents of globalization, views globalization as *an opportunity for (liberal) democratic global governance*. 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.[2] 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, p. 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 the Li and Reuveny (2003) characterization of the arguments as three viewpoints[3]: 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 democracy while the manifestation of globalization as Foreign Direct Investment (FDI) increases democratization (Doces 2006; Rudra 2005; Li and Reuveny 2003).

2.4.1 Globalization Stimulates 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

[2] For more information, see http://www.sdinet.org

[3] For more information on this, see Li and Reuveny (2003, pp. 30–39).

2006; Rudra 2005; Kura 2005; Li and Rauveney 2003). Furthermore, Doces (2006) strongly believes 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 these authoritarian or totalitarian states the need to decentralize power as they relinquish their control to the workings and progress of the market.[4] Therefore, globalization empowers democratic structures that 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 across state borders. The more democracies border non-democratic countries, the more the chances the country has of joining "the committee of democracies". That is, there is a spill-over effect of democracy. This assertion seems appealing, although Cuba presents a unique case-study that runs counter to this assumption. The island nation remains undemocratic despite the presence of the United States to the north.

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 the argument on the tangible benefits of participating in a highly globalized economy around a few variables: increased trade, new and better technologies, expanded media, and economic growth. This position goes further to eulogize the dominant capitalist global marketplace as one that creates wealth and some of the greatest innovations in world history. For instance, Stiglitz (2002, p. 18) attributes the longer human life-span and increased higher standards of living to social and technological advances due to globalization.

[4] This process of allowing the economy to fluctuate is referred to as "laissez-faire". This is a French expression meaning "let it be" which allows industries to be free from state involvement in restrictions such as taxes and state monopolies. For more information, see Crockett (2011).

Tsai (2007) adds 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, p. 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, p. 271) articulate 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. In turn, this increases the purchasing power of the exporting country. Sirgy et al. (2004) further highlight global flows through cultural interaction, and submit 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.

2.4.2 Globalization Impedes Democracy

Li and Reuveny's (2003) study reveals that the theoretical literature presents both contradictory and complex results on 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 maneuvering is obviously reduced. Hence, the threats to democracy from financial inflows and foreign direct investments are substantial.* (Li and Reuveny 2003, p. 53)

Ake (2000) and Mimiko (2012) demonstrate clearly how cleverly conservative autocrats[5] and petty bourgeoisie—with foreign collaboration—have stolen the democratic message and subverted its major promises of

[5] An autocrat is a leader exercising absolute power on behalf of the government.

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, p. 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 policy to the people's control, but globalization has redefined the workings of democracy itself by subjecting it to the dictate of global powers and complex socio-economic intricacies.

From this perspective, globalization is an integrated set of developments and is in the process of creating a single global economic, social and political structure. Therefore, this evolution necessarily challenges and undermines the claims that have historically been made on behalf of the state (Clapham 2002, p. 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 from globalization is a tremendous loss of fiscal control and the growing authority of markets (Ojo 2004a). Globalization actually results in the decline of the sovereignty and power of nation states 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, p. 11) notes the devastating effect of the global economic order on state sovereignty and posits that sovereign nation-states are undermined by transitional 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 the state, it also 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 MNCs (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 outside the nation-state and became worried at the extent to which international factors greatly influence domestic political outcomes due to 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. These entities 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 weaker 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 2004a). Furthermore, Grugel (2003, p. 267) and (Dunklin 2005) acknowledge that globalization creates interdependences between and among states. Interdependence restricts state 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 and organizations—led by the Nigerian Labour Congress[6] and a coalition of civil society—vehemently opposed the

[6] 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

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[7] 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 hand".[8]

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 a government's ability to maintain generous welfare spending such as subsidies. Tsai (2007, p. 108) also ascertains that the agents and

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

[7] 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. For more understanding, see Yi (2011, p. 476).

[8] 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 would 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. For better understanding, see http://www.investorwords.com/2633/invisible_hand.html#ixzz2fbAX3QrV

forces of globalization (WTO, IMF, World Bank) pressurize governments to adopt market-oriented reforms by reducing fiscal expansions and cutting social spending.

The internationalization of democracy is expected to result (at some level) in the democratization of national economies (Nwabueze 1993, p. 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, p. 37) argues that this brought "a new departure … not only for the restructuring and downsizing of the state but also of redefining democracy in the new down-sized state". Ake (2000) was skeptical 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—democratic choices were uncontrolled by Africans and became 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 characterized by inequalities and unequal trade orchestrated by the United States and other capitalist powers. The richer the United States becomes, the poorer the developing countries. For instance, per capita private consumption within the United States 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). In similar manner, it has created an unfair or unequal socio-political and economic realities, and also widened the gap between the rich and poor. Rapley captured this idea in the following way,

> *In Jamaica, bank queues can stretch such a distance that a customer depositing his $500 can wait an hour for service. As one waits patiently, every once in a while one sees a customer, usually in a suit and typically carrying a briefcase, enter and go straight to the back of the bank, where the manager will usher him to a seat with a broad smile. This, of course, is the customer coming to make a $50,000 deposit. It annoys all the ordinary folk in line, but most of them aspire to make it to the back someday and so keep quiet. As for the bank manager, he is simply doing what he is paid to do. He can ill-afford to alienate the few depositors who hold most of his bank's deposits, but can take his chances on angering a few of the customers in the queue.* (Rapley 2004, p. 56)

The Jamaica's story reflects the reality in Nigeria and other developing countries where the majority of the population wallow in poverty and the minority engage in resource aggrandizement.

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 maximization 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, p. 9).

In his own contribution, Umeruzike (2012, p. 25) explores how the forces of globalization have greatly undermined democratic struggles in Nigeria, particularly through its economic reforms. It is important to 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). Globalization promotes economic development that amplifies the number of educated and well skilled citizens, which leads to the reduction of economic inequality (Crockett 2011). However, globalization exacerbates social inequality and jeopardizes the progress democracy has made (Robertson 1992, p. 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. 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 while reducing 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, p. 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 (Grugel 2003, p. 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, p. 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 ways, but that Nigeria's democratic experience has been ambivalent. The effect of globalization on democratization in Nigeria is seen as a "two edged swords"; 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). Some of the crisis that has bedeviled some African states like Democratic Republic of Congo (DRC) are so complex that one begins to wonder if such problem can be reconciled within the neoliberal framework.

Despite expectations, globalization has failed the South, dividing the populations of many countries—as well as regions of the world—into what Offiong (2001, p. 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:

1. Mercantilist capital whose phenomenal roles were mostly observable between the mid-fifteenth and late eighteenth centuries.
2. European national capital assisted by multinational corporations whose objects were mostly realized via colonization especially between the nineteenth and mid-twentieth centuries.

3. Transnationalism and multilateral institutions (e.g. 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 mass-based nationalists during colonialism. Globalization endangers contradictory reactions leading to fragmentation of cultures, which was also 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 2004a). 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.

2.4.3 Globalization Does Not Necessarily Constitute an Impediment to 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 analyzing some case studies, it seems 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. They also note that since the advanced capitalist countries already enjoy stable democracies, globalization would not significantly impact upon levels of democracy in the developed world.

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 given that the two choices are bound to yield different results. Despite the pessimism of Rudra (2005, p. 708) towards globalization, he is of the opinion that under certain conditions—provided that governments expand the size of the welfare state—globalization could result in important advancements in human freedoms, helping the cause of democracy. Scholte (2000, pp. 293–294) shares Rudra's view and highlights six ways in which citizen involvement in global governance organizations can increase democracy: giving voice to stakeholders; enhancing democracy through public education activities; fueling debate in and around questions of global governance; demanding public transparency; increasing the public accountability of global regulatory agencies; and granting governance agencies legitimacy.

2.5 Conclusion

Proponents of globalization posit that one of 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 thereafter taken its toll on the political economy of developing countries. This was 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 United States, the United Kingdom, 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 crisis and economic downturn of the late 2000s,[9] and the crack in democratic governance across the world signify a rethink of the basic assumption of globalization and what Akinboye (2008) refers to as the possible end of human development.

[9] 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.

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.[10] In the midst of these realities, democratic governance continued to spread across the global environment,[11] 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, only to signify the will to create an enabling environment of equal access to opportunities and personal development. The natural result is divergent levels of personal accomplishments and differing economic achievement. Liberal democracy could also translate 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 and enjoy the associated benefits.

Although globalization tends to facilitate appreciable levels of economic and political development, it becomes worrisomely contradictory that global expansion has impeded the expansion of democratic values in Nigeria.[12] 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 variables. 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 unions and mass movements against deregulation initiatives in the oil sector.

[10] 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.

[11] The "Arab Spring" that resulted in regime change from a dictatorial government in Libya and Egypt to a more inclusive system of government represented one of the 'triumphs' of liberal democracy.

[12] 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. Globalization has not actually enhanced the attainment of some these values, like the lack of states' sovereignty in the economy.

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CHAPTER 3

Deregulation Policy

3.1 Introduction

Studies on the deregulation of the Nigerian oil sector mostly focus on oil governance and bureaucratic performance without paying required attention to the impact of globalization and democratization on the socio-political environment in which Nigeria's public officials make decisions concerning the operation of the oil industry. In general terms, the literature is exhaustive on the connection between globalization and democratization (Kura 2005; Rudra 2005; Grugel 2003; Chua 2002; Li and Reuveny 2003), the convergence between economic reform and democracy (Uzodike 1996), the political economy of oil governance (Gboyega et al. 2011; Eme and Onwuka 2011), the cost-benefits of deregulation of the downstream oil sector (Kupolokun 2004, 2005), and the underdevelopment of emerging democracies (Frank 2004; Ake 1981; Amin 1999). This chapter moves beyond these analyses to reconcile the intellectual interface between globalization, democratization, deregulation of the Nigerian downstream oil sector, and the quest for sustainable development. It places deregulatory policies in the context of the fact that Nigeria is an oil-rich developing economy.

Scholars and policymakers seek to over-exaggerate the supra-nationalism of globalization and downplay the continued relevance of the choices that states possess to regulate capital allocation in the national domain. The level of these choices depends on state resources and the influence of

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_3

MNCs involved. Without overlooking the dominance of the present global order and influence of global actors on state behaviour, Smith posits that:

> *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, p. 133)

It is however important to stress the fact that the international order has not been propelled by natural laws. The capitalist major powers and their agencies are the steering wheel dictating the propulsion and direction of globalization. Deregulation policy has become one of the conditions for the expansion of global capital and surrendering of state sovereignty on economic governance to market forces.

3.2 Deregulation Policy

Deregulation falls under the broad categorization of reform. Reform could mean "improvement, re-organization, restructuring, modification, transformation, alteration, amendment, overhauling, restoration, change, and adjustment, among others", and a mechanism used "to restore an organization when it has degraded from what it was originally designed to be" (Olaopa 2011, p. 2). 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 policy.[1] 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 the least intervention from government. The major intent of liberalization is to dismantle the excessive regulatory framework that serves as a shackle on

[1] 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 term 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. For more understanding, see Adedipe (2004).

freedom of enterprise, freeing large-scale corporate interests from political and bureaucratic controls.

Godwin and Dagogo (2011) feel strongly that deregulation of a state's economy could be conceptualized through three closely-knit concepts: privatization, divestiture, and marketization of the economy. However, Umezurike (2012, p. 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 has been termed "second generation" adjustment policies, an attempt at distinguishing them from "first generation" policies which focused almost exclusively on economic stabilization propagated by SAP in Nigeria.[2]

The concept of privatization still suffers from a lack of clear-cut understanding despite the vast literature on the subject. It has become a generic term often used to describe a range of policy initiatives designed to alter the mix in ownership and management of enterprises away from government 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—and consequential change of ownership rights—from the public to the private sector. This is different from deregulation. Under deregulation, a dominant bureaucratic state is gradually dismantled and replaced with more effective and efficient administration of the private sector based on market principles. Amin (1999) conceives deregulation as a deliberate policy which must be consciously undertaken rather than a natural state of affairs where the strategies of large enterprises are released from the constraints of state policies.

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-monopolization 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), but also to abolish policy deficiencies, budget deficits, and low productivity (Larbi 1999).

[2] See Baig et al. (2007) for robust analysis of privatization policy.

According to Olaopa et al. (2009), deregulation refers to the removal of certain government controls (such as price controls) from several aspects of a specific industry, like the oil industry. In respect to full deregulation in the oil sector, government is expected to not interfere with the pricing, export, and importation of oil products or the downstream market (e.g. establishment of retail outlets (petrol stations), storage depots ocean-receiving facilities, and refineries). Kupolokun (2004) gives 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. This includes refining, jetties, and depots allowing the private sector to freely import and export petroleum products in accordance with prevailing market forces. Other protagonists present an alternative vision to this positive and developmental imagery of deregulation, critiquing 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: classical liberalism; radical political economy; and consolidation of the regime. The classical liberals—otherwise known as neo-classical economists or what Eme and Onwuka call "economic internationalism" and what Olayode (2005) refers to as "neo-liberal orthodoxy"—staunchly support the liberalization policy of deregulation. The radical political economy school of thought sharply opposes deregulation, labeling it as a foreign construct and linking 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 accepting such a policy in newly democratized societies. This is based on the fear that deregulation might generate forces that would eventually truncate the progression of the democratic political system.

The neo-classical economic tradition provides the ideological motivation for deregulation and other globalist economic policies (Friedman 1962; Horwitz 1986; Boron 1995; Tabulawa 2003; Eme and Onwuka 2011; Luqman and Lawal 2011). Their positions are premised upon open and competitive economies in which the forces of the market determine the working of key economic variables. In all societies, there is strong relationship between economic power and political status. The economically dominant individual or group has a greater propensity to dominate politically. In modern democracies, this link is stronger. For instance, Rapley (2004) asserts that the costs of election campaigns have increased the dependence on money. Bretton Woods institutions have relied on the postulations of the neo-classical economists to support advocacy for the idea of minimalist government as part of their structural adjustment programme policy prescriptions in many developing countries since the 1980s.

This perspective—built on the ideas of Milton Friedman, Friedrich Hayek, Adam Smith and David Ricardo—is at the core of prevailing neo-classical liberal policies advocating for economic liberalization (Boron 1995, p. 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). This school of thought resonates with the idea of non-government interference in economic activities, and propagates individual sovereignty. Friedman presents the market in 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*. Liberalists place great trust in individuals and entrepreneurs as free market drivers in a system best operating under the authority of capitalist-minded political elites. It becomes instructive to note that neoliberalism is an amalgamation of neoclassical economic theory (capitalism) with neo-classical liberal political thought (liberal democracy) (Rapley 2004, p. 75).

In more recent times, inspiration for this viewpoint comes from the adoption and successes of neo-classical liberal 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 a bid to return to the "free market" dogmatism of the eighteenth and nineteenth centuries (Olayode 2005, p. 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 understood in terms of "lean and mean states" or "less government" as part of a neo-liberal alliance of conservative governments. In Africa, the Liberalists demonstrated a distrust of states as perceived stumbling blocks for sustainable development. States were viewed as obstructionists to the free functioning of markets—impeding private enterprise, consuming a disproportionate share of investible resources, extending state 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 such as Nigeria. Amin (1996) posits that economic openness destroys local industry and creates new technology that breeds unemployment.[3] The local population—who are mostly the targets of economic relief packages—becomes incapacitated and stripped off 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 (LDCs) 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 occurs due to the variation in the socio-economic structures between developed and underdeveloped countries. Therefore, policy reforms which tend to work in developed societies would most likely fail in LDCs.

Godwin and Dagogo (2011) draw an additional parallel with the argument that there is indeed a strong convergence between capitalism, colonialism and imperialism—which represents 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 economy was disarticulated and specialized consciously in the production of raw materials to feed the advanced capitalist countries in an international market with unequal exchange and gross inequality. Thus, the colonized societies in the periphery depend on the core countries for economic survival in a profit driven and aggressive capitalist international system.

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

The political independence that characterized the early 1960s and thereafter in many African countries like Nigeria did not end the tide of dependency, domination, or exploitation; instead these countries saw what emerged as neo-colonialism and neo-imperialism.[4] Therefore, it becomes apparent that the deregulation and liberalization of the Nigerian economy is an idea packaged, masterminded, and exported by the metropolis thorough the agencies of globalization (e.g. World Bank and IMF) to further the interests of the hitherto colonial powers and other advanced capitalist countries (Ihonvbere 1999). 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 society (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. There were also many localized financial crises such as those experienced in Turkey (1990) and Mexico (1994), implosion of the U.S. stock market (1997–1998) and the terrorist attacks of 2001 (Rapley 2004, p. 8).

Olayode (2005) buttresses this point by making reference to the political economy of many countries from the mid-1940s up to the mid-1970s when states assumed greater functions and responsibilities. Governments during this time took a stronger hand—especially in sensitive sectors—with the use of state-owned enterprises in the provision of public services, policy coordination and macro-economic management, and involvement in sectors of the economy. The economic depression experienced in the early twenty-first century (2008–2010), the triumph of the Socialist Party in France, the frantic resuscitation efforts of the President Obama-led

[4] 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 capital and MNCs control 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.

regime in the U.S. banking sector and other state-protectionist policies initiated 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 who reap the benefits of authoritarianism. According to Pevehouse (2008, p. 3), the question consolidationists usually raise is how emerging democracies would overcome threats to nascent institutions posed by anti-democratic forces that had previously benefited under undemocratic, authoritarian regimes. 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. The uncertainties involved in implementing oil sector reforms is a possible reason why President Obasanjo's regime waited to introduce the deregulation policy until after the completion of his first four-year term. The elites (not necessarily political) needed to be re-assured of the workability and credibility of the economic reforms before supporting the 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 a mobilization of the masses resisting 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 its oil wealth, Nigeria continues to grapple with economic development and struggles to combat poverty. Gboyega et al. (2011, p. 17) associate the endemic impoverishment with corruption, lack of transparency, and institutional incapacity. Obi (2011, p. 103) provides the motivation for deregulation of the oil sector to reclaim Nigeria as oil rich country from its current status as a "successful failed state". According to Obi, deregulation prevents parastatal losses and increases an environment of 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, p. 83). This had 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 (Stein and Nafziger 1991; Ayee 2005; World Bank 1997). This was one of the government's rationales for the deregulation of the Nigerian downstream oil sector[5] in 2003.

The Nigerian oil industry[6] 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 termed "onward federalism".[7] This injected complicity into oil governance for many reasons, including: oil price fluctuations 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 dishonesty of both local and international oil sector actors (Kupolokun 2004).

The government has raised alarm over the huge cost of subsidies. Attempts to remove subsidies have generated much opposition from consumers used to cheap energy prices based on the presumption that any price increase would fuel inflation and reduce economic welfare. In 2006, the subsidy for oil was N261.1 billion (US$2.03 billion) (or 1.4% of GDP). The price 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 Nigerian National Petroleum Corporation (NNPC) and other petroleum product marketers was N1,173.2 billion (US$9.7 billion) (Adenikinju 2009, p. 4).

[5] Nigeria's downstream oil industry comprises four refineries and, as of 2012, had nameplate capacity of 445,000 billion barrels per day (bbl/d), eight oil companies and about 750 independents all active in marketing petroleum products.

[6] 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 3446 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.

[7] 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.

Olayode (2005, p. 28) attributes institutional failures on good governance to over-staffing and an over-bureaucratized public sector, while Gboyega et al. (2011, p. 7) argues that is was the inability to establish responsive institutions that could ensure governance in the public interest. Gillies (2009) emphasizes the lack of transparency in the award process for development blocks and insists that subsidies for petroleum product create further avenues for corruption via imports/export arbitrage, black-market sales, and delays on payment reimbursements, among others. She posits that sector restructuring is germane and involves introducing a new legal framework for new institutions and clear roles within a cost effective NNPC, as well strong and independent regulatory institutions with less political interference. The newly-passed Petroleum Industry Governance Bill (PIGB) includes provisions directed at these propositions. In sharp contrast, a review of Robert's study (2010, p. 3) raises some pertinent observations and argues against Nigeria's 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". This view welcomes a diversity of regulatory frameworks that respond to differences in country preferences and in levels of development. Here, the spread of a single variety of capitalism through the WTO, 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. Economic structures, institutions and history play sensitive roles. Furthermore, Robert (2010, p. 4) makes reference to Minsky's model, insisting that deregulated market economies are not dynamically stable systems that converge to full-employment equilibrium. Rather, these systems are cyclical in nature in which crises are not unusual events. He attributes the collapse of the East Asian economy in the mid-1990s to implementation of pro-United States policies advocated for by the IMF. A nationwide survey in 2000 by the Afrobarometer group, reported that 60% 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% were of the opinion that "people close to the government" have benefited the most from these reform programmes (Luqman and Lawal 2011, p. 72; Lewis et al. 2002, p. 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 in the general population that public policies have failed to reduce social inequalities and have even aggravated socio-economic imbalances. A follow up study in 2001 revealed that a cross section of Nigerians was 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 believed that the reform programme had been detrimental to the majority of Nigerians and that the burdens of economic reform had been unfairly and unjustly distributed (Lewis et al. 2002).

Another opinion survey by the same group (Afrobarometer) in 2005 reported 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 efforts to manage the economy, encourage equity, provide quality education, and limit crime.[8]

Research conducted by the Strategic Union of Professionals for the Advancement of Nigeria (SUPA)[9] revealed that fuel importation driven deregulation would only boost the investments of operators at the detriment of petroleum product users (Ejiofor 2010). A total reliance on the importation of petroleum products, when the cost of refining locally (put at N31.50k) was far less than those imported 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 large-scale national investments in four existing refineries. The study also found that the resulting increase in unemployment from job loss in domestic refining and industrialization would not be compensated by operators. Operators instead would abandon domestic refining for imports, thereby subjecting the masses to the dictates of international market dynamics like other non-oil producing countries. This development, according to SUPA, would undermine Vision 20:2020 and trigger

[8] See Luqman and Lawal (2011) and Lewis et al. (2002) for the full report.

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

hyper-inflation in the economy. The Central Bank of Nigeria (CBN) Monetary Policy Committee (MPC) confirmed that the Nigerian economy has consistently experienced hyper-inflation.

The SUPA study concludes that deregulation leads to increases in the price of petroleum products, energy, and transportation—as well as spill-over effects felt in other sectors. Worsened economic conditions then aggravate political and socio-economic problems due to increased poverty, incessant labour and industrial crises, increased crime, and hopelessness. In the words of the SUPA study:

> *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)

Reviewing the rationale and conditions necessary for genuine deregulation policy is consequential. Ibanga (2005) believes that an effective deregulation program must include institutional constraints 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, an action which might otherwise jeopardize privatization or deregulation efforts. Olaopa et al. (2009) note how important it is to create a supportive and enabling environment, including favourable macroeconomic conditions, a well-functioning legal system and adequate financial markets and institutions to incentivize private sector and enterprise development.

Furthermore, there must be political will in support of the programme to address the inevitable severe resistance from bureaucrats, civil societies, effected elites, and the general population. It is still the opinion of some analysts like Olaopa et al. (2009) that in most cases such as Nigeria deregulation of the petroleum sector should be implemented in phases to allow the state-owned enterprises to regain efficiency before considering full privatization. Deregulation, if implemented hurriedly might not achieve the desired intention, especially as public enterprises have at the same time been so inefficient and unattractive to wiling private investors. Some conditions must be met for deregulation to spur economic growth. Accordingly, sound economic policy requires good public institutions, good laws, and effective financial institutions—all of which require a vibrant judicial system[10] and capital markets for effectiveness. It also requires a good Securities and Exchange Commission (SEC) evidenced in countries such as the United States experience to ensure the protection of minority shareholder rights. Further, in what might seem trivialities, requirements for institutional infrastructure that make market economies work and the readiness governments to play a 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 near par or closer to their market-clearing levels (Gupta et al. 2000). The study notes that subsidy reform was typically undertaken in the context of macroeconomic adjustment with the intent to achieve fiscal savings consistent with stabilized prices and exchange rates.

According to the study, the reform of price subsidies would be expected to improve efficiency in allocation and promote economic growth all while with an awareness of resulting short-run socio-political adverse effects. The negative effects of reforms could be alleviated and eliminated by implementing the policy in phases or establishing what Gupta et al. (2000) refer to as social "safety nets". The study tries to provide conditions before subsidy withdrawal and plots a road-map for successful reform. However, the study does not quite address the divergence between subsidy withdrawal in oil-rich and non-oil rich societies.

Furthermore, Baig et al. (2007) focuses on the review of international experiences of deregulation on domestic petroleum products and the cancellation of price subsidies. He found that the following conditions have to 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 impacts on the poor (with at least some measures having immediate effect); making transparent and publicizing the costs and benefits of the present system of subsidies; identifying priority public expenditures that are better targeted at 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.

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

3.3 Critique 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 way in accordance with the rules of engagement of a state. It was soon discovered that the independent strategies of private industries do not constitute a coherent and collaborative effort required for economic stability of a new reform order. According to Amin, deregulation activities by their very nature create distortions and expose the critical vulnerabilities of globalization as a process. Egbu (2009) queries any rationale for deregulation in the oil sector and is critical of successive administrations—at least for the past twenty years—and makes a point of the duty to prioritize correcting prior wrongs in the petroleum sector. According to Egbu, oil continues to determine whatever reform is implemented by government. He wonders why little attention is directed towards resuscitating dying industries, fixing erratic electricity supply, constructing world-class hospitals with proper healthcare policies, creating a modern transport system, and investing in good roads.

Olaopa (2011, p. 2) notes that reform is required "to restore an organization when it has degraded from what it was originally designed to be". Therefore, reform should transform the government and reshape the responsibilities of the state in relation to its citizenry. Undertaking such a policy shift, the government must make conscious efforts at reducing the cost of running the state while prioritizing institutional and labour capacity. This did not happen in Nigeria in his view. Instead of empowering the most active part of the population, which constitutes the labour force, the reform circumvented this group in favour of the elite and foreign counterparts. He is highly 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. Complete removal of oil subsidies will result in a tilt of the general population towards unimaginable impoverishment, eventually triggering 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. These policy decisions reposition Nigeria and other similar states as subservient economies entirely dependent on foreign powers for survival. Efforts at economic reform in the guise of privatization and deregulation are particularly riddled with complexity and negativity. Nura (2003) claims against the presence of a clear divergence between the business class and the ruling class in Nigeria. The capitalist class who invest in the economy as a result of liberalization policy is the same as the people occupying the most lucrative political positions and high ranking public officials. This creates a multidimensional problem by transforming public monopoly into private monopoly. Within this school of thought, realization grew that MNCs conspire with the political elites to dominate and monopolize investment in key areas of the economy such as the banking, oil, communication, and energy sectors that were hitherto liberalized. Here, the domineering posture of the MNCs is an impediment to popular participation and a distortion of an LDCs political economy.

3.4 Conclusion

Deregulation policy is one of the mechanism devised by global capitalist powers—through the IFIs—for opening-up the economies of developing world to global capital. It is part of the liberalization packages exported to countries struggling to respond to the economic aspirations of the citizens and the fiscal imbalances of states. The major intent of advocating liberalization was to dismantle the regulatory power of the state over the market and allow the unfettering forces of the market to determine the supply, demand, and price of products. Deregulation is one of the end results of the integration of Nigeria into the global economic order. Deregulation offers diverse appeals for accelerated development of the economy. However, the chapter exposes the difficulties encountered in the attempt to implement deregulation policy in an oil-rich country like Nigeria. This highlights the criticism associated with deregulation policy.

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CHAPTER 4

The Quest for Development: Theoretical Discourse

4.1 Introduction

Developmental theories 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 are traditionally used to explain Africa's socio-economic crises: (1) the modernization theory; and (2) radical political economy perspectives (dependency theory and dependent development). This chapter acknowledges the assumptions of modernization theory but utilizes radical political economy perspectives and the "New Public Management Theory" to analyze Nigeria's development dilemma in converting its oil resources to wealth. While the modernization school adopts prescriptive and evolutionary analyses to tackle the economic crisis of developing countries, radical political economy theories locate the root cause of underdevelopment in imperialism, colonialism, and neo-imperialism.[1] The New Public Management theory takes a different approach, arguing for a managerial approach for public administration in developing countries like Nigeria. Each theory applies in different ways towards evaluating the factors responsible for state failure

[1] According to Rodney (1973, p. 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."

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_4

and institutional weaknesses. More importantly, these theories offer different perspectives on the consistent challenges of the Nigerian state to convert oil resources into improved livelihoods for its citizenry.

4.2 Modernization Theory

Some historians trace the intellectual lineage of modernization theory to Aristotle, who first conceptualized the belief that states follow a natural pattern of growth. The assumption was that societies were ruled by certain universal economic laws, passing through recognizable stages along the path, tailored towards a common historical route (Cullather n.d.). Cullather refers to philosophers like Jean-Baptiste Say, Auguste Comte, and John Stuart Mills who opine that societies pass through uninterrupted stages—from savagery to barbarism before finally reaching the developed stage likened to industrial Europe. The end destination, termed "convergence" by developmental economists, is the increased plateau of industrialism and consumerism prevalent in the urban societies of North America and Europe (Cullather n.d.).

This process of development is natural and could only be accelerated through contact with the industrialized societies in Northern America and Western Europe. The classical political economists maintain that colonialism presented an avenue for this contact (Larrain 1989, p. 23). Accordingly, this is regarded as the only practical way of breaking pattern of stagnation of the developing countries existing for a millennium and integrating them on to the road of progress and development. From this perspective—above Nigeria's post-1960 de-colonialization—SAP policies integrating the country's economy into that of the capitalist industrial countries should have triggered 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, p. 44) traces the origin of the modernization theory to the classical evolutionary conception of social change intellectually rooted in the European evolutionists of the eighteenth and nineteenth centuries, including the works of Hebert Spencer and Emile Durkheim. These evolutionists tried to explain the transformation from a pre-industrial to industrial society, implying advancement and improvement through change. Durkheim was more focused on how modern, industrial societies could be bound together in an increasingly individualistic world (Durkheim 1982).

The main focus of the modernization theory was its insistence on internal contradictions as a lens to understanding Third World underdevelopment. This line of thought insisted 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 structures which are somehow historically connected by means of a continuous evolutionary process which follows certain general laws.* (Larrain 1989, p. 86)

The thirst for advancement is a means 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 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 disempowerment have furthered the economic crisis in Nigeria and other developing countries that promote gender inequality (Uzodike and Onapajo 2013).

Walt Whitman Rostow (1960) argues for a "conditional" development and prescribes stages of economic growth—ranging from traditional society to the age of high mass consumption—which would in turn 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. He highlights the following stages: traditional society; preconditions for take-off; take-off; road to maturity; and the age of high consumption (Larrain 1989, p. 96). Deutsch identifies social mobilization[2] as a condition for development and suggests the existence of two stages: breaking from the old (traditional); and forming stable new

[2] He means 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.

patterns (modern). The theory assumes 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 the growth of democracy. The theory justifies imperialism, colonialism, and liberal democracy while attempting to divert Africa's attention from placing the cause of Nigeria's development dilemma in external manipulations. Rather, internally generated impediments to development—corruption, bad leadership, cultural affinity, un-industrialization, dictatorship—are responsible for the economic despair.

The Nigerian state has been notorious for corruption, noted for distorted federalism and fiscal crises, and characterized as "large government"[3] under dictatorial regimes for the larger part of its statehood. The state is driven by weak public institutions and inept political leadership as an explanation for its underdeveloped status (Yaqub 2003; Suberu and Diamond 2003; Yahaya 2004). The modernization school of thought would be quick to highlight these internal traits as the sole determinants of Nigeria's socio-political and economic problems.

4.3 Dependency Theory

Prior to the emergence of dependency theory, the Annales school of thought and the *Longue Duree* analytical tool had dislodged the assumptions of the modernization school by emphasizing that phenomena do not repeat themselves. Therefore, the coercive advocacy to globalize Westernization and the European social, economic, and political system was 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 studied social phenomena (Tomich 2008). Expanding on this, dependency theory emerged in response to the attempt by the earlier modernization theory to explain the underdevelopment of the Third World while justifying the continued progress in the development of the advanced capitalist powers.

[3] Nigeria, like other developing countries, has been condemned by proponents of modernization theory for operating a "large government" which is in contradiction 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 businesses to thrive.

Dependency theorists vehemently criticize the modernization theory for conflating European modernity with development elsewhere without considering the socio-political history of developing states 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 1990; Rodney 1973; Ake 1981, 1996; Nabudere 2000). Chua (2002) notes that the history of socio-economic and political development in advanced societies is different from that which had occurred in developing states. The modernization theory has also been seen as promoting the security of the United States, prioritizing modernization without developing countries opting for communism, or joining the socialist bloc.

The theory digs deeper 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, signaled the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation.* (cited in Larrain 1989, p. 45)

The condition of backwardness in the Third World arises from insubordination of poor countries to the development of the present wealthy capitalist countries (Smith 2003). The effect of colonialism and continued neo-colonialism, which the modernization schools ignored, relegated these societies to an impoverished status. Smith insists that the circumstances under which the Western societies developed no longer exist and cannot be replicated. He cites Frank's conclusion that "the now developed countries were never *under*developed, though they might have been *un*developed" (cited in Smith 2003, p. 89). From a similar viewpoint, Amin (1990, p. 150) maintains that, "for colonialization wrought inequalities of economic development considerably more reprehensible than in the past, difficult to reverse except by recourse to a diametrically opposite perspective to that of the expansion of the world capitalist system from its outset".

Dependency theory was rooted in the crisis of U.S. liberalism in the late 1960s, 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, an end game associated with the dominance of monopolies, dominance of finance capital, the export of capital rather than the export of commodities, the formation of international monopolies, and the partition of the world among the imperial powers (Roxborough 1979, p. 56). Imperialism as a mode of relationship was seen 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, p. 57). This school of thought argues that imperialism was the softening up process designed by the industrial powers and international capitalistic interests to facilitate colonialism. It was soon discovered that a direct or indirect political authority was 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, p. 88) agrees that the natural of the relationship between the subservient Third World economies and the capitalist countries was never directed at development, rather to under-develop these societies. He criticizes international trade as an avenue for exploitation in which the chain of economic surplus—or what Marx called *surplus value*—is 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. Dependency theory, beyond a theoretical construct, is therefore 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 and 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 perspective 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.

The process of exploiting and under-developing LDCs is "fueled and oiled" by the international financial system, including a pointed accusation of the IMF in promoting "export-led growth" in developing countries (Larrain 1989, p. 120). Export-oriented growth was intended to increase 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 towards the industrial need of developed countries (Ake 1981). The advocates for 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 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, p. 5).

From this perspective, the existing international economic order creates economies that are positively and actively underdeveloped by advanced capitalist economies. Therefore, "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, p. 77). This might have inspired Roxborough (1979) to write about endogenous (internal) and exogenous (external) factors, and that exogenous greatly influence the endogenous factors. For instance, reforms in the advanced countries are dynamic and follow a gradual institutional transition. However, this does not occur in the developing countries due to the fact that reforms are mostly motivated by exogenous factors without any serious consideration for the institutional, socio-economic and political environment which will nurture these initiatives (Olaopa 2011, p. 199).

Dependency theory perceives a single global economy with unequal development for its constituent parts. Its basic hypothesis is that development and underdevelopment are partial, interdependent structures of a single global system. The poor states operating in the periphery of the global economy are 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. The simple analogy is this: the industrial countries rely on the consumption power of developing world for wealth generation and industrial growth. This is a core condition for the realization of globalization. In addition, the theory indicates that the position of LDCs in the international division of labour facilitates economic crisis in the periphery, as well as political instability and authoritarianism (Stone 2007).

Developed countries benefited by selling cheap, capital-intensive consumable products for high prices. Peripheral countries, on the other hand, sold the means of production to the core at very low prices and imported finished products from the core. This was based on the notion that since there would always be a demand for consumables richer countries would be assured of 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. 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, p. 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, p. 63)

The massive weight of foreign capital places 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 power and influence flows (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, p. 59) predicts a redress with the intervention of a massive state. Ironically, globalization has consistently eroded states' sovereignty and weakened the existence of such massive states. Roxborough tries to differentiate between what Dos Santos referred to as dependency by relationship and dependency by structural imbalances. He feels attempts 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 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 1979, p. 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. In practical terms, the economy of the periphery was greatly disarticulated by the impact of imperialism, while its various sectors were integrated with that of the core states. This has a greater negative impact in resource-exporting developing states like Nigeria. The development of capitalism to that higher stage of replacing exportation of goods and services with capital investment by MNCs portrays *globalization as the highest stage of imperialism*. What seems practical, more importantly given cracks in the assumptions of globalization, remain stop-gap reforms or adjustments of the prevailing global economic order.

Aligning with Smith's (2003) submission, it is difficult to dispute that the dependency paradigm reveals that required economic reforms in developing countries are less likely to succeed without a drastic restructuring of the way underdeveloped societies are integrated with the capitalist powers. A "revolution" and "delinking" are the only solution, according to the proponents of the dependency orientation. Such a possibility might have been probable but for the creation of a petty-bourgeoisie and contemporary waves of globalization. All hopes for a revolution were laid to rest with the establishment of pacifying "reform regimes" and the aggressive subjugation of every other variable under the expanding exportation of capital across the globe.

Neo-Marxism seeks to explain the contradiction where the very classes of people that are being exploited grow to cherish and covet the capitalist system. This is because their values are manipulated and shaped through western education and the media—by the capitalists themselves. Smith surprisingly notes that the most direct objects of exploitation (the working class, otherwise called proletariat) learn to love capitalism itself as many evolve into the petty-bourgeoisie. The owners of capital impress on the minds of the working class that they can rise to the top and enjoy a capitalist life even as capitalism restrains their ascendancy into the bourgeoisie class.

As sound as dependency theory appears, it has been riddled with divergent flaws. The first notable flaw was generalizing the social, political and economic realities of 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 categorized as highly important), its geographical location and strategic importance to world powers are all factors that condition development. The dependency schools of thought have neglected this important consideration.

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

The radical political economy perspective offers 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 Larrain (1989, p. 120) is a total rejection of the current global economic order by "delinking" and the possibility of an internal socialist revolution as witnessed in Angola, Vietnam and Nicaragua. The other option is an acceptance model that leads to export-led growth by the newly industrializing states (e.g. Brazil, Taiwan, Vietnam, and Hong Kong). Dependency theorists accept the first model. Proponents of dependent development perspectives reject this notion of "delinking" and embrace the second model focused on "export-led growth" supported development as the most assured road-map within the realities of globalization.

4.4 Dependent Development Theory

There has been a shift in scholarly exposition on the problems facing Africa, which was influenced by the inadequacies of the dependency theory to explain some traces of development in former colonies. This led to the emergence of dependent development theory, a variant of the radical political economy theory. I utilize the dependent development theory to proffer an understanding to Nigeria's quest for development and the steps required for the attainment of such development within the framework of globalization. Dependent development theorists agree with some propositions presented by the modernization theory. One such proposition is that African underdevelopment should be understood in the context of inept leadership, unproductive socio-economic policies and bad governance. They concur with the exploitative nature of the integration of developed and underdeveloped economies, but affirm that the crucial role of internal relations of production cannot be easily dismissed.

Cardoso and Faletto explain the differences in the mode, nature and structure of dependency of developing 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.* (cited in Larrain 1989, p. 160)

The main assertion of the theory is that development is feasible despite the realities of dependency, as many countries formerly located in the periphery have advanced into semi-periphery through a drastic adjustment in their political economy (Clapham 2002, p. 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). At the same time, the ability of states to develop in the globalized world was dependent on the location of such states. For instance, Brazil was close to the "cover" of the United States and the "Asian Miracles" close to China or Japan. The case of Nigeria was different. The majority of African states like Nigeria were outside the sphere of Cold War politics. Neither was there an emergent world power on the continent during the ideological hostilities that characterized the Cold War era.

The Cold War ideological conflict between the U.S.-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 economy"[4] created in the region and sponsored by the United States. 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 dependency orientations like Ake (1981), the absolute rejection of such a view ignored the differing nature of politics and character of political elites between Asia and Africa.

These Asian states imitated the technology of the United States and were left unrestricted to explore markets to sell their products due to their support for capitalism against communism. Those dependent economies reduced their levels of dependency by flexing their bargaining strength against the industrial nations who were cognizant of the fact that Asia was a fertile ground for markets. They exploited opportunities presented by demand for their primary products in advanced capitalist countries. These societies maximized these 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. Governments in these countries became

[4] 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.

extremely authoritarian, taking the lead in the development strides of the state at the expense of the notion of limited government and the withdrawal of government from the business sector.

Although the "Cold War politics" explanation does not hold water in states such as Brazil and Thailand, the political economy realities in South Korea and Taiwan could be explained as a fallout of Cold War hostilities between the West and the East. As plausible as the argument of dependent development sounds in relation to opportunities for Nigerian development as an oil-rich state, it needs to be understood that Africa in general was at a disadvantage due to its location both outside Cold War politics and because the state was denied the massive movement of capital that benefited those emerging markets (Olayode 2005).

The state's role should be restricted to that of maintaining law and order as well as coordinating the growth of a dynamic, effectively regulated private sector to address some limitations in the market (Interviewee Number Three, August 2013). In Nigeria, the state's ability to participate not just as an investor but as regulator of the private sector is greatly constrained by global economic ideology. An adherence to the global push for liberal ideology prompted the Nigerian government to initiate the process of deregulation of the downstream oil sector without the creation of an effective regulatory body. The importance of an ultimate regulator was 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 the processes of economic liberalization, achieved unprecedented growth in their economies and employed other socio-economic policy mechanisms to expand foreign direct investment (FDI) and record higher economic growth and development (Akinboye 2008). These include: developing a very strong production base; opening up new investment areas and expanding existing ones; and initiating and implementing effective macro-economic policies. These states were able to create an investment-friendly climate and a stable political and economic environment to attract foreign capital, while maintaining sufficient control to align investment with the developmental agenda.

In many of these newly developed countries in East Asia and Latin America, the states evolved into transitional states which triggered a period of consolidation in 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

(Larraine 1989, p. 169). The private sector grew tremendously, while the state led in the creation of basic industry and infrastructure and in protecting the new local industries (by growth-incentive policies) to engage in mass production. This kind of bold stride by the state requires a strong political will and the determination of the ruling elite to limit the domineering powers of foreign capital and investment; this 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). This theory explains the East Asian development miracle. The developmental state refers not only to collective economic and human development but also describes the essential role of a state in harnessing national resources and directing incentives through good public policy. The theory rose to prominence following Chalmers Johnson's account of the factors that conditioned the public institutions which oversaw Japan's industrial policy as a Weberian ideal type of an interventionist state that joined private ownership with state guidance (Woo-Cummings 1999).

Nation-states in the region played very strong and decisive roles in the development of countries like Hong Kong, Singapore, Korea and Taiwan. These countries abandoned neoliberalism and embraced attributes of *state developmentalism* such as 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. The most important condition for the success of this economic model is nationalism; hence, *state developmentalism* in its entirety is bound to fail in an ethnicity-driven state like Nigeria. 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, p. 106)

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 and 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, p. 106)

The reckless manner in which state capacity was eroded in Nigeria during the structural adjustment years (Umeruzike 2004), as well as 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, p. 28). According to Osagiede Oronsaye,[5] a developmental state is geared towards delivering the dividends of democracy through the amelioration of impoverishment and maximization of institutional capacity of the public sector, which is contingent upon the availability of highly skilled and visionary public servants (cited in Olaopa 2011, p. viii). Oronsaye further posits that the bureaucracy, under a development state, is people-oriented based on meritocracy, founded on macro-economic framework and equipped with sound management of public finance. This is what the Nigerian state lacks: sound management of its resources and national finance. 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, p. 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

[5] Stephen Osagiede Oronsaye was a former Head of the Civil Service of the Nigerian Federation.

internationalization of imperialism has ascribed a new position of power to states from which to negotiate with the MNCs and foreign investors. If conventional dependence was associated with weak states, dependent development is correlated 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 the state power of underdeveloped states through limited government.

Smith, from a similar perspective, 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, p. 278)

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

Evidently, the Nigerian state has been weakened and is unable to play an effective role in the economic space due to the collapse of capacity through weak leadership, corruption and unguided ideology. These contradictions have hindered the state from taking an effective role like the Korean experience, or the role government played in Taiwan and China in the early 1960s (Robert 2010; Quadri 2008). The Asian Tigers did not develop through economic or industrial "plagiarism"; their development resulted from many factors of which authoritarianism played a decisive role at a critical point in their developmental process (Interviewee Number Three, August 2013). The respondent however noted that the full explanation of Asian development cannot be exclusively attributed to authoritarianism. Other elements played a major role in support of the region's rapid development—namely strong leadership, nationalist-informed citizens and national discipline. Furthermore:

> *The emergence of a strong individual is important for societal transformation and rapid implementation of developmental programmes as is revealed from ancient history to contemporary history of the Asian Tigers. Such leaders tap*

into 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 was also the recognition of other factors in the global political configuration prevalent during the period when those states embarked on an 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 United States propelled a series of development programmes to prevent North Korea (under communism) to subdue South Korea. Therefore, some space was created for South Korea to develop. For instance, free access to the American market was a major incentive that helped the South Korean economy to develop. In the case of Taiwan, the fear of China subjecting the country to communism also influenced the West towards supporting the vibrancy of its economy and development of its industrial base.

State authoritarianism predominant within the Asian political sphere provided a strong rallying point for pushing though development initiatives. The political culture[6] of those societies was very different to the prevailing attitudes of Nigerians towards politics. Unlike in Nigeria and other places where democracy creates an enabling atmosphere for citizens to challenge authority, citizens in Asia were accustomed to a culture of instinctively obeying and supporting constituted authority (Markovik 2010; Almond and Verba 1963). In North Korea for instance, the state established and monitored North Korean Inc., a network of state trading companies linked to the Korean Workers' Party, the Cabinet and the Korean People's Army (Park 2009). In Japan, it was a strict collaboration between the private sector and a strong state which shaped the nature of developmental initiatives (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 was incompatible with authoritarianism (Interviewee Number Three, August 2013). This interviewee emphasized

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

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 Smith will definitely run into serious crisis due to market failures; a perfect market system is the only one that is immune 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 led finally 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 urgent necessity to regulate their economic system. The economic depression in the advanced capitalist countries between 2008–2010, like in the United Kingdom and the United States, speaks to the challenges of unregulated market. However, the economic shock absorber embedded in these states propelled economic growth as was witnessed in Britain.[7]

Ironically, Nigeria was 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 absence of governmental control. The decision to completely deregulate the distribution and marketing sectors of the oil industry was met with stiff resistance by the population who had enjoyed very low prices of petroleum products at the cost of large-scale fuel subsidies by successive governments. Nigerians believe in their right to enjoy low fuel prices by virtue of the large deposit of crude oil in the country and the associated oil-wealth (Social Action 2012, p. 5; Robert 2010). The government, for its part, lacks the vision, political will and capacity to initiate acceptable and sustainable reform in the oil sector.

[7] In 2014, the Gross Domestic Product (GDP) in Britain recorded an increase of 0.70 percent in the third quarter of 2014. For more information, see http://www.tradingeconomics.com/united-kingdom/gdp-growth

Nigeria requires 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, acting not just as a regulator but as an active participant (e.g. public-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. Nigeria could attain greater appreciable levels of economic development with serious public management, institutional efficiency, micro-economic discipline and well thought-out economic policy (cognizant of social realities) under a very strong and economically active state characterized by responsible leadership and political stability. Progress could be made despite the weight of globalization and the jettisoning of authoritarianism. This necessitates the utilization of the new public management (NPM) theory to address the quest for a policy shift in the oil sector in a bid to transfer the oil-wealth to national wealth under a management-oriented civil service.

4.5 New Public Management Theory

NPM theories 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 an 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, p. 2).

NPM pushes the state towards managerialism by incorporating management perspectives into the public sector, which manifests through the indoctrination of the culture of private enterprise in the public sphere, the incorporation of transparency, management perspectives and accountability into public businesses while the state assumes a developmental and prominent role in the economy. In Nigeria for example, the traditional model of organization and delivery of public services based on the principles of bureaucratic hierarchy, centralization and direct control is being replaced by a market-based public service management (Ayee 2005, p. 12; Larbi 1999, p. 12). The Nigerian state has repeatedly signified its intention to reform the public service to stem the tide of inefficiency, redundancy, ineffectiveness and mismanagement (Quadri 2008). In both developed and developing countries, government has the responsibility of managing public affairs. Public sector growth becomes inevitable to meet this responsibility amid development, 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, p. 40).

The Nigerian state was built on public administration inherited from the colonial powers, structured against involvement in economic activities. Though there were several 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 characterized by the Murtala/Obasanjo nationalization policies that saw the Nigerian state assuming ownership of many hitherto private investments and universities that had been under the control of regional or state governments. Hence, public administration began to expand in scope but inefficiency dominated its service delivery. Yahaya tries to provide the justification for the interventionist roles of states in the economy:

> *The dominant role 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, le3d to the dominance of the Keynesian macro-economic model as a policy option.* (Yahaya 1992, p. 5)

The attack on the "administrative state"[8] appeared with the heightened manifestation of the inefficiency and failure of the public bureaucracy to live up to the material and economic aspirations of the population towards service delivery. Many of the developing states, after indepen-

[8] An 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; 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 responsibility and ethical standards; and all the above requirements in at least a moderately developed and mutually supporting organization.

dence, imbibed the nature and character of an administrative state in place of management states applicable in 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). 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 had attained appreciable levels of development, and not when on the brink of instigating development initiatives. For instance, under Prime Minister Margaret Thatcher, the United Kingdom embarked on privatization from 1979 and throughout the 1980s. This coincided with "Reaganomics" in the United States.

Towards the end of the 1970s and through the 1980s, the failure of many states across the world and particularly in Africa drew responses—especially by the IFIs—towards redressing the institutional decay and public service ineffectiveness amid the incapacity of political institutions to instigate enduring development. 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, p. 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 had been lacking in Nigeria since the introduction of SAP. Nigerians have suffered from bad governance. Democratization has increased government's responsibilities to the people, but the output is still very far from meeting their expectations. Secondly, the public service is established to promote human development, another feat that has eluded Nigeria's bureaucracy.

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, the civil service "gladly" partners with foreign firms in the oil sector with the benefits accruing to personal affluence (through corruption) instead of the wealth of the state. The fourth is the creation of an impetus to exploit opportunities presented by the external environment (globalization). Unfortunately, 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. This is partly due to the inefficiency and failure of public institutions and personal aggrandizement of public officials (those elected, recruited or nominated) (Akinola 2014; Amundsen 2010).

Lastly, is the ability to explore the development of Information Communication Technology (ICT) for enhanced performance and improved sector management. 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 has been 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 bureaucracy like that of Nigeria. The Nigerian civil service could hardly 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 effective and pro-active reforms[9] of political institutions 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 behind the science of public administration neither adequately describe the character, structure and workings of the multiple levels of the public sector nor present clearer guidance for solutions to complex policy questions (cited in Quadri 2008, p. 42). Public management is required in states like Nigeria intending to accept the IMF/World Bank prescribed "limited government". The implementation of commercialization, 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 a mere oversight. Paradoxically, successive administrations were confused on the proper place of the bureaucracy in the developmental agenda of the Nigerian

[9] There have been a handful of reforms, but none has actually transformed the Nigeria's public service to conform to the demands of globalization and pressure of democratization.

state. Many public corporations have been privatized,[10] and some sectors have been deregulated, while others are undergoing "complex" deregulation similar to that witnessed in the downstream oil sector. Yet very few successes have been recorded.

4.6 Conclusion

Dependency theory attempts to locate the socio-economic crisis and developmental challenges of the Nigerian state in historical perspectives. This school of thought starts with the history of imperialism, colonialism and exploitation of the state by the core countries, and concludes that Nigeria can only develop, despite the rhetoric of reform, if they delink from the advanced capitalist countries. The dependent development paradigm exposes the inadequacy of dependency theory to explain the development of the Asian countries, and advances strong arguments for the possibility of the development of weak states, like Nigeria, within the global village. It also prescribes a way out of Nigeria's economic woes by relying on a strong and developed state with functional institutional frameworks, which has been lacking in a Nigerian state characterized by institutional weaknesses and government failures. The NPM tries to fill this void and provides an understanding about how certain Asian countries embarked on public management and policy transformation to facilitate the development of hitherto underdeveloped societies. Therefore, the book adopts critical analyses based on the utilization of dependency, dependent development and NPM theory as its theoretical frameworks.

Both dependency theory and dependent development theory are instrumental in the analysis of 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 negative impact of colonialism and imperialism on Nigeria's underdeveloped status helps to put into perspective its current socio-economic crisis. However, the dependent development viewpoint has downplayed the over-celebrated identification of global forces and external factors as mitigating factors in the underdevelopment of Nigeria by calling attention to how similar societies had "managed" to develop despite their dependency status.

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

The NPM theory proffers a practicable road map to development in Nigeria as well as a recognition of 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 in the oil sector. It is evident that the need for the Nigerian bureaucracy and its oil agencies to undergo a concerted reform effort remains a precondition for successful oil sector reforms and enduring economic development. More than a decade after the initiation of NEEDS and its accompanying doctrines of deregulation and privatization, there have been no concerted attempts to overhaul Nigerian political institutions with the capacity to successfully drive the management of the oil wealth and ensure fuel price stability (as well as fuel availability). It is therefore no surprise that the fuel of PMS has risen to N145 per litre in 2017. This was despite the initial reduction of the price of PMS from N95 to N85 per litre in 2016. The government insisted that the announcement of the fuel price reduction signified the end of fuel price fluctuation and the complete deregulation of the sector. More than a year after, the fuel price has risen and complete deregulation of the sector remains a mirage.

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CHAPTER 5

The Structure and Nature of the Nigerian State

5.1 Introduction

This chapter focuses on 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 puts into perspective those factors that have hindered the Nigerian state from effectively implementing oil sector reform. Apart from weak political leadership exemplified by the ruling elites, the structural composition of the state has also worked against accruing the dividends of democracy to the Nigerian citizenship. The nature of the state and the institutions through which legitimate power is exercised and enforced is germane to the study of politics in any state (Smith 2003, p. 108). There has been a recurrent and sustained argument that the Nigerian state, like its counterparts in Africa and other developing countries, under-performs due to lack of the state's capacity to deal with the contemporary complexities of governance.

The World Bank (1997) defines state capacity in terms of the competencies of government organizations and public officials and the efficacy of the policy process. State failure is concerned with the non-performance of sensitive state responsibilities. It has to do 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. The World Bank's approach to this definition aligns with Zartman's (cited in Clapham 2002) conceptualization of state collapse as

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_5

"a situation where the structure, authority (legitimate power), law, and political order have fallen apart". Yahaya 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.* (Yahaya 2004, p. 167)

The World Bank believes that capacity building is the missing link in Africa's developmental dilemma.

A functional state with a function government assume responsibilities towards its citizens and the population within its national borders. Here, the state apparatus is designed to provide good governance that guarantees transparency, positive operational control of government programmes to expand individuals' interests, a reduction in transaction costs, and efficient delivery of citizen centric public services (e.g. social programmes and risk management). The government of a democracy is accountable to the people in fulfilling its end of the social contract. Public officials (political office holders and civil servants) serve society and the population as the role models for—and protectors of—equality and freedom, and other associated human rights. Infrastructure development is another important role of the state in the construction of roads, postal and telecommunication networks, water systems and power generation. The state is also bound to fulfill other social welfare responsibilities (without undermining individuals' responsibilities in their respective homes). Ironically, the Nigerian state has found it difficult to live up to these expectations due to bad governance due in some measure to the influence of globalization—deeply rooted in colonialism.

5.2 Nigerian State and the Capacity Syndrome

The Nigerian state stands accused of incapacity in the effective discharge of its state responsibilities over what is now a good number of decades.. According to Akinola (2008, p. 54), the "petroleum-rich" and "oil-infested" Nigerian state—overwhelmed by political instability, high level of corruption, mass hostility from the "public" and poor macro-economic management—lacks the attributes of a functioning state. The history of African societies and nature of the African states determine and define relationships with the external world (Clapham 1996, p. 2). In Nigeria, like other African societies, socio-political history impacts shape a country's interactions with major world actors, including state and non-state actors. The socio-political history impacts the caliber of political elites, the mechanism by which they are created and the measure of influence by elites on these on external relations (Uzodike 1996, pp. 26–27; Yagboyaju 2009; Bayart 2009).

Successive governments in Nigeria reflect the status quo in many African states in the lack of political will to initiate or sustain policy or structural transformation, or to embark on sound economic reforms to re-position the state for greatness. Irrespective of the upsurge of globalization and the prospects for the "borderless state", the expectation is for states to take a decisive role in economic transformation, growth and development, and not just succumb to foreign pressures by adopting economic policies detrimental to the local population. The weakness of the Nigerian state and its ineffectiveness now makes it challenging to eradicate impoverishment, maintain public enterprises, engage in successful economic reform, monitor private investments and constrain the exploitative activities of MNCs within its geographical territory. The establishment of the state and evolution of its nationhood, quality of its leadership, its geographical location and the character of its followership has also made it challenging for the Nigerian state to respond to the expectations of the masses or manifest the attributes of a true state.

Clapham (2002) properly places the crisis of African state capacity[1] within a broader scenario. He adopts a historical approach—a history of colonialism—and posits that the origin of the state serves as a potential universal nerve-centre upon which the contemporary international system rests. From this perspective, it is important to pay particular attention to the inherent challenges of state maintenance in weak societies and offer probable explanations for state incapacity, especially during the era of globalization (Clapham 2002; Migdal 1988). Of greater concern is the 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 collapse[2] across Africa. The point of debate is rather to ascribe either of the two to Nigeria's situation.

[1] According to Paul C. Nutt (cited in Olaopa 2011, p. 53), "capacity sums up the resources available to an agency. It includes things like computers but, due to the labour-intensive nature of public services, stresses the current numbers and skill level of key people and the prospects of growing the agency's competence level. Capacity determines whether an agency can respond to the pressures for change-in effect, how far it can stretch."

[2] Rotberg (2013) defines a failed state as "a country with a government that cannot or will not deliver essential political goods (public services) to its citizens". The state could still exist

Truly, the Nigerian state exhibits traits that stand in between state collapse and state failure. However, the country is possibly best situated under state failure. The Nigerian state has been bartered and exploited economically, distorted socially, hit by the "resource curse"[3] and the "paradox of plenty", stunted technologically and industrially. 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 regards a low pumping price of oil as a "birth right" and entitlement. The Nigerian leadership does not see it that way, which reinforces the large gap between citizen expectations and the predisposition of the political elites who have held unto political power since the oil-boom epoch.

The Nigerian government has even failed to guarantee the security of a large section of the population. Militancy and insurrection have stood in the way of good governance during the last nine years. Scholars have described the abysmal performance of the Nigerian state in a great many ways. Mimiko (2009) notes that the state is characterized by a "micro-municipality" governance system while Hirst and Thompson (cited in Smith 2003, p. 128) assume a "municipal" role for such a state. Clapham (1996, p. 56) refers to a state that manifests these characteristics as a "monopoly state". Akinola (2009) captures it as a "petro-capitalist state". Yagboyaju refers to it as a "prebendal state".[4] In summary, Bayart attributes the African socio-political and economic situation to Africa's historical realities: a history of weak political leadership, corruption, conflicts and wars (Bayart 2009).

In the Nigerian context, the history of economic reform and its negative impact works against the acceptance of liberalization and deregulation policy. Based on the SAP experience in Nigeria, the majority are resistant

as a sovereign nation within the international community, but such a 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 but without a functioning governance, the absence of security or a single recognized constituted authority.

[3] Resource curse describes a country with abundant natural resources but which continues 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 abundant countries. For more understanding, see Ross (1999) and Fagbadebo and Akinola (2010).

[4] This was 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.

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 depression[5] and the global economic crisis from 2008-2011 (a crisis acclaimed for its roots in the contradictions of globalization) (Adamu 2009). Beyond from the economic jolt in the United States and the United Kingdom, the protests in Greece, Ukraine and Spain in 2013 lend credence to this claim.

There are two major ideological perspectives on understanding Nigeria's state capacity crisis. The first is the neo-liberalist's viewpoint, with strong orientation from the modernization standpoint, which attributes the incapacity of the state to endogenous factors (internal contradictions that explain state incapacitation in developing countries). The radical political economy perspective, founded on dependency theory, attributes state failure and collapse in the Third World to exogenous variables—external pressures to explain the state governance crisis. Many elites and social scientists from the third world have been obstinate about blaming global forces for the weaknesses 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).

5.3 Nigeria as a Corporate Entity

Nigeria is situated on the Gulf of Guinea in the West Africa sub-region with a land mass of 923,768 square kilometers (km^2), approximately two times the size of California.. The population of the country was recorded at 45.2 million people at independence in 1960, by far the most populous country in Africa with about two hundred and fifty ethnic groups. Population figures now stand at an estimated 191.95 million people as of August 2017 (World Population Review 2017). Nigeria has a large pool of

[5] The financial crisis, which had begun 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.

potential consumers and workers that is projected to increase dramatically over the next four decades (Oshikoya 2008). The population represents approximately two% of the world's total population, and is projected to more than double to a five% share by 2050. As the fastest growing population in the world, Nigeria is envisaged to reach 398 million inhabitants by 2050, which would place 3rd for most populated country in the world behind India and China (World Population Review 2017). Reports also indicate that Nigeria's 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.

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. British impacts from colonialism on the local population and cultures remain very significant in any discourse on the Nigerian political economy. By 1862, the British had 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 had used the Lagoon as an export outlet (Afigbo and Uya 2004). Nigerian historians reasoned otherwise perceiving an intent to protect British economic interests along the waterways form Ikorodu (in Lagos) to the Niger waterway in the northern region. The reason for the occupation of Lagos could either be located in the viewpoint of the British or perspective of Nigerian historians.

Nigeria was ceded to the colonial prowess of the British Empire as part of the partitioning of Africa during the infamous Berlin Conference under the chairmanship of German Chancellor Otto Von Bismarck (Onigbinde 2003, p. 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. Lord Lugard, the Governor representing the Queen of England, thereafter merged the Southern Protectorate and Northern Protectorate together in 1914 to create a single entity called Nigeria. Parts of Nigeria were administered differently through the policy of indirect rule.[6] The southern population had more interaction with the British and other foreigners due to the coastal economy. They had adopted Western education, started speaking the English

[6] 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.

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 had recognized the danger of practically merging the two protectorates together, especially due to their wide gap in enlightenment, educational standards 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:

> *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 Awolowo[7] to call Nigeria a mere geographical expression (Interviewee Number Eight, July 2013). The foundation for Nigerian Federalism was laid at the Ibadan General Conference of 1950, which recommended a bicameralism parliamentary system of government modeled on the British prime-ministerial system. 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:

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

Lagos[8] was separated from the Western Region and the Federal Government of Nigeria was established comprising the Northern, Western and Eastern Regions. A Governor-General headed the central government, while three premiers and Regional Governors administered the regions. Northern Nigeria was bigger than the combination of the Eastern and Western regions, which worked against the tenets of successful federation. Mill (1861) refers to such an arrangement as a federal imbalance and an aberration to an effective federation. It follows that the British laid down the foundation of Nigeria's nationhood crisis and political instability as 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 jealously 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 the different ethnic nationalities that made up the federation. At independence, Nigeria's government was comprised of a coalition of Northern Region dominated parties: the Nigerian People's Congress (NPC)[9] led by Tafawa Balewa and the Christian-dominated National Council of Nigeria and the Cameroons (NCNC) led by Nnamdi Azikiwe. Azikiwe later became the first Governor-General of an independent Nigeria in 1960. The Western Region dominated Action Group (AG) led by Obafemi Awolowo emerged as the opposition at the centre. The three political parties were strongly ethnic based and each controlled government at the regional level.

[8] Lagos was the capital of Nigeria. The city was also the economic hub-nub of the country. Abuja is presently the headquarters of Nigeria.

[9] 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 Nigeria: 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.

While Nigeria had retained its federation[10] 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, p. 160). The three regions (Northern, Western and Eastern), created along ethnic divides and inherited at independence, were extended to four regions through the creation of the Mid-Western region in 1967. This is what Duchacek called "polytechnic" state formation—the description of a federal system where the constituent territorial units "coincide with … ethnic, tribal, or linguistic boundaries" (Sklar 2004, p. 3). Most of the states created were along those lines. Many communities continued to press for more autonomy based on ethnic affiliation rather than economic viability. The attempt to demystify and divide the big federation[11] into smaller units since independence resulted in a reduction in the strength and financial buoyancy of the second tiers of government. Weakened second tier governments began to reflect greater financial dependence on the federal government and an inability to function effectively as agents of development. This strengthened the dominance of the central authority over the States.

Political maneuvering[12] 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—before a final increase to 36 states in 1996. The creation was an absolute prerogative of the government at the centre. Despite the apparent centralization of power at the centre, the need for an effective federation and efforts to

[10] 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, p. 3).

[11] Nigeria is the world's largest federation, after the United States, Brazil and Russia.

[12] 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

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 et al. (2004) acknowledges the small 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 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, p. 160)

Therefore, major challenges to democracy and good governance result from the failure in the practice of a Nigerian version of federalism. Hence, if Nigerian nationhood is not renegotiated, including an overhaul of the nature and structure of federal arrangements, and the negative influence of ethnicity is not addressed, good governance will be problematic. Without these measures, 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 as belonging to the same entity or having initiated any process to achieve such a goal. Since the 1946 Richards Constitution that provided the basis for Nigeria's federalism, the multiethnic groupings[13] 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 hostility with devastating and disruptive consequences. The case of the Biafran war of 1967 is a case in point. Babangida (2002, p. 11) enumerates such consequences as a "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 Nigeria lies in the fact that, as a unifying force, democracy is presumed to be the "only institutional arrangement that can guarantee the peaceful resolution or management of ethnic and religious conflicts" (Olayode 2007, p. 134). This aligns with the proposition of democratic peace theory that stresses that democracy is characterized by the presence of internal mechanisms for reconciling conflicts. Democratic peace theory has not at times seemed to work in the case of Nigeria, particularly in the initial years following the return to a democratic regime in 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*

[13] 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.

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, p. 107)

Nigeria continues to be characterized by enduring socio-political instability and associated political challenges generated by ethnic cleavages and violent conflicts. There were incidences of communal clashes between ethnic groups (e.g. Ife/Modakeke violence, Yoruba/Hausa violent conflicts, and Warri ethnic violent confrontation, and the resurgence of the Biafran separatist movement)—not to delve into the Niger Delta militancy that is clothed in ethnicity and 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, p. 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 2004)

Yaqub (2004, p. 49) shares the above assertion and notes that the ethnic politics that predominated in the First Republic and the consequent regionalization of political life meant that 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). 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. In short, ethnicity has constituted the hard currency for purchasing political power in the country (Adebanwi 2004). Ihonvbere (2004, p. 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 Nigeria (Rakov 1990). The other (over 250 ethnic minority groups) had failed—at independence—to develop their linguistic system. They had 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. As of 1990, these three major affiliations comprised about 57% of the entire population of Nigeria, while the other ethnic minority groups made up the remaining 43% (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, p. 106). 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 its state creates more space for ethnic competition. This serves to further strain the state and limits its capacity to be a rational rallying point for group interests and pressures.

5.4 The System and Structure of Government

In this segment, I present the flow of power within the executive branch of government and explore the appointment process of officials for different ministries, as well as set out the relationship between the legislative and executive branches of government. A brief explanation of the structural arrangements embedded in the Nigerian federal system is important, especially the manifestation of excessive power by the President. Former President Jonathan Goodluck brought the structural arrangements of the federal system into the fore when he rejected a National Assembly proposed solution in January 2012 to reverse the announcement of complete deregulation and removal of fuel subsidies. The Federal Government of Nigeria governs the Federal Republic of Nigeria in accordance with the provisions of the Constitution (Obasi 2005). The most recent constitution had come into force 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 was 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 Provisional Ruling Council as the military government's highest body. The Constitution clearly affirms that Nigeria remains one indivisible and indissoluble sovereign state, whose constituent parts are knitted together by a federal arrangement.

The 1999 constitution remains one of the greatest challenges to Nigeria's development. It was not a "peoples" constitution, neither drafted by the people nor submitted for their approval. There were valid claims by prominent Nigerians and the masses of manipulated by the military government to suit the wishes of the very military elites responsible for the drafting and approval process (Interviewee Number Three, August 2013). Ihonvbere (2004, p. 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".[14]

At independence in 1960, Nigeria had retained a federal and parliamentary system of government but soon abandoned the British-inspired Westminster model and embraced a constitutional-prescribed presidential system modeled after the United States (in continuation with the 1979 power arrangement). The executive functions of the Prime Minister and President under the 1960 arrangement now vest in an Executive President, an individual 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) gives support. The Constitution does not include provisions for the functions and responsibilities of the Vice President. Instead, these functions depend on the disposition of the President—demonstrating the power of the President under the constitution. The President's ability under the constitution to wield tremendous power and authority was

[14] 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.

enshrined in the context of years-long military rule, and the mindset of the military who drafted the 1979 and 1999 constitution that ushered in democratic governance.

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 (Constitution of the Federal Republic of Nigeria 1999[15]). These tiers of government in principle are autonomous, but successive central governments in Nigeria have dominated the state tier that, in turn, relegated the local government to the background (Khalil and Salihu 2011, p. 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.

The constitution provides for a bicameral legislature[16] designed as two houses of parliament: the House of Representatives and the Senate modelled after the legislative system in the United States. Both the Senate and House of Representatives can check the president's authority, while the President has the power to 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.[17]

The president surrounds himself with Ministers[18] who coordinate government activities, implement projects and align the ministry to the aspira-

[15] See Chap. 1, Part II of the Constitution.

[16] The legislature is otherwise called the National Assembly.

[17] 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 order of ranking. If the president is impeached or removed from power before the expiry of his tenure, the vice-president would automatically assume office. Next in line is the Senate president, followed by the Speaker of the House of Representatives.

[18] These are political appointees handpicked by the president to head all the Ministries (called Departments in other countries like South Africa). There is a Minister of State who

tion of the government in power. Despite the ability to appoint ministers based on Presidential judgment, the Nigerian experience has suffered from visionless decisions in this regard. Appointments were expected based on excellence, knowledge and expertise but—aside those appointments made to satisfy the overbearing influence of the ruling political parties—the process devolved into an avenue to compensate friends and[19] families. Loyalties to the "cause"[20] of the president or that of the ruling parties also plays a role. In many instances, "political thugs",[21] mediocre leaders and semi-illiterates have found themselves heading important ministries like the Ministry of Education, Ministry of Foreign Affairs and even the Ministry of Information (Fabiyi 2014).[22] Non-performance of the government was attributable to the inexperience of political appointees heading sensitive positions in the executive arm of government (Interviewee Number Six, July 2013).

This section sheds light upon some of the factors responsible for poor government performance in Nigeria. The President enjoys too much power, notably the power to withhold his assent to bills passed by parliament—the subject of repeated abuse. For instance, former President Jonathan placed the passage of the Petroleum Industry Bill (PIB), now renamed the Petroleum Industry Governance Bill (PIGB), on hold because he was allegedly not keen on its passage into law. The much awaited opportunity to pass the PIGB bill into law was ignored in January 2012. A member of the Senate revealed that the rigours of the February

assists the Ministers in the exercise of their responsibilities in their respective departments. The civil service is all under different Ministers for easy administration.

[19] The former 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.

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

[21] 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 have even disrupted election process to manipulate votes for their own candidates; see Fagbadebo and Akinola (2010, p. 11).

[22] Fabiyi (2014) reports how the former Minister of Education, Mr. Wike, had led some groups of people to mercilessly beat up his opponent during the 2015 gubernatorial election process in Rivers State, Nigeria.

14 general election and lack of funding for Parliamentary affairs impeded its passage (Folasade-Koyi 2013). The PIGB was ultimately passed into law on May 25, 2017. Also, the power of the President to appoint 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 announce arbitrary increases in the prices of petroleum products without any respect for the wishes of the people or considering the adverse effect on their livelihood.

5.5 Fiscal Federalism

Oil discovery and the subsequent expansion of the petroleum industry and dependence on oil resources has produced fundamental changes in the structural configuration and fiscal architecture of the 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. Cases of oil-related threats to Nigeria's democratic and corporate survival abound; from the "Adaka Boro"[23] armed insurrection of the early 1960s to the "Biafran war"; and from the "Saro Wiwa"[24] geo-political crisis to the "Niger Delta militancy".

The enormous contribution of "oil" to the political economy of Nigeria shortly after independence remains undisputed. 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, rising sharply after the 1970s (oil revenues constituted 26% of federally generated revenues in 1970; 81% in 1980; 73.3% in 1990; 83.5% in 2000; and 79% in 2007). The Ministry of Budget and National Planning (2017) maintains that the country presently derives 95% of export revenue and

[23] 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, p. 13).

[24] Ken Saro Wiwa, a playright 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.

70% of government earnings from the oil sector. This 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. Adedeji 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 2001, 14)

Olaopa et al. (2009) engages in a comprehensive account of economic inter-governmental relations and places the vexed issue in a 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 Reportedly prescribed a 50% derivation, 30% to the regions, and 20% to the federal administration. This fiscal autonomy and stability triggered 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, p. 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 premiers[25] of the Northern Region

[25] The premier is the executive head of a Province. The office is the equivalent to that of a Governor in the present Nigerian arrangement.

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 need.[26] 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, p. 10)

However, the Binn Commission in 1964 had reduced the allocation to the federal government to 15%, and increased that of the regions by 5%, which made it 35% at the time. All parties concerned accepted this payment structure.[27] The fiscal order remained until the military coup of July 1966 when in the decades that followed they 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 now appropriates about 80% of oil revenue. This anomaly was considered one of the major contradictions 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*

[26] 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.

[27] See Olaopa et al. (2009) for more understanding of the pre and post-independence fiscal federalism in Nigeria.

> *longstanding and enduring features of this pathological structure of fiscal federalism*. (Suberu 2004, p. 33)

Olaopa et al. (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 by 5% (this was in a period marked by increased oil revenue). The Murtala/Obasanjo (1976–1979) regime followed suit, and further made further reductions by 20% on the same basis. 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% (Olaopa et al. 2009, p. 226). At this point, the share of derivation revenue sent to the states fell from 50% at independence to 5%. It further dropped to 1.5% at the exit of the Buhari/Idiagbon military regime of 1984–85. Although re-democratization in 1999 raised expectations towards a more equitable fiscal sharing formula, Sections 162 (1) and 163 (3) of the 1999 Nigerian Constitution made the Federal Government the sole custodian of all revenue accruing from national mineral resources (e.g. bonuses, royalties, and rents) on behalf of the 36 states, 774 local government areas and the federal capital territory of Abuja.

These two sections of the Constitution also made it compulsory for all revenues accrued to Nigeria to be transferred into the federation account, which would thereafter be distributed among the three levels of administration. 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 keeps of all revenues in custody (Iledare and Suberu 2010, p. 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.*

By 2010, the revenue sharing formula was reapportioned in the proportions of 48.50% to the central federal government, 26.72% to states, 20.60% to the local government administrations and 4.18% to centrally-control special allocations (Iledare and Suberu 2010, p. 9). In addition, the constitution entrenches a minimum 13% derivation payable to the nine states that make 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% of the gross oil production) while the states of Abia, Imo, and Ondo contributed the remaining 8.5% of oil production in 2008.

Despite the 13% additional income received by the Niger Delta oil producing states, these communities also experienced conditions of absolute poverty, underdevelopment, hopelessness, youth restlessness, unemployment, exploitation, environmental degradation and gas flaring. 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. Calls persisted for the expansion of the 13% excess allocation to between 25 and 50%, demands that increased in the post-1999 democratic era. At the same time, the distribution of gross revenue allocation shows that the oil producing states had received more than 50% of the total federal allocation for the 36 states in 2008, even though the Niger Delta region accounts for about 22.3% of the population (Iledare and Suberu 2010).

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 governments. The Niger Delta and other states have accused the federal government of making illegal deductions from the federations account before sharing the "left-over" between other levels of government. Ekpo (2007, p. 230) calls attention to the Supreme Court rulings,[28] invalidating such deductions. However, the federal gov-

[28] Lagos State created additional local governments as a response to the yearnings of the people, but the President Olusegun Obasanjo-led federal government railed against it (calling 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". Nigeria's highest court thereby ordered the federal government to immedi-

ernment disregarded the ruling and carried on with 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 allocations to Lagos State for several months due to what the federal government called the "illegal" creation of the Local Government Council by the state of Lagos. Lagos took the federal government to court seeking permission to exercise its right and autonomy, 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 into compliance, having recognized the financial dependence of states on the central government. Lagos State managed to attain funding in the interim. Only Lagos, and perhaps, the state of Rivers could survive for a few months without receiving allocation from the central government. This exposes the fiscal imbalance and the inability of states to generate internal revenue, which makes the states 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 People Democratic Party (PDP) in Ekiti state—had advised the people to joining the mainstream of the nation's politics and reaping the dividends of democracy. 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. The President did not visit Ekiti State throughout his tenure and further did not initiate any developmental projects in the state. The economic hypercentralization of the federation is evident when one considers that the state and local governments earn about 20% of the total federation public revenues, central fiscal transfers account for about 80% of sub national budgets and the central government allocates more than half—sometimes up to two-thirds—of states' total expenditure (Suberu 2004, p. 4). It was really an awkward fiscal relationship.

ately release all "allocation due and payable to the Lagos State Government for the benefit of Local Government Councils pursuant to Section162(5) of the Constitution" (Osipitan 2004).

This section reveals how Presidents use the central government's fiscal dominance to sometimes coerce state government into doing the bidding 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 conditions by Nigerians are always directed at the federal government. This heightens population sensitivity to any policies, and especially in the oil sector, that negatively impact their livelihood. Allocations from the federation account to oil-producing states (e.g. Niger Delta) were drastically reduced by the federal government. This bred discontent in the zone and aggravated militancy and mass-dissent towards any incremental rise in the prices of petroleum resources.

5.6 The Nigerian Civil Service

Currently, the Nigerian civil service (mirrored on the British service) comprises the federal civil service, the thirty-six autonomous state 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 are organized around government departments (ministries) and extra ministerial departments headed by ministers at the federal level, as well as commissioners at the constituent level. Political heads of the units are appointed by the president and governors respectively, and are 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. Strong links remain 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, p. 43). Bureaucratic performance can led to increased or decreased state capacity for effective performance. The development vision of a country can only be realized under an effective *agent of change*, represented by the civil service as the organization charged with the implementation of development programmes.

The civil service in post-colonial African countries evolved not only to formulate policies but also to implement them effectively. 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 shifts 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, p. 170)

Societal changes mandate the bureaucracy to undergo immediate reforms not as a matter of choice, but as a necessity. However, 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 Chairman[29]) the government has not embarked on concerted efforts to implement civil service driven reform. 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 and determination of tenure of top officers and retirement age without much concern for professionalism and capacity development (Soeze 2009). Olaopa (2011, p. 201) decries this jettisoning of the promotion of professionalism in the civil service and makes reference to the 2009 UNECA study which notes that "African bureaucracies suffer from weak organizational culture as a result of more emphasis being put on motivation rather than on public service ethos of commitment, professionalism and promoting public service and interests."

It became 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 a 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

[29] For more information on this, see Soeze (2009) and Yahaya (2004, p. 170).

governance structure, nepotism; a lack of accountability; low professional standards; waste and corruption; poor productivity; and a lack of control, redundancy in 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, p. 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 and 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". Appointments to the Nigerian civil service are often driven by nepotism, 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 characterize the sector.

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[30] 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 character of the civil service (Omisore and Okofu 2014). It is challenging for strong institutions to emerge when senior officials of these bureaucracies are appointed on the basis of ethnicity, religion and class affiliation.

Overall, national institutions remain characterized by poor performance amid signification inefficiencies within the power sector, health, education, petroleum and work, housing and transport sectors. Hence, the development agenda of the Nigerian state cannot be actualized under the present institutional reality. Weak public institutions have hindered the benefits that would have accrued from oil earnings and exploration of other natural resources. Indeed, most African states

[30] Consideration for appointments, promotions and other decisions are based on ethnic or regional considerations, rather than on merit.

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 lack the institutional arrangements that underpin transparent and consistent decision-making and management processes. Accountability for the use and management of resources, as well as effective controls over corruption and other socio-economic ills of public institutions, are non-existing.

Most of the population lacks sufficient access to basic services to enjoy a healthy, satisfying and productive life within Nigerian society. This contributes to the emergence of frustrations within the 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 servants and political elites amid widespread inefficiency and corruption in the public sector to convert these resources into services and infrastructure that improve lives. According to Onuoha (2011), this weakness jeopardizes any serious attempt at good governance and economic development.

5.7 Political Leadership

The capacity of the Nigerian state to induce sustainable development policies and projects has been hampered by the political elites since the demise of the first republic in 1966. Nigeria's socio-economic disaster continued to be nourished across virtually all of the polity by a pedestrian leadership long enough to demonstrate and manifest failure of the state (Ehusani 2012). Some literature attributes the Nigerian crisis of leadership as one of the major causes of the country's inability to effectively mobilize Nigeria's natural and human resources for improved livelihood for its teeming citizenry. Effective and visionary leadership constitutes an essential ingredient of development. Conversely, ineffective leadership constitutes a great obstacle to socio-economic and political development. The depletion of Nigeria's economic fortune began due to poor leadership, thereby worsening the country's misfortunes in all spheres of governance. Linking institutional failures with Nigerian leadership crisis, Olaopa (2011, p. viii) posits that, "if the public service is the engine room that facilitates and ensures the delivery of good governance to the society, then its leadership matter". He further maintains that,

> *It is no longer news that most reform initiatives on the continent are bedeviled by complex issues, ranging from lack of strong political will, lukewarm bureaucratic*

> *leadership, inefficient bureaucratic institutions, reform-phobia among those concerned, inadequate financial and technical resources, corruption … these complex factors consistently ensure that reforms do not achieve their objectives.* (Olaopa 2011, p. ix)

Nigerians are very conscious of the weaknesses of their political leaders and have lost faith in their capacity to properly manage government functionaries, especially those in the downstream oil industry. A newspaper report notes that "having gone through decades in which their faith in their national leadership has been abused and affronted, Nigerians' impatience with their leaders and the 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 fuel subsidies in the oil sector. The government was not to be trusted and the political office holders were not seen as true representatives of the people. Yet optimism trailed the return to democratic governance in 1999.

Nigerians had held high expectation at the end of colonialism in 1960. It was a period of great hope and limitless possibilities for national greatness and democratic stability. With enormous resources, Nigeria appeared set for rapid development and attainment of a prominent role in the empowerment of Africans. Its huge population and enormous resources were seen as major drivers of economic greatness. Unfortunately, inept leadership continues to pose significant challenges to actualizing the goal of socio-economic posterity and political stability. The lack of visionary and selfless leadership (under both military and civilian administration) and the vexed leadership question continue to be stumbling blocks to the county's ability to harness her resources (natural and human) as a means to induce sustainable economic development (Abubakar 2004, p. 161; Editorial 2013). Shanum expressively extends this argument thus:

> *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. (Shanum 2013)

Nigeria had possessed a semblance of these men at independence, but the amalgamation of the three distinctive nations into a single entity had thrown 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).[31] However, they failed to translate regional excellence to national unity and development. At the transition to independence, the local political elites were socialized into a particular political mentality that regarded the state as a highly valued resource; hence, they did not agitate for the destruction of the state and its machineries but only advocated for the replacement of its personnel. They eventually inherited the state structure vacated by the colonial power. Therefore,

> *Nigeria's post-colonial state retained its colonial essence, with its attendant debilities—violent, arbitrary, incoherent, authoritarian, alien, repressive, unstable, dependent etc. Consequently, the post-colonial state became incapable of tackling the country's resources for the socio-political and economic well-being and betterment of the entire citizenry.* (Olaopa 2011, p. 237)

The consequence was the violent overthrow of democracy in 1960 and the emergence of a military dictatorship that eventually destroyed the socio-political and economic fabric of the society and that of the state.

The ascendance of military officers into political leadership, without any iota of leadership and administrative qualities, further compounded the search for visionary leadership[32] in Nigeria (Okafor 2006); hence, it

[31] These leaders, like Obafemi Awolowo, displayed unique attributes of democrats in so many ways. More prominent was Awolowo's decision to support a candidate (Bola Ige during the 1979 gubernatorial race in Oyo state, Nigeria) that he initially opposed because he decided to allow the choice of the people to prevail. Despite relinquishing his position as the Premier and member of national parliament during the first republic, 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, which ended in 1970.

[32] 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).

was no surprise to see the population staunchly resist the continuation of military administration in 1999. After decades of political despondency, social decay and the economic malady that Nigerians had 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)

Having confronted military dictatorships for decades, the population was very optimistic about appropriating the dividends of democracy. A respondent 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 ASUU*[33] *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. INEC*[34] *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)

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

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

In Nigeria, democracy has not yielded the desired results due to many reasons—among which the character of the political elites that occupied positions of power with a limited understanding of what governance required (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 by the ruling elites under democratic political system. He holds 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, p. 160).

In Nigeria, there is a disconnect between the state's economic development and political participation. The large gap between citizens expectations and state performance weakened the connections between the two, causing the state to assume authoritarian powers, thereby leading to less societal control (Olayode 2005, p. 29). As the state fails to meet the expectations of its population, its legitimacy declines. This buttresses the perceptions of many Nigerians that the state is an alien or a hostile institution acting against the wishes of its own population. The explanation for the disconnect between the political 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)*[35] *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 Number 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*

[35] Emphasis is mine.

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, p. 184)

One of the critical elements in democratic sustainability in Nigeria was the ability of INEC to conduct credible 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 remains the most effective way of improving human capacity and advancing the cause of democracy. This type of a political system would be more beneficial to the people given legitimacy of government, which translates into massive support for subsequent government policies.

An examination of governance in Nigeria reveals 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 characters, which has plagued the public space with rogue leadership characterised by looting of the treasury, electoral malpractices and violence, political brigandage, 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 dreaded[36] politics. Some that threw themselves into the murky waters of Nigeria's politics ended up being compromised, "coerced" or attracted by the promise of staggering wealth; while some that could not compromise their stance against the abuses of office were frustrated out of political office (Farawe and Akinola 2011).[37]

Students of Marxism have likened states like Nigeria and their leaders to a kind of parasite, particularly through what Smith (2003, p. 112) calls a "privileged, bureaucratic caste". He further argues thus:

[36] The path of Nigerian politics is riddled with violence, allegations and counter-allegations of corruption, as well as deformation of people's characters.

[37] A Professor and man of integrity, Sola Adeyeye became a member of the House of Representative between 2007 and 2011 and was shocked at the huge sum of money paid to members of parliament. He had 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 and Akinola (2011).

> *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, p. 112)

This is based on the assumption that any class or group that dominates the economy will always hijack and control the state for perpetuating their personal interests.

According to Ehusani (2012), 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. Nigeria can thus be successful like the United States and become a beacon for people across the globe, if good leaders could emerge to drive the democratic train of governance (Interviewee Number Nine, June 2013). Shanum (2013) reiterates the fact that "the progress of any nation rests solely on the stature or standard of its leadership and how it 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, p. 2). One of the reasons given for poor leadership has been the complex system of government. The *Nigerian Observer* rightly notes in its report that:

> *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 for the failure of political leadership in Nigeria is the blurred line between political and economic elites. There is a strong relationship between economic attainment and political power, and vice-versa. Shanum (2013) exemplifies 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 attainment of power by the political class in Nigeria is contingent on their economic power, the robustness of which determines the access to and extent of the power they wield. This assertion grows in the post-1999 democratic regime, whereby the increasing monetization of politics allows the highest bidders to win political races. In most cases, party nominations for elective positions are "given" to the most affluent at the cost of candidates with experience and leadership skills. This practice was more prevalent within the ruling 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 very wealthy in Nigeria allegedly amassed their fortunes from the state through either unnecessary foreign trips or illicitly corruption (Enumah 2012; Ogbeidi 2012; Farawe and Akinola 2011; Akinola 2009).[38]

In reality, the Nigerian state has become the most assured way of becoming tremendously wealthy, 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 associated wealth. 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, Aliko Dangote, the Dantata's, and Wale Adenuga—had direct business links

[38] 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. A traveler, (usually political elites using the state's funds), on the average was said to be spending between $20 and $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, p. 8).

with the government and allegedly made their wealth from the state coffers.[39] Successive sets of political regimes governed Nigeria without vision, instead regarding politics as an avenue to maintain their economic dominance, lead flamboyant lives and sustain their business empires.

At this stage, it is important to stress the complicity of the electorate. That is, the Nigerian population has immensely contributed to the leadership failures in the country. One respondent claims that unlike in other countries, Nigerians have not really shown strong resistance to the excesses of their leaders (Interviewee Number Five, July 2013). He notes that any society that desires good leadership must be ready to demand it. These demands need not necessarily come through bloody revolutions (e.g. Egypt or Libya) but from applied pressure[40] by the population to bring attitudinal changes from the political leadership. The nature of the people greatly determines the direction and output of the leaders and, as such, a nation gets the kind of leadership it deserves. Nigerian politics defies the orthodox perspective on aligning societal culture with the perspectives of participant, subject or parochial political cultures. Pateman (1971, p. 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

[39] 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 1970s (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 heads of state, and continue to enjoy monopoly in their business activities that spread around Nigeria. Allegations of their huge contribution towards funding the ruling party continue to dominate political discourse in Nigeria. Many retired military men, with tremendous wealth, have forced their way into 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 have been former military men.

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

parochial (found in totalitarian regimes) in nature. Rather, it falls in between these forms of political culture.[41]

Although the Nigerian population was exceptionally politically active at independence, military dictatorship between 1966 and 1979 subjected the masses to a submissive culture that resulted in disassociation by the public from mainstream public affairs. At the same time, 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. However, as the winds of democratization flagged by late 1990s, unmet expectations during President Obasanjo's government and electoral fraud pushed public attitudes towards political apathy.[42] Despite this apathy, citizens remained very active in respect to resisting oil sector reforms and electioneering processes. During elections, the display of participant political culture and high activism is mostly connected with the monetary attractions of political participation.[43]

Ironically, the Nigerian population does not recognize the proper role required of them and, at times, criticisms of political leadership are made without an informed opinion (Interviewee Number Five, July 2013). Shodipo (2012) 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 Nigerian masses have the capacity to transform "bad leadership" to inherently "good leadership". Unfortunately, the influence of monetary rewards as basis for political participation and electoral violence remain recurring phenomena during elections.

Therefore:

> *The extent to which Nigerians have a say depends on their votes. That is the prescribed manner to influence the leadership, but before 2011, people's votes*

[41] 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 (1963) and Pateman (1971) for more understanding of political culture and types of political culture.

[42] 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 towards politics (Pateman 1971, p. 297).

[43] 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 were also openly distributed to people who had attended a rally in support of the candidate.

> *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 Number 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, especially leader responsibilities and citizen obligations. The population has the right to insist on quality leadership, popular participation, public accountability, majoritarian rule and to make reasonable demands on the government. This remains the only assured way of harnessing the advantages of democratization and democracy.

Apart from cases of mass resistance to increases in the PMS price, Nigerian civil society has failed to muster strong opposition and resistance to bad governance. Ehusani 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 a coalition of civil society and the Nigeria Labour Congress (NLC), as a reaction to fuel price increases resulting from PMS subsidy removals and pronouncements 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) had continued to protest on the streets, renouncing the decision to accept the "mere reduction" and castigating the agreements as "betrayals" (Interviewee Number Eight, July 2013). Subsequent increases in fuel prices did not receive mass support due to the futility of the 2012 dissent to achieve the aspirations of the masses, which were poised on outright rejection of any form of price increase.

The labour leaders were accused of letting the “people down at such critical stage when they had only needed to exert a bit of pressure on the government which was already 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 the political leadership for an improved life for Nigerians nor held the state accountable and responsible to its promises of good governance. The people need 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 levels of illiteracy and the legacy of the military have all negatively affected political engagement within the Nigerian population and civil society, including the labour unions. Shodipo (2012) reiterates the fact that the attitudes of the people can easily influence the behaviour of leadership. Although this is perhaps valid in more open and democratically accountable countries, coercive efforts to subdue the population by successive regimes make the case more challenging in Nigeria. The negative psychological impacts of the recent period of the military rule[44] and the rise of dictatorial regimes is still fresh in the popular subconscious. These experiences have influenced and distorted the participatory obligation of the population. During the period military rule (lasting for 30 of the 53 years since independence), fundamental human rights and freedoms eroded. Dictatorial civilian administrations led to further restrictions and injustices, especially under the Obasanjo-led administration (1999–2007).

Despite the adjudged failures of the Nigerian labour unions to insist on the reversal of the PMS price hike in 2012, they have vehemently resisted all fuel increments since 1993, leading the government to reverse incremental increases on many occasions. This resistance has, in many instances, disrupted government operations and economic activities. One respondent advised on the need to exercise caution in accepting assumptions on the overall effectiveness of Nigerian labour union efforts and civil unrest in the forms of strikes and protests during incessant hikes in the PMS price, as well as 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 was incumbent on union leaders to maintain an appreciable level of stability required for successful reform and development. Yet, it was apparent that Nigerian political leadership did not seem to react to labour demands until the start of a strike action.[45]

[44] The military regimes in Nigeria were delinquent, corrupt, dictatorial, repressive, brutish and unaccountable.

[45] 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 always respond until a strike action is declared. The Universities continue

Nigeria needs attitudinal change in both the culture of leadership and the political culture of the population. For instance, the population places tremendous financial pressures on political office holders which engender high levels of corruption. The expectations of the population on those holding political and public offices to engage in nepotism have compounded the governance crisis in the state. Many Nigerians, especially the masses, do not see institutional development, provision of infrastructure, social services, amenities and improvements in service delivery as the dividends of democracy. They prefer receiving monetary rewards from candidates seeking election. In other words, they demand for 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 et al. (2009, p. 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 could be claimed, actually lies with these MNCs operating in the oil zones. Soremekun feels that "the Nigerian state is Shell, and Shell (the Anglo-Dutch giant) is the Nigerian state" (cited in Olaopa et al. 2009, p. 210). He further claims that the struggle for state power remains an avenue 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 et al. 2009, p. 217)

Iledare and Suberu (2010, p. 19) conclude that the government is fighting with the government. The oil business, one of the banes of Nigeria's crisis of development and legitimacy, is dominated by the political class. Herewith lays a paradox: how can reforms curtail the excesses and abuses of the political class in the oil sector if that regulatory responsibility falls to the same political class facing curtailment?

to lose months to strike action, while many Nigerians have lost their lives due to strike actions of medical practitioners in Nigeria's health sector.

Thus, apart from the structural flaws in the Nigerian federal system, the political culture of the Nigerian population and character of its leadership have constituted an impediment to good governance and implementation of sound reform in the oil industry. The monetization[46] 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 of Nigerians towards the government and engendered dissent against government policies, as witnessed in the oil sector.

5.8 The Nigerian Economy

Nigeria is richly blessed with a tremendous diversity of human and natural resources, including climatic conditions that accommodate expansive agricultural activities. Prior to the oil boom, the agricultural sector was very buoyant before the reality of "Dutch disease" took its economic toll with the slump in agricultural production. Although the oil sector once held great promise for industrialization in the 1970s, Nigeria's present state falls below expectations. The industrial sector was limited by inadequate capital for investment and scarce technological and technical knowledge, which continue to affect the developing 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 have re-echoed the 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 et al. 2004, p. xxi)

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

In recent times, 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, who seek employment opportunities in an expanding economy. 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 nearly faced liquidation,[47] the Central Bank of Nigeria (CBN) financial rescue resulted in stabilization. Despite the buoyancy of the telecom industry after its deregulation and privatization, its record of success was met with mixed feelings by Nigerians, who continued to experience very poor service from network providers.[48] Nigeria's demographic trends would affect long-term economic development through such channels as labor supply and productivity, savings and investment behaviour, 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). Nigeria's wealth in mineral resources and labor carries expectations to match these growing demands. In the case of Nigeria, the demand outwits the "leftover" of state resources after varied personal aggrandizement of the corrupt socio-political elites holding the dominant grip on the country's political and economic sphere.

As of 2013, Nigeria held the positions of the world's eighth largest oil producer (first in Africa) and fourth largest exporter of Liquefied Natural Gas (LNG) with significant proven gas reserves (seventh largest worldwide) (EIA 2013). Nigeria possessed an estimated 35 billion barrels of oil and about 180 trillion cubic Ft. of natural gas in reserves, enormous energy resources that—at the current daily production rates—projected to

[47] Some banks in Nigeria such as Inter-Continental and Oceanic Bank had been in distress; a great percentage of their staff had been sacked, embarked on salary-cuts, while customers could no longer withdraw from their savings. The Central Bank of Nigeria (CBN) rescued these 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.

[48] 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.

be sustainable for the next 40 and 110 years respectively (Oshikoya 2008). Accordingly, the country made plans to increase oil production capacity from 3 million b/d to 5 million b/d while providing for exploratory activities to raise oil reserves to 50 billion barrels by 2020. However, by 2017, Nigeria's petroleum oil production dropped from the 1.426 mbpd recorded in February to 1.269 million bpd in March, making Nigeria the second largest producer of crude oil after Angola. The fluctuation of Nigeria's position in Africa was due to the militant activities of the Niger Delta armed groups. Despite this projection of tremendous wealth, what remains contentious is the ability of the state to turn this natural endowment into national development.

Nigeria's oil fields have become attractive to China, India, and the United States 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 of resources and in furtherance of their own industrial ambitions. For instance, in 2006, China made its first major investment in Nigeria's offshore oil fields and bought a 45% stake—amounting to $2.3 billion—in one of Nigeria's major oil fields (Goodman 2006). In August 2017, the NNPC revealed that a consortium of Chinese banks had invested $250 million in the country's oil industry (Eboh 2017). This was directed at widening and diversifying foreign participation in the oil industry, and it was targeted at benefiting Nigeria in the area of job employment.

Nigeria now provides priority rights on many oil blocks for state-owned Asian oil companies in exchange for infrastructure investments (e.g. refineries, railways 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 general population. Despite the oil wealth, the IMF reports that Nigeria ranked as the 45th poorest country in the world based on gross domestic product (GDP) per capita during 2009-2013.[49] In its 2017 World Report, the Human Rights Watch maintain that 54% of Nigerians live in poverty and dismay (Human Rights Watch 2017).

[49] See, https://www.gfmag.com/global-data/economic-data/the-poorest-countries-in-the-world

One striking feature of the Nigerian economy is the buoyancy of the informal sector[50] where a significant share of transactions go unreported. In addition, substantial wealth is being created by the Nigerian *Nollywood*[51] industry, which accommodates about 58% of the Gross Domestic Product (GDP) (Oshikoya 2008). Nigeria's informal economy is adjudged one of the ten largest in the world. The high output from the informal economy has inspired a strong entrepreneurial spirit, especially following the decision of the Nigerian government to adopt policies at all levels channeled at improving the performance of this important sector. The efforts of Nigeria's government to integrate this sector, as much as possible, into the mainstream economy (due to huge transactions of businesses and capital particularly in the entertainment industry) transformed Nigeria into the biggest economy in Africa in 2014.[52]

The government has invested tangible efforts towards attracting foreign investors, reversing economic stagnation and has pursued economic policies to instigate economic growth and development. However, despite this, Nigeria still struggles to attain economic development while there is also a visible under-utilization of resources and untapped minerals (e.g. large deposits of bitumen in Ondo State) across the Niger Delta. Moreover, 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 interests of local industries. Despite Nigeria's immense raw material and human resources, resource mobilization remains very poor; the cost of production is high and there are limited opportunities created to absorb the growing number of job seekers—both skilled and unskilled. Due to the failure of leadership to strategically mobilize the resources for political and socio-economic benefit, Nigeria finds it difficult to make appreciable

[50] The informal sector comprises the economic activities in all segments of the Nigerian economy that are operated outside the purview of government regulations and oversight. This sector may be invisible, irregular, parallel, non-structured, backyard, under-ground, unobserved or ignored. Like many other countries, transactions and investments 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.

[51] Nigeria prides 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.

[52] 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.

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.*

At the socioeconomic level, Nigeria has been termed "a rich country of poor people" (Agbaje et al. 2004, p. xx) and the "greatest single developmental tragedy in the world today … the metaphor per excellence for a failed developmental experience" (Suberu 2004, p. 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" as Nigeria (Suberu and Diamond 2003, p. 111). The United Nations Development Programme (UNDP), in its 2013 report, stated that Nigeria had failed to any visible improvement in its Human Development Index (HDI). In 2014, The National Bureau of Statistic had reported an improvement in economic performance to the extent of recording GDP growth rate of 6.5% in the 2nd quarter of the year. 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.

Not only have the Nigerian political elites been unable to formulate sound economic initiatives, the enabling environment for laying 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, is 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, p. 9)

The Nigerian economy is unprotected and characterized by an alarming rate of unemployment, oil and drug smuggling, a high rate of currency depreciation, and the high consumption of foreign goods resulting in external deficits (Osagie 2007, p. 14). The mixed economy continues to move towards 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, who should hold a primary position in development, has compounded Nigeria's economic ordeal through 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. This sector, which ought to constrain inflation has instead contributed to its rise through over-invoicing of purchases, mismanagement and fraud supported by illogical political expediency.

The Nigerian state, like many other African states, is actually in shambles. This prompted Mimiko (2009) to refer to the Nigerian state as a "micro-municipality state". In Nigeria, many individuals have become a "government" of their own. Nigerians hire their own personal security, personally drill boreholes to extract water for household use, install generators for electricity to supplement unreliable service from power utilities and even stock the house with foreign medicine (which is perceived as more reliable due to counterfeit ones being dispensed in the chemists).

The monolithic nature of 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. Sole attribution for Nigeria's development dilemma cannot therefore fall on colonialism, neo-colonialism and imperialism as often advanced by the radical political economy school of thought. The developmental failures also owe their origins to Nigeria's own ineffective socio-economic structure, dearth of sound policies and, where sound policies abound, the failure of effective implementation.

Studies on the Nigerian economy over the last decade demonstrate that the petroleum industry continues to play the dominant role as a strategic asset in the Nigeria's economic development. This is substantiated by total oil revenue flows into the Federation Account from 2000 to 2009: oil revenue amounted to N34.2 trillion (82.36%) while non-oil revenue was N7.3 trillion (17.64%). The value of oil revenue for the 10 year period was N3.42 trillion compared to non-oil revenue at N732.2 billion (Central Bank of Nigeria 2009). The vast volume of wealth generated by the government in this sector truncated the steady development of the agricultural sector as a viable foreign exchange earner. One might argue that if the attention given to crude oil had been extended to other minerals and the agricultural sector as well, Nigeria would have attained sustainable development. This validates the applicability of both the "resource curse"[53] thesis and "Dutch disease" hypothesis in respect to the Nigeria's economic development.

Osagie's (2007, pp. 122–123) highlights of the major hindrances to economic growth include: neglect of the agriculture sector due to the oil boom; the destructive effect of SAP through 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 already 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, Nigerian institutions remain characterized by poor performance across the economy—power generation, extractive industries, construction, transportation, politics and finance—amid deterioration and inefficiency in the investment climate.

The inability of successive governments make effective use of oil revenue remains another problem in the Nigerian economy, especially the utilization of excess crude oil income to develop other sectors of the economy. Bawa and Mohammed (2007) assert that "Nigeria, with all its oil wealth, has performed poorly, with GDP not higher than at independence in

[53] The manifestation of the "resource curse" and the "Dutch disease" hypothesis are very intertwined 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 the ills of rent-seeking practices, heightens commodity price volatility; and is responsible for lack of diversification which 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.

1960". This is antithetical to the viewpoint of the proponents of oil-led development, like Karl Terry,[54] who believe that countries privileged enough to have petroleum resources could leverage this natural endowment to support development (Ross 2001). It is thus argued that the potential benefits of resource extraction and marketization translate into improved economic growth through job creation, increased government-financed poverty alleviation, technology transfer, better infrastructure and industrialization. However, the realities in almost all oil-exporting countries to date, including Nigeria, presents little evidence of the accrual of these benefits.

Similar to the misappropriation of petroleum income—all while basic national infrastructure (e.g. electricity, energy, roads, and transportation) is abandoned to rot—political institutions and 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 "Dutch disease" hypotheses.[55] In spite of the assumptions that resource abundance would enable economic growth and improve development, the poor economic success and high incidence of conflict in mineral-rich developing countries resources has given rise to the prevalence of the resource curse theory, which assumes the existence of a negative relationship between resource endowment and socio-economic development (Horsfield 2011, pp. 2–3).

According to the resource curse theory, a strong correlation 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 prevalent crime and political action as others engage in oil bunkering and militancy—as well as the more minor illicit cocaine business.

[54] 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 gross domestic product (GDP), total exports, and the contribution to central government revenues; see Karl (2007).

[55] 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 had led to a dramatic decline in the competitiveness of the country's manufacturing sector (Fagbadebo and Akinola 2010, p. 11). In its simplest form, the "resource curse" means a lack of development in the midst of vast natural resources.

Resource 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). Studies found that countries with an abundance of natural resources experienced lower growth rates relative to other similar countries (Quinn and Conway 2008; Auty 2001). Ross (1999, p. 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-impending policies); and the state-centered explanation (which posits that resource booms tend to weaken state institutions).

Furthermore, the feasibility of democracy in oil producing countries like Nigeria remained a concern. Michael Ross, relying on an empirical study of many countries and regime types across the world, found that oil hinders democracy. He drew attention to three major factors (Ross 2001; Kock and Sturman 2012). The first is the rentier effect, which explains how oil provides large revenues allowing governments to buy citizen will and consent through patronage and other forms of benefits. There is also the 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 narrow economic growth based on oil exports fails to engender broader social and cultural exchanges (e.g. manufacturing or service sector growth) that breed development and 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, p. 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 allegations of "vote buying" and electoral corruption during successive general elections in Nigeria (Akinola 2009, p. 270).

Poor economic linkages between the resource and the non-resource sectors serve as an economic explanation for the curse, a view shared by the proponents of the Dutch-disease thesis (Ross 1999, p. 298). At independence, Nigeria had excelled in the production and export of agricultural products such as onions, groundnuts, palm oil, cocoa, cotton and beans. In the 1960s, Nigeria stood as a major exporter of cash crops around the world before the oil boom (starting in the late 1970s) diverted the attention of the state from the agricultural sector into the more buoyant petroleum and oil industries.

Ross (1999, p. 301) infers that resource industries are unlikely to instigate expansion and growth in other sectors of the economy, especially if foreign multinationals dominate the extraction industry 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 a tangible contribution to the development of the Nigerian economy. The oil-rich Niger Delta community endures stark poverty, hopelessness, and exploitation. This exposes how the Nigerian state, despite the oil-prosperity, continues to grapple with how to secure tangible socio-economic development and improved standards of living for its population (Interviewee Number Five, July 2013).

Niger Delta is also subjected to incessant increases in the price of petroleum products, all while Nigeria's public office holders and their "friends" continue to maintain extravagant lifestyles.[56] This environment of hopelessness, exploitation and neglect explains the armed insurrection of the Niger Delta militants against the Nigerian state and foreign MNCs in the oil industry. Oher armed insurgencies in the country should also be understood within this context. The ongoing conflict and militant armed insurrection in the Niger Delta has negatively affected 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.[57] Poor

[56] The ruling class in Nigeria continues to display flamboyant lifestyles, which range 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 ($1.6 million) bulletproof cars for the Former Minister of Aviation, Ms. Stella Oduah.

[57] 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 Islamist Militant: Human Security and State Crisis in Africa*, Pretoria, Institute of Security Studies, pp. 1–44; Akinola, Adeoye O. and Oluwaseun

conflict resolution mechanisms have contributed to an escalation in militancy in the Niger Delta, as well as the clumsy response to the renewed threats of *Boko Haram* to peace, security and development in the country.

Lost revenue amid a decline in oil production has caused an energy crisis in Nigeria (evident in fuel scarcity), neighbouring countries and countries such as the United States. Resulting price and supply fluctuations in the international market led to depressed local and global economic growth—as well as attendant social destabilization—which contributed to the economic depression that ravaged the world in the late 2000s.[58] According to Nigerian government reports, oil losses between 1999 and 2005 amounted to $6.8 billion. Further, militancy came at a cost of $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, p. 30). Financial losses from security expenditures and ravages on the population by armed groups weaken Nigeria's ability to fund developmental projects and ensure the security of lives and property, both in the Niger Delta region and in northern Nigeria 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 continues to experience the destruction of oil pipelines and other facilities as well as bunkering, which reduce government income on crude oil. Since President Buhari's administration, and defeat of the Former President

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.

[58] Nigeria has become the largest business partner of the United States 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 United States is Nigeria's largest foreign investor. Therefore, whatever affects Nigeria's petroleum industry—directly or indirectly—influences the U.S. economy, and the U.S. economy drives the global economic agenda.

Jonathan (an indigene of the Niger Delta region), oil militancy has heightened. Boko Haram has scared away foreign investors and local farmers from the Northern region, denying the country a measure of agricultural production and foreign exchange earnings through food exportation.[59]

5.9 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 expected of an effective state. The two provide substantial justifications for their claims. However, external constraints constitute significant impediments to development and genuine economic transformation. 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's economy into the advanced capitalist world, through colonialism, has provided the foundations that generate a substantial part of the internal contradictions.

Despite externally generated constraints to the state's autonomy, the Nigerian state retains the ability to reduce the influence of global forces within its sovereign domain significantly. 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 visionary and responsive leadership. Apparently, the Nigerian bureaucracy is more inclined towards administration (controlling inputs and expenditure) in lieu of results-oriented, service delivery. Undoubtedly, the preservation of weak public institutions jeopardises any attempt to implement 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 strength-

[59] The north prides itself as the country's "food basket".

ening Nigeria's institutional capacity, the Nigerian civil service remains ineffective, inefficient, wasteful, incapacitated, inept, unprofessional and uninspired to drive Nigeria's developmental necessity. This state of affairs prevents successful oversight of a beneficial deregulation policy in the oil sector.

Apparently, the character of the leadership cannot deliver on good governance or spearhead sound management of Nigeria's oil resources. The false foundation of their electoral victories has eroded government legitimacy, 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 worsens the case. The hostility between the leadership and the citizens was exposed by massive resistance to the deregulation of the downstream oil sector.

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CHAPTER 6

State Actors in the Downstream Oil Sector

6.1 Introduction

The complexities of the Nigerian federal arrangements and its attendant structural inefficiencies were systematically analyzed in the preceding chapter. These flawed institutional arrangements have had a negative influence in the management of the Nigerian oil industry in general, contributing to crisis, and the downstream oil sector in particular. For instance, the number of state established institutions and structures in the oil sector are exceedingly many. This reality of over-bloated, excessive and mostly redundant public institutions in the sector has created a recurrent overlap of functions and responsibilities between institutions. This has heightened the complicity of the reform agenda. The multiplicity of institutions is not only counter-productive, wasteful, costly and confusing but also explains the inefficiency and under-performance of the sector in terms of ensuring effective distribution and marketing of petroleum products in the country. Despite the huge monetary allocations to oil industry agencies, regulatory oversight remains characterized by unsuccessful monitoring and oversight. Instead, these agencies continue to attract large allocations and act as a conduit for employment opportunities through networks designed to support nepotism and favouritism. For instance, a former Petroleum Products Pricing Regulatory Agency (PPPRA) top official, Reginal Stanley, had repeatedly complained about the lack of clarity between the regulatory

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_6

roles of the Department of Petroleum Resources (DPR) and the PPPRA (Niyi 2013).

In addition to the complicity of state actors, non-state actors have also contributed to the crisis experienced in the downstream oil industry. Foreign powers, especially the IFIs and MNCs operating in the oil industry, have staunchly opposed the continuation of fuel subsidies, as well as the regulation of the supply and marketing segment of the Nigerian oil industry. The MNCs and other private investors have contributed greatly to upstream activities and refining. The IMF has attempted to ensure fiscal discipline in the oil sector, prompting financiers to advocate for subsidy removal to address explicit corruption and mismanagement in the sector. Their roles, no matter how soundly presented, were rebuffed by the majority Nigerians—led by civil society organizations—who believe that these institutions operate to promote the interests of foreign capital at the cost of impoverishment in the general population. As much as civil society groups had tried to resist policy shifts in the oil sectors, their voices had been silenced under the coercive force of the federal government in support of the liberalization of the oil sector (Social Action 2012). In this light, this chapter assesses the activities and contributions of governmental institutions and non-governmental organizations towards the sustenance of the downstream oil sector, as well as their roles in deregulation policy.

6.2 The Presidency and the Ministry of Petroleum

Since the oil boom in the 1970s, most successive Presidents like President Olusegun Obasanjo have—directly or indirectly—assigned the control of the oil sector to the Office of the Presidency due to the monetary importance of the crude oil industry to the state. The President is vested with the power to establish all institutions, ministries and parastatals in the sector through direct promulgation or directive. This power can delegated to the Minister of Petroleum Resources,[1] such as former minister Dieziani Allison Madueke,[2] acting on behalf of the President. The decision to enact

[1] The Ministry of Petroleum Resources was created by the Nigerian government to implement government policies in the entire oil and gas sector. The institution supervises the implementation of approved policies with a technical Department of Petroleum Resources, which undertakes the regulation of the oil and gas sector.

[2] Allison Madueke was a former staff member of Shell Petroleum Development Company, where she had 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

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, although the Minister has the constitutional right to also approve such directives. The Minister, who heads the Ministry of Petroleum Resources, is responsible for fulfilling Presidential aspirations in the petroleum industry.

Observers noted that Minister Madueke had consistently been very active during oil crises—from fuel scarcity to increases in the prices of the products—but had been somewhat passive in relation to other concerns in the sector. She had been the voice of the President in matters pertaining to fuel price increases. For instance, the announcement of the deregulation policy and subsequent increases in the PMS price in January 2012—which drew irk from the general public—carried an implicit responsibility for the Minister in the defence of government policies. She had defended the inevitability of deregulation of the sector and projected fuel price increases with flair and fervor. She had appeared at different public forums to defend the actions and inactions 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 former Minister had promptly responded to the public outcry by inviting Nigeria's anti-corruption agency, the Economic and Financial Crimes Commission (EFCC), to scrutinize the activities of the PPPRA. She also formed an eleven person committee on governance and control in the Nigerian National Petroleum Corporation (NNPC)—an oil agency under the Ministry of Petroleum Resources—and other structures of petroleum by-products tasked with submitting their findings within a month (Social Action 2012, pp. 24–25). The Presidency had immediately appointed two firms to audit the financial activities of all the institutions involved in the oil industry, and had 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). As usual, the results of such committees were kept, as always, behind doors and the impact was negligible.

for Mines and Steel Development between 2008 and 2010. She was appointed Minister for Petroleum Resources by President Goodluck Jonathan in 2010 and held the position till 2015.

The acknowledgement of abnormality in Nigeria's governance had prompted the government to accelerate the establishment of the Nigerian Extractive Industries Transparency Initiative (NEITI) in 2007. This made Nigeria the first country in the world with a legal framework for the implementation of Extractive Industries Transparency Initiative (EITI). The quest for accountability and transparency in the oil sector corresponds with the Obasanjo administration's acclaimed fight against corrupt practices; thus, establishing the initiative had been at the top of his agenda. This complemented the anti-corruption activities of the Independent Corrupt Practices Commission (ICPC) and Economic and Financial Crimes Commission (EFCC) (Alex et al. 2011, p. 37). According to Alex et al. (2011), EITI implementation in Nigeria was confronted with several challenges 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 did prove effective in the auditing of the financial transactions of the NNPC and its affiliates. For instance, in reconciling the diverse estimates of subsidy payment, a NEITI report revealed that the government had spent N4.5 trillion on subsidy payments between 2006 and 2012 (Ejoh 2016). However, many remain skeptical about the establishment of NEITI believing that—while potentially useful—the institution is an insufficient entry point into the difficult terrain of resource governance in Nigeria (Amundsen 2010, p. 27).

Aside from this, the Presidency also approved the establishment of a National Refineries Special Task Force (NRSTF) to assess the state of Nigeria's four refineries, and to guarantee the supply of petroleum products across Nigeria at all times. Deregulation efforts and the public reaction had also compelled all stakeholders to accelerate the passage of the Petroleum Industry Governance Bill (PIGB), which was passed into law in 2017. The Minister had supported the inauguration of the Udo Udoji House Committee[3] to facilitate the approval of the PIGB due to the protracted delay in its passage. Nigeria's National Assembly had passed the 1st and 2nd reading in June 2014. Legislative efforts persisted but it was not until 2017 that the Senate passed the bill. It now awaits presidential assent before it can become a law.

[3] 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 Presidency and the Ministry of Petroleum Resources have consistently displayed their dominant role and over-bearing influence on the operations of the NNPC and other state functionaries in the oil sector (Interviewee Number Four, July 2013). A respondent wondered: How could government institutions in the oil sector perform when the Presidency and Ministry of Petroleum preside over their affairs and constantly "breathe down their throats"?

6.3 Nigerian National Petroleum Corporation

NNPC undertakes commercial ventures in the crude oil industry on behalf of the Federal Government of Nigeria. In the contemporary dispensation dominated by fuel importation, the NNPC has assumed the responsibility of the major fuel importer; a role that has been challenged by private investors in the oil industry. Many regard the oil giant as the symbol of the Nigerian oil wealth and that of resource waste. The NNPC traces its history back to the Nigeria's decision to join the Organization of Petroleum Exporting Countries (OPEC)[4] in 1971, the same year that marked the establishment of the Nigerian National Oil Corporation (NNOC) (Alex et al. 2011, p. 27). NNOC was then merged with the Federal Ministry of Mines and Steel to create NNPC as part of the Indigenization Decree of 1977 (Schedule 1 and 2[5]). The creation of this powerful and monopolistic oil giant made the Nigerian Government the dominant and decisive actor in the downstream oil industry.

The NNPC has since significantly augmented its holdings in diverse oil ventures amidst persistent government efforts to make the institution a financially independent and commercially incorporated unit. A legal framework was instituted[6] to sanction Nigeria's ownership of at least a 60% of equity stake in all foreign businesses, allowing NNPC to manage

[4] 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

[5] Ibid.

[6] See The Indigenization Decree of 1977.

the ownership share. The current production comes from Joint Ventures (JVs) with International Oil Companies (IOCs) (Representing about 64% of production) and production sharing contracts (PSCs) (Representing the remaining 36% of production) (Alison-Madueke 2013). This was achieved by acquiring equity shares in all the international oil marketing companies in the country which extended NNPC's role in the downstream sector to cover the processing of crude oil and natural gas, as well as the distribution and sale of oil products (Ogunbodede et al. 2010, p. 115). Although there are tens of agencies operating in the oil sector, only three important governmental institutions are involved in oil revenue collections: the NNPC, the Federal Inland Revenue Service (FIRS) and DPR. The NNPC is saddled with the function of receiving, distributing and marketing the 60 percent government allocation of crude produced, as well as receiving the share for the local refineries which the oil giant also sells.

The NNPC supplies 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 saddled with the responsibilities of joint ventures with other oil MNCs and coordinating—along with its subsidiaries—production, distribution and marketing. Nigeria's first JV equity partnership in collaboration with the Nigerian Agip Oil Company Limited[7] had occurred in the mid-1960s towards successful management of Nigeria's enormous oil resources. The NNPC thus instigated oil exploration to confirm Nigerian's top position as a crude oil exporter in Africa in the 1970s; at that same time, oil revenue increased from N200m (US$1.12m) to N10b (US$5.5b) (Oyesanmi 2011). Nigeria's crude oil revenue was estimated at US$37 billion in 2015, falling to US$26 billion in 2016. The most current figures show earnings of US$10 billion between January and April 2017 (Okere 2017).

Nigeria emerged as an important exporter of natural gas with the commended West-Africa Natural Gas Pipeline supplying the entire West African community in 2004 and the establishment of a liquefied natural gas plant in Bonny as part of its efforts to combat gas flaring in 2005

[7] 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

(Akinola 2011). However, the latter faced daunting challenges that impeded full achievement of NNPC's set objectives. Expectedly, its full operations would have drastically converted flared gas to industrial and domestic uses, but a high degree of gas flaring still persists in Nigeria's Niger Delta community. Moreover, the NNPC had entered into a US$1 billion joint venture to develop the offshore Agbami fields,[8] which hold more about one billion barrels of oil reserves and "ranks among the single largest deep-water discoveries in the world" (Agarwal et al. 2010, p. 6). This was intended to boost the capacity of Nigerian crude oil production by about 250,000 barrels above the 2 million barrels per day capacity (Oyesanmi 2011, p. 10).

NNPC established its Retail Limited operations in August 2002. The first retail outlet was commissioned in Lagos with the primary objective of marketing petroleum products to the public. NNPC now operates retail outlets at 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 an effective and efficient service delivery of petroleum and allied by-products to customers in an environmentally friendly manner.[9] Information on the NNPC website reveals that the company's entry into the downstream oil industry was strategically intended to equip the oil institutions with the required capacity for periodic interventions in the market, which is more important during emergencies and fuel scarcities. The NNPC presents the measuring stick in terms of excellence and service delivery for major players in the distribution system in the guarantee of undisrupted and economically viable retailing of products, as well as the integration of upstream and downstream markets.

The NNPC has also engaged in human development in so many ways. Beyond training workers and managing oil leases, the company has encouraged local participation, maintaining uniform pricing in domestic markets and raising crude oil sales to $2.6 billion in 2005.[10] It thereafter reached 81% of the state's overall revenue—huge revenue for the government—as well as providing tangible employment for over 1500 Nigerians in the

[8] 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.

[9] This information is available on the website of NNPC; see http://www.nnpcgroup.com/NNPCBusiness/DownStream/RetailServices.aspx

[10] See http://www.referenceforbusiness.com/history/Mi-Nu/Nigerian-National-Petroleum-Corporation.html

same year (Oyesanmi 2011). The oil giant made frantic efforts to increase its contribution to employment opportunities, accelerating economic growth and development by improving crude oil reserves from 36 to 50 billion barrels by 2015 (Oyesanmi 2011, p. 11). In 2016, crude oil reserve was estimated at 37.45 billion barrels. One of the company's major targets was to increase its access to capital and sphere of influence in domestic, sub-regional and regional gas markets, achievable by becoming highly competitive in international markets through calculated partnerships with global players in the gas industry.

As much as the national oil giant tried to expand its influence, it has struggled to effectively perform other important responsibilities in the upstream and downstream oil markets. Although, the company holds responsibility for allocating contracts for oil lifting, NEITI audit reports[11] have shown that this does not always follow advertised criteria or guarantee competitive pricing (NEITI 2013). The NNPC's complicity in the handling of crude oil sales and remittances of earnings has triggered confrontations against the Revenue Mobilization, Allocation and Fiscal Commission (RMAFC), a body that monitors accruals into the Consolidated Revenue Fund (Baig et al. 2007). According to Baig et al., RMAFC alleged that the NNPC had failed to remit all revenues accrued from oil deals. The accusation was thereafter supported by relevant national legislative committees.

According to federal government projection in the 1970s, although NNPC was founded to provide viable competition to foreign companies and replicate the giant strides of companies like Petrobras in Brazil[12] and SASOL oil[13] in South Africa, the organization has become Nigeria's "poster child for embarrassing irony" (Social Action 2012, pp. 11–12). Amundsen (2010, p. 26) categorizes the NNPC as the biggest mess, and

[11] The objective of the audit was 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).

[12] 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

[13] SASOL, a South African company, was established in 1950 but started producing synthetic fuels and chemicals in 1955. For more information, see John Collings (nd) "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

most chaotic of all the national oil companies and one of the most mismanaged firms on the globe. The late President Yar'Adua lent credence to the assertion that the corporation "has not been transparent, and it has been on one of the most difficult agencies of government to tackle because of vested interests of very powerful people in the country" (Amundsen 2010, p. 61). Furthermore, NNPC continues to be a political vehicle for personal wealth, embezzlement and gross corruption. In fact, its potential and effectiveness have been jeopardized by political interference. The newly passed PIGB aims at decentralizing the core functions of the NNPC and split the oil body into different independent structures.

There is no denying the necessity of institutional reforms. Although the IMF notes that the proposed institutional reforms in different proposals are costly, complex and cumbersome, the need for streamlining the institutional arrangements remained (IMF 2013, p. 60). The expansion of the NNPC mandate and the reality of the socio-economic and geo-political environments call for the urgency of a holistic reform. In similar vein, Olaopa notes that:

> *Reform, apart from rectifying the errors in an organization in order to make it conform to an original conception, could also be employed to mean repositioning an organization in order to better situate it for the institutional demands of the future. This type of reform is necessary when an organization enlarges its vision/mission and needs to implement some innovative ideas for which the structure(s) on ground is/are inadequate. The structure(s) may be pruned to reduce excesses.* (Olaopa 2011, p. 3)

The IMF report reveals the agreement between the IFIs and the government to unbundle the NNPC and to separate the management of public assets and investments in the petroleum sector from the regulatory and supervisory responsibilities (IMF 2013, p. 60). The IMF recognized 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 private sector incentives and certainty. In 2017, the Senate eventually yielded to the aspirations of stakeholders in the oil sector reform scheme—most vociferous among which was the IMF—and passed the PIGB into law. As expected, the bill advocates for the establishment of a new regulatory oil giant, the Nigerian Petroleum Regulatory Commission (NPRC), to take over the roles of DPR and PPPRA.

In this section, I found that the corporation is not competent enough to manage Nigeria's oil resources, and more importantly, the refineries; hence, the support for the privatization of the 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.

6.4 The Directorate of Petroleum Resources

One of the recommendations of the new PIGB is scrapping the DPR and PPPRA for the proposed NPRC. DPR operates as the regulatory subsidiary of the NNPC. The NNPC only focuses on the collection of revenue from crude oil sales while the DPR is responsible for collecting oil royalties, gas flare penalties, rents and other levies payable to the government in the oil sector. The DPR is specifically saddled with the following responsibilities[14]:

1. 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.
2. Enforcing safety and environmental regulations and ensuring that those operations conform to national and international industry practices and standards.
3. 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.
4. Advising the government and relevant agencies on technical matters and policies which may have an impact on the administration and control of petroleum.
5. Processing all applications for licenses so as to ensure compliance with laid-down guidelines before making recommendations to the Minister of Petroleum Resources.

[14] These responsibilities are retrieved from the official website of DPR. See http://www.dprnigeria.com/dprroles.html

6. Ensuring timely and adequate payments of all rents and royalties as at when due.
7. Monitoring the government's indigenization policy to ensure that local content philosophy is achievable.

DPR lacks independence in performing its regulatory roles—a trait peculiar to all state institutions in the country that operate under political interference—and has failed to live up to its responsibilities. 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); processing applications for licenses, ensuring timely and adequate payments of all rents and royalties; and monitoring the local content policy (Alex et al. 2011, p. 28). In reality, Alex et al. notes that the DPR, hampered by human and financial capacity constraints, has been treated as just another arm of the NNPC and is subject to its directives as well as those of the Ministry of Petroleum Resources, the Presidency, and other powerful public officials (including politicians involved in oil-contracts and deals).

The agency has also faced undue pressures from MNCs involved in the oil business (Alex et al. 2011, p. 31). All of these constraints have led to failure to perform its functions effectively. There have been other cases of gross incompetence, mismanagement, bribery, corruption and unprofessionalism that have limited its capacity to act. For instance, an interaction with some agency high-ranking officials displayed their lack of understanding about the oil sector and the specific roles of institutions in the oil industry, including the DPR. Also, the NNPC's monthly returns on crude oil sales do not indicate the volume of crude, applicable price, exchange rate used or method used for computing the proceeds. The DPR has not utilized its human resources for effective monitoring of the oil business (Interviewee Number One, July 2013).

DPR acknowledges its shortcomings and blames the present subsidy system for the evident crisis in the oil industry. The institution, like many other public agencies, opposes the regulated regime and continues to call for full deregulation, which is germane to expanding the investment potentials of the sector. Challenges identified by DPR leadership include ensuring reliability, devising a working business model, foreign exchange issues and vandalization of oil infrastructures (Department IT 2016). It was also affirmed that the industry is rife with the problem of poor distribution networks while investor confidence remains hampered by government intervention and control of the oil industry.

The inability of the DPR to act independently has hampered its effectiveness. Personal observation and interaction with officials of the agency reveal the over-bearing 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, also impede its regulatory roles.

6.5 Petroleum Products Pricing and Regulatory Agency

The PPPRA was founded in June 2003 to contribute to the transformation of the Nigeria's downstream oil industry as a more efficient, viable and transparent governmental institution. The inability to achieve high performance in the sector had necessitated the establishment of DPR. It was necessary to ensure an improved and effective downstream sector where refining, supply, distribution and marketing of petroleum products were self-financing and self-sustaining. The agency was seen as a mechanism to accelerate the development of the sector into a fully deregulated industry.

The agency was also created to determine the pricing policy of petroleum products; regulate the supply and distribution of petroleum products; create an information databank in 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[15] (taking cognizance of the phasing of specific proposals); moderate volatility in petroleum products prices (while ensuring reasonable returns to operators); and establish parameters and codes of conduct for all operators in the downstream petroleum sector (PPPRA 2004). These functions were consistently being challenged by non-state actors in the sector. They chided the continued adherence to the

[15] 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.

PPPRA's template for subsidy administration as against private investor expectations for a free market economy in the sector (Department IT 2016). The lofty objectives of the institution were driven by an active 26 member Board[16] 26 appointed by the government as the supreme organ to implement the agency's objectives. Membership cuts across the stakeholders in the oil sector. This raises high expectations on the performance of the agency. The realities show that the agency has displayed lack of capacity to meet these expectations.

The PPPRA, despite imminent impediments, tried 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 side of the oil industry, yielded desirable results which reflected in the reduction of subsidy payment from N2.09 trillion spent in 2011 to N1 trillion expended in 2012 (Ugwuanyi 2013). Former Executive Secretary of PPPRA, Reginald Stanley[17] made a public declaration that the local consumption of PMS had drastically reduced from 60.25 million litres per day in 2011 to 40 million litres per day in 2013 (Channels Television 2013). At the end of 2016, information from the office of the Minister of State for Petroleum Resource Ibe Kachikwu revealed that daily fuel consumption had dropped from 50 million litres per day to 28 million (Atumah 2016). That was 40 percent less than the actual volume of daily consumption. Invariably, the subsidy payment was also drastically reduced. Apparently, the fuel con-

[16] Its members comprise 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 National 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.

[17] Mr. Victor Shidok is the current acting Executive Secretary of PPPRA.

sumption did not decline. Rather, what fell were the false claims of consumption by some oil marketers, who had given inflated figures to the government. This was however only 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 had again further dropped to 32 participants, but had increased thereafter because new filling stations had been licensed and new individuals and companies were given permits to import fuel. This was a positive development due to the weeding out 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 remains a laudable stride of the agency under Reginald Stanley's tenure. 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 Fund[18] (PSF) scheme to only genuine and proficient oil marketers (Yakubu 2012). This has attracted expansive investments in the improvement of petroleum handling facilities, which had 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 aligned with international best practices in the area of product receipts. In such an arrangement, three inspectors appointed by the PPPRA would verify the volume of import fuel in vessels; 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 also created stringent requirements for import documents such as *Bill of Lading*,

[18] 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.

DPR License, *Shore Tank Certificates*,[19] among others (Yakubu 2012). This became necessary to eliminate the risks of *Bill of Lading* manipulation and to certify the integrity of the products discharge record for laying claim to subsidy payments. The institution took a bold step by subscribing to *Lloyd's List of Intelligence Sea Searcher*[20] services, which helps track the movements of vessels around the world, identify their true origins and 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 was 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. Today, the character of PPPRA remains unchanged despite a new leadership. Thus, the problems of state institutions in Nigeria goes beyond the idiosyncrasy of the leader. There are some intrinsic variables that tend to scuttle the effectiveness of good leadership in a structurally deficient organization. The leader could strive to make few changes, but those would remain unsustainable once there is a change of leadership. PPPRA continues to flout many regulations by allocating licenses to ineffectual companies to import oil and through their inability to advance copies of allocations and vessel arrival notification documents to the relevant organs like the navy. Just like the DPR, the ability of 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 et al. 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 oil-tank deposits and discharges at different filling stations (not on the volume of import fuel).

The major oil marketers have consistently faulted the PPPRA as a repository of corruption in the oil sector. They have been directly in charge of the subsidy scheme, which has become an avenue for corrup-

[19] 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 showed government's approval to lift and distribute fuel. The Bill of Lading certifies the authenticity of fuel imports or loading from a depot, while Shore Tank Certificates revealed the volume of fuel in a storage facility.

[20] 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/

tion. Since many of the corrupt officials were associates of the ruling class, they were celebrated and not prosecuted (MOMAN 2012). The Major Oil Marketers Association of Nigeria (MOMAN)[21] sees benefits in the original arrangement whereby participation under the PSF was limited to only marketing companies that could boast a minimum storage of 5000 metric tons and a web of petrol stations and retail outlets spread around the country (MOMAN 2012). Pressures from different players destroyed this requirement; 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), as well as by funds provided by the participating marketing companies. The scheme is designed in such a way that only companies with substantive and identifiable assets in the downstream sector can be held accountable. 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 with no experience, asset base or accountability practices participating in the scheme until 2012. It is therefore not surprising that the marketers engaged in false subsidy claims (House of Representatives 2012). Rather, it is most surprising that the government looked the other way and allowed this to persist until the public became politically active as a result of the January 2012 fuel crisis (Social Action 2012; House of Representatives 2012).

Players in the marketing sector under MOMAN and the Independent Petroleum Marketers Association of Nigeria (IPMAN)[22]—as well as other sporadic interventions by individual oil companies and marketers—lead the agitation for deregulation. MOMAN in particular has always been a proponent of the complete deregulation of the downstream oil sector and views the subsidy scheme as an intermediate measure, which in their view is invariably unsustainable (MOMAN 2012). The oil marketers are in charge of fuel importation, distribution and marketing. MOMAN main-

[21] MOMAN is the umbrella association of major oil marketers in Nigeria. Their members are Con oil, Forte Oil, Mobil, MRS, Oando and Total, which are MNCs operating in the Nigerian oil industry.

[22] 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.

tains a direct link with the NNPC to distribute and supply across Nigeria in an organized manner. For instance, during the March 2014 fuel scarcity,[23] 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 2014).

The Stanley Rowland led-executive did lead to the improved performance of the PPPRA, especially in light of reductions in the quantity of fuel consumption and number of registered oil marketers. However, the appointment of representatives from a wide range of civil society organizations has not triggered the desirable efficiency in the downstream oil sector. Despite the non-state actors' appointment as members of the PPPRA board, the agency continues to be associated with many irregularities, mismanagement and corruption. The agency has 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 has also failed to ensure fuel availability, while the spates of pipeline vandalism and bunkering continue to increase. Data revealing the number of incidents of vandalism of oil facilities, pipeline destruction and oil lost to bunkering was inflated and fuel meant for distribution to the population was diverted by public officials for personal aggrandizement.

6.6 Pipelines Product Marketing Company

Reorganization within the NNPC was imminent. In 1988, the Pipelines Product Marketing Company (PPMC) was established as a subsidiary of the NNPC to ensure the availability of petroleum products all over the country. This institution remains directly responsible for ensuring the effective supply of fuel to consumers across the country at the government prescribed price (an arrangement shrouded in complexities). Clearly, the agency has failed to discharge this core function. Evidence of a lopsided distribution approach has characterized the supply of fuel in Nigeria. The PPMC acts as a strategic business organ of the NNPC, administered to align with the management culture of total quality pursuant to NNPC directive.

[23] 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.

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 excellent customer service by effectively and efficiently transporting crude oil to the refineries and moving petroleum products to the market.[24]

The PPMC discharges and distributes fuel all around the country through a series of processes. The agency receives crude oil from the NNPC Corporate Services Unit, National Petroleum Investments Management Services (NAPIMS). It then supplies the crude oil to the four NNPC refineries. At the same time, the PPMC must also manage significant petroleum product imports to augment locally refined products due to the inability of the refineries to meet local consumption. All products, whether 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. These supplies are then lifted to the expected retail outlets or filling stations.

A 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 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 then distributed to other NNPC depots in Ilorin, Ibadan and Ore. Aside from this, some private depot owners are contracted to use their storage tanks for product reception and distribution, while some vessels were reserved for the evacuation of fuel oils from Port-Harcourt and Warri refineries for export. PPMC sometimes receives products through import jetties and pipelines which are thereafter distributed through pipelines to designated filling stations. The use of rail system to move products from some depots was also explored for increased fuel supply.

The PPMC tried to combat fuel scarcity and hitches in the supply of fuel across the country, attributing the root causes to to smuggling and fuel theft. Buyers of crude oil in the international market were called upon to treat stolen Nigerian oil as "blood crude" supplied by criminals (Premium

[24] http://www.nnpcgroup.com/NNPCBusiness/Subsidiaries/PPMC.aspx

Times 2013). PPMC reasoned that if the international community maintained a strong posture against stolen diamonds from Sierra Leone and the Democratic Republic of Congo with the "blood diamond" label, it could adopt a similar position on stolen Nigerian crude; a move that could drastically reduce oil theft in the country. Accordingly, 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.[25] The *Premium Times* reports that the huge loss of revenue due to theft is a major concern of former Minister of Petroleum Resources Diezani Alison-Madueke, who maintains that Nigeria loses about 180,000 barrels of crude oil per day, amounting to almost US$7 billion (N1.05 trillion) in yearly lost revenue (Premium Times 2013). The country lost N51.28 billion in 2015 and N3.8 trillion in 2016 to oil theft, bunkering and vandalism. In January 2017 alone, the loss recorded was N12.7 billion.

Oil pipeline damage is mostly linked to bunkering[26] activities. Repair of vandalized pipelines required an expenditure of US$5 billion (N750 billion) 2011. NEITI chairman Ledum Mittee claims that about 136 million barrels of crude oil estimated at $10.9 billion in potential oil revenue was lost to bunkering activities in 2009-2010 (Agency Report 2013). The report further reveals that a large part of the theft, estimated at around 250,000 barrels per day, was diverted with the complicity of state officials specifically appointed to combat oil theft in the oil industry. In 2012, NNPC Boss Andrew Yakubu, reported that the corporation recorded about 1498 breaches in its petroleum pipeline systems between October and December (Salami 2013). For instance, about 181 break points were recorded in the Atlas Cove and Mosimi depot; 421 from Mosimi to Ibadan; 50 from Mosimi to Ore; and 122 from Ibadan to Ilorin (Agency Report 2013). The proximity of these areas to Nigeria's border explains the large volume of smuggling and illegal oil sales. As an interviewee described the situation:

> *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*

[25] 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

[26] 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.

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)

One would have expected a strong anti-smuggling operation around the pipelines, and specifically those very close to national borders. The PPMC, despite aligning with government securities to contest oil theft, has actually scored low in its responsibility to combat these illegalities and crimes. Reacting to the rising oil theft, Shell boss at the time, 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 at various locations in the area (Utebor 2013). Utebor further revealed 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 notorious 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. In Warri, on September 2016, a Task Force code-named Operation Delta State, busted an illegal oil bunkering syndicate and recovered 310,000 litres of illegally refined diesel amounting to over N52.5 million.[27]

Former Minister of Petroleum Resources 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 2.46 million b/d and rebounding following government intervention to stem the menace (Okafor and Alike

[27] For full information of their activities, see http://sweetcrudereports.com/2016/09/01/jtf-busts-illegal-oil-bunkering-syndicate-seizes-fuel-products-estimated-at-over-n52m-in-delta/

2013). Alison Madueke also noted that 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, represented 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).

6.7 Subsidy Reinvestment Programme

The Subsidy Reinvestment and Empowerment (SURE-P) Programme, established in the wake of the concerted efforts at deregulation policy of 2012, was not the first governmental institution to have managed the savings accrued from oil subsidy cuts. For instance, after another round of increases in the price of petroleum resources in 1994, the Abacha administration had established two decrees[28] for the purpose of managing the savings from the subsidy removal—though, Section 2 (1) of that Decree exposed falsified data on fuel subsidies. The Petroleum Trust Fund (PTF) was then headed by a former military dictator, now the President of the country, Retired General Buhari was 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, p. 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 form the sale of petrol consumed in the country between October 1994 and June 1999 when the agency was declared illegal and was scrapped by the Olusegun Obasanjo administration (Eme and Onwuka 2011).

The Presidency had 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 had characterized the Nigerian social landscape. Although the agency was headed by the well-respected Christopher Kolade,[29] there remained strong allegations that the govern-

[28] The Petroleum (Special) Trust Fund (Amendment) Decree No. 1 of 1995, and Petroleum (Special) Trust Fund Decree No. 25 of 1994.

[29] 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

ment had carefully picked the apologists of deregulation as members of the SURE-P Board, which was the highest executive body of the agency. The objective of this programme was to provide support to Nigerians in different sectors, including infrastructural improvements and job creation for the youth (IISD 2012, p. 35). A successful implementation of the programme required 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); an additional N180 billion ($1.1billion) was later added for broader scope of activities (IISD 2012, p. 35). According to the IISD report, a budget reduction had necessitated a review of its programme to comprise maternal and child health interventions, public works programmes, mass transit schemes and vocational education programs.

Also, an estimated 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 were commissioned for mass transportation, 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 population as at 2012.[30] 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 have provide was already contained in the 2012 budget. At the end of 2012, 809 vehicles worth more than N8b had been released, and the 1000 buses were given out to operators selected from the six geo-political zones of Nigeria, including Abuja and Lagos. Each zone had at least one operator or franchise on routes on concession to them.

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 a scandal. In November 2012, the National Assembly mandated SURE-P to submit an analysis of its 2012 budget expenditure. Lawmakers discovered duplica-

Cadbury Nigeria Plc. He was also a former Nigerian High Commissioner to the United Kingdom and a well accomplished broadcaster. He later resigned from the position.

[30] Information is available online at http://worldpopulationreview.com/countries/nigeria-population/

tion 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 it had spent N16 billion ($100 million) on the Benin Ore Shagamu road, but the federal government had already awarded the same road as at 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 discovered 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 other reported cases of mismanagement in Makurdi, Benue State where SURE-P had reportedly been 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, had resigned from his appointment due questions around financial mismanagement and poor performance of the agency.

However, SURE-P did however, 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 been satisfactory and fall below expectation.* (Interviewee Number Seven, July 2013)

Since the commencement of its operation in October 2012 as a social net component of SURE-P, a total population of 41,161 graduates have benefitted from the Graduate Internship Scheme of the Federal Government and under the supervision of the Ministry of Finance. It remains 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. SURE-P is not different from other governmental institutions that have failed to efficiently achieve their set objectives.

6.8 Petroleum Equalization Fund

The Petroleum Equalization Fund (PEF)—managed by the Petroleum Equalization Fund Management Board PEF(M)B—was a special brain-child of the federal government and agency under the Ministry of Petroleum Resources. The PEF(M)B was established in 1975[31] and its role was mainly to administer uniform prices of petroleum products within the country, which is achievable by equalizing the cost of transporting petroleum products from the depots to filling stations. This transportation cost is considered to be a "bridging[32] cost", which is payable only to those marketers who transport fuel for more than 450 km from the depots. 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 Ibafon. The agency was headed by the Executive Secretary who acts as the Chief Administrative Officer, in charge of the day to day administration of the fund.

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 PPPRA to ensure that regulated pump prices prevail. The operational tools for affecting a uniform price throughout the coun-

[31] The Petroleum Equalization Fund (Management Board) Act of 1975; see http://www.abfrco.com/1.htm

[32] Bridging is the movement of petroleum products for distances beyond 450 km within the country. The cost of transporting the products, from the supply to the retail points is the bridging costs.

try are built on a price equalization mechanism, which ensures that marketers whose petrol filling stations are sited 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 to be 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. 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".[33]

The costs are not paid by the federal government but have been built into the overall cost of petroleum products; hence, the consumer pays the specified in-build transportation cost[34] (N2.30 kobo 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 N1.87 kobo per litre.[35] 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, AQUILA[36] technology, under the 'Project AQUILA' has been deployed to 33 depots, and this will be extended to all the 45 depots accordingly. This becomes the first

[33] http://systemspecs.com.ng/documents/Remita%20Case%20Study.pdf

[34] Transportation cost is related in distance traveled between the points of lifting the products (Depots) and the points of sale (filling stations).

[35] Bridging is the movement of petroleum products by long distance road haulage (i.e. above 450 km) 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).

[36] 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.

e-loading solution in the Nigerian downstream petroleum segment. 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.

Huge costs have been expended on transportation and bridging due to Nigeria's absolute reliance (oddly) on road transportation system. An alternative means of products delivery is by railway; however, it is common knowledge that the railway network in Nigeria is moribund,[37] while the only realistic option is road transportation, through the use of trucks and trailers. The PEF(M)B has struggled with paying marketers their bridging claims when due, while many marketers claim to have been denied their payments and that the reasons provided to them for this were unsatisfactory. This is one of the reasons behind fuel scarcity.

Some of the cases of the fuel scarcity witnessed had been as a result of the refusal of marketers to make fuel available to consumers—through import boycotts—due to the government's 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 government's inability 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*

[37] The 'cabal' has also been labelled as those responsible for the inability of the government to fix railway transportation system.

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 its sale at official rates throughout the country. It was insinuated 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 Nigerian state, which has failed in the area of resource accumulation and utilization, is likely to fail in its distribution efforts despite the 'promise' of a deregulation of the sector. Drawing from the example of Russia, Rapley states that,

> *A functional regime must contain two components: a distributive regime and an accumulative regime. The logic is simple. To distribute resources, regimes must also generate them. Accumulation crisis can sink a regime itself into crisis, as it happened in Soviet bloc states. But even with a viable accumulation regime, a political system with a malfunctioning distribution regime will still descend into crisis. Indeed, a political system can probably survive an accumulation crisis longer than it can a distribution crisis.* (Rapley 2004, p. 8)

As was experienced in the post-oil reform epoch, fuel scarcity continues, un-uniform price system prevails, while fuel price has risen to N145 per litre.

The PEF remained a lofty idea to make petroleum products easily accessible to Nigerians at equal prices, but the reality was the inconsistencies that characterized 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.

6.9 The National Assembly

The National Assembly is regarded as one of the stakeholders of the Nigerian oil sector. Apart from providing the institutional framework for the running of the industry, severally, the institution has intervened in oil policies. On many occasions, the National Assembly has confronted the executive arm of government on governance issues and on the reform agenda of Nigeria's successive governments since 1999. Parliament had not been too well disposed to the liberalization policies of the ruling party, the PDP. In the 2012 fuel crisis, the legislative house had 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 et al. 2011, p. 39). Therefore, the National Assembly was critical of his reforms in the downstream oil sector and showed disdain to the mismanagement prevalent in the entire oil sector, government calls for subsidy removal and persistent fuel price increases. The National Assembly, in June 2017, initiated a bill, *The National Road Fund Establishment Bill*, which provides for fuel price increase and the imposition of N5 fuel tax (per litre of oil bought) on motorists.

The National Assembly had 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 mandated to refund to the Federation Account, the sum of N310,414,963,613, which had been received illegally as a subsidy for kerosene, contrary to the Presidential Directive of July 29th, 2009 withdrawing subsidy on the product (Yusuf 2013). 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 former Minister had not given approval for the implementation of the directive.[38] 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 continues 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

[38] More information and complexities about the kerosene fraud is robustly discussed in the subsequent chapter.

Act of 1990),[39] every case of an increase in the price of PMS has been through a presidential declaration, transmitted over 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 Representatives 2012).

The probe panels completed their findings[40] and revealed:

1. Payment of N285.098 billion in excess of the PPPRA recommended figure for 2011.
2. Subsidy deductions of N310,414,613 for kerosene against a presidential directive.
3. Direct deductions from funds meant for the Federation Account in contravention of Section 162 of the Nigerian Constitution.
4. Illegal granting of price differential (discourse) of crude oil price per barrel to NNPC to the tune of N108.648 billion from 2009 to 2011.
5. The necessity to split the NNPC into two: upstream and downstream ministry.
6. The compilation of 17 companies that are to make refund totaling more than N41m.
7. That NNPC refining capacity is 53%.[41]

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.

Furthermore, the National Assembly report identified a series of inflated consumption figures and landing costs, and also a lack of due process in

[39] See Section 6 sub-section 1 of the Act.

[40] 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 3000 volumes of documents as evidence (House of Representatives 2012, p. 4).

[41] For more information on the findings of the probe panel, see House of Representatives (2012).

the prequalification, allocation, verification, certification and payment for supplies. For instance, the report claimed that the daily 'consumption of PMS by Nigerians is 31 million litres while that of kerosene is 10 million' (House of Representatives 2012), contrary to official figures that imply a daily consumption of 60 million litres and 9 million litres respectively (IISD 2012, p. 12). In response to public outcry, the National Assembly had ordered a probe to expose the rot in the sector, and presented its findings to the media. The probe had been commissioned by the House of Representatives and conducted by the house Ad hoc committee to verify subsidy claims, led by Honourable Farouk Lawan.

In the lower house, the House of Representatives Committee on Public Accounts (PAC) frowned at the manner in which the government kept subjecting Nigeria's finances to outright manipulation and abuse. 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).

At the height of the subsidy probe in 2012, 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' had led to the indictment of Zenon Oil in the subsidy scam. Lawan claimed he had been acting as a private investigator trying to set up the oil magnate and that he had revealed his intention to the Inspector General of Police. One could not but wonder why a Member of Parliament had decided to be a 'spy' and had performed 'baiting' work for the series of anti-corruption agencies in the country. Rather than this being the case, video evidence had 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 had only exposed those who had 'stepped on the toes of members of the ruling party' and few positioned as scapegoats, while the more culpable 'walked 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 accelerated its effort to providing the legal framework for the reform agenda of the entire oil industry, particularly the downstream oil sector, which was centered on the implementation of the PIGB. The PIGB objective was intended to create "the legal and regulatory framework, institutions and regulatory authorities for the Nigerian petroleum industry. It would also stipulate guidelines for operations in the upstream and downstream sectors" (Alison-Madueke 2013). It became necessary to design a clear–cut distinction between policy, regulation and monitoring and commercial operations, as this had been a major challenge for the oil sector. The intent was the unbundling of the NNPC to create two new regulatory institutions—upstream and downstream petroleum inspectorates—directed towards enhancing effective regulation and monitoring that is expected and in consonance with the industry's best operational practices. By the time the bill was passed by the Senate in May 2017, it proposed the creation of new regulatory body—Nigerian Petroleum Regulatory Commission (NPRC), which would combine the responsibilities of the DPR and PPPRA (The Senate 2017). It also established that the Nigerian Petroleum Management Company and National Petroleum Company would be created with some assets and liabilities of NNPC. Also to be created with independence, the National Petroleum Company would operate as a full independent commercial entity.

The PIGB responds to the governance, legal and institutional framework of the oil sector, and establishes the Nigerian Petroleum Management Company. In addition, the bill makes provision for the creation of National Petroleum Company, with some assets and liabilities of NNPC. Also, the National Petroleum Company, which is to be created, will operate as a full independent commercial entity. The bill would grant the newly created oil agencies an appreciable level of independence in its operations, thereby curtailing the powers of the Minister of Petroleum Resources and the President. Not dismissing the intent of the bill, the problem in the sector is not just about creating institutions, but strengthening the newly created or existing agencies in a country riddled with a conflict in roles and responsibilities among different institutions such as the NNPC, DPR, PPPRA and PPMC. It is important that the roles of newly created or existing agencies are specifically stated to avoid duplication of and conflicts in the roles of different institutions in the oil sector. The broad objectives of the PIGB are to:

1. Enhance exploration and exploitation of petroleum resources
2. Significantly increase domestic gas supplies especially for personal and industrial use
3. Create a competitive business environment for the exploitation of oil and gas
4. Establish a fiscal framework that is flexible, stable and competitively attractive
5. Create a commercially viable national oil company
6. Establish strong and effective regulatory institutions
7. Develop and promote Nigerian content, and
8. Promote and protect health, safety and environment.

Ultimately, and as reiterated by the current Senate President, Bukola Saraki, "the bill would stimulate the oil and gas industry; it will reduce the area of corruption and inefficiency in the oil and gas sector" (Umoru et al. 2017). The PIGB is seen by a cross-section of Nigerians, as a viable mechanism and legal framework for driving 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 the Senate eventually achieved by the passage of the PIGB, now awaiting adoption by the House of Representatives and approval of the President for the bill to become law. 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 members of the committee undermined the credibility of the report. But the report made some staggering revelations that will form the basis of subsequent reforms in the oil sector.

6.10 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 without actually subjecting the sector to open market that characterizes deregulation.

The status quo remains in both the downstream and the explorative (upstream) sector of the oil industry. The only change since 2012 till August 2017 was the increase of fuel price from N65 to the present N145 per litre. 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 making 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; to ensure the uniform pricing regime across the country. They have also displayed their incapacity to offer professional and valuable advice to the government in respect of the efficient management of oil resource and fuel price settings. Although the new PIGB is expected to address the issue of 'institutional clashes' and duplicity of responsibilities, the extent to which this would rid the sector of inefficiency remain in doubt. This is more so due to the perceived retention of the same personnel in charge of Nigerian bureaucracy.

Corruption has substantially curtailed the drive towards development and improvement in the livelihood of the majority of Nigerians. 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 lack the required skills for the oil business. The result was the accumulation of staggering wealth by oil merchants and the ruling class through corruption. In Nigeria, public office and patronage networks remains the shortest and most 'rewarding', though infamous, means of attaining unimaginable wealth.

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CHAPTER 7

Non-state Actors and Oil Sector Reform: Interests and Roles

7.1 Introduction

The oil industry in Nigeria is a thriving and attractive business[1]; hence, individuals, companies, and even civil society organizations scramble for participation amid a struggle to influence decisions in the sector. The IFIs and their agencies favour the immediate and complete deregulation of the oil industry and parity of the price of fuel with the international price system. This was born out of their ideological inclinations of limited government and the need to open up the sector for private participations. Oil companies and marketers favour deregulation so as to enhance their business interests, while local forces oppose the deregulation of the sector and fuel increase in any guise.

Government decisions to push through some reforms and engage in persistent fuel increases engendered dissent and political instability in the country. IFIs did not just dominate the economy of developing countries like Nigeria. A series of socio-economic crises prompted these global financial institutions to directly intervene in a bid to lift these societies from economic crisis. The contradictions generated by the oil boom of the 1970s and economic woes that started in the early 1980s could be likened to the "paradox of plenty", symptoms of the "resource curse" and the

[1] Interviewee Number One, July 2013; and Interviewee Number Five, July 2013.

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_7

manifestation of the Dutch disease hypothesis. This chapter revisits SAP's impact on the Nigerian socio-economic environment and the *mis*management of the oil sector (and the transformation of SAP to NEEDS). This includes a general assessment the activities and roles of non-state actors (local and foreign) in the downstream oil sectors.

7.2 International Financial Institutions: From SAP to NEEDS

The oil boom of the 1970s had led to a neglect of Nigeria's hitherto strong agricultural and light manufacturing sectors in favour of an unhealthy dependence on crude oil extraction (Odularo 2008). The government responded with the implementation of the austerity measures that resulted in further economic hardship. The inflation rate had risen to 7.7% by 1982, skyrocketing to 23.2% in 1983 and 39.6% in 1984 (Robert 2010). By 1981, the fiscal deficit rose to N3902.1m and hit N6104.1m by 1982. The standard of living of the public was greatly diminished. The resulting dire economic crisis manifested in the high prices of food and other essential items became a threat democratic sustainability and social stability. In 2000, oil and gas exports accounted for more than 98% of export earnings and about 83% of federal government revenue. Presently, government revenue is still dependent on oil income, while other sectors lag tremendously behind. With the sharp drop in oil prices in 1980, Nigeria had started experiencing economic problems for the first time since independence, which was then followed by budget deficit due to a decrease in the government's total revenue (Hajzler n.d.). The President Buhari-administration also experienced a drop in oil revenue due to the dramatic reduction in crude oil prices and oil exploration in the Niger Delta caused by militant unrest and destruction of oil infrastructures.

The economic crisis of the 1980s in Nigeria and other African countries led to the intervention of the IFIs to return the continent to the path of socio-economic prosperity. The IFIs approached the causes and solutions of Africa's economic crisis under the purview of the liberal school of thought, placing greater emphasis on liberalization of the economy guided by limited government. The interventions of the IMF and the World Bank legitimately subjected these subservient economies to manipulation by the advanced capitalist countries.[2] The IFIs responded to the persistent poverty and economic crisis by encouraging a re-focus on economic growth through a structural reversal of the state-imposed challenges to the efficient operations of markets as part of an intervention termed the Structural Adjustment Programme (SAP). At the global level, the restrictions of the state in economic and public enterprises did not gain wide adoption 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. These countries had influenced the interventionist strategies of the IFIs in developing economies like Nigeria.

Since the establishment of the Bretton Woods Institutions (the IMF and the World Bank) in the 1940s, the global financial powers have adopted a monetarism[3] 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 engage in persistent mobilization of countries in the developing world to embrace any policies that consolidate liberalization of their economies.[4] Hence, since the 1980s, the World Bank and the IMF have continued to play significant roles in the Nigerian government's efforts to deregulate, privatize and commercialize its economy, especially in the power sector and extractives industry. Therefore, the major undercurrent of SAP—and its replacement NEEDS—is the unbridled development of market liberalization and state divestiture (Umezurike 2012, p. 57).

The main motivation for the insistence on implementing neo-liberal order that favours private sector-led growth in place of state-led solutions in developing countries was due to the success stories liberalism had

[2] 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).

[3] Margret 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).

[4] Liberalization policy, driven by commercialization, privatization and deregulation, are the brainchild of Margaret Thatcher and Ronald Regan.

recorded in countries like India. Under this economic framework, the state, thus, is reduced to the role of a mere 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 spheres of the society.

SAP's aim, through the combination of exchange rates and trade policy reforms, was to revitalize the non-oil sector of the economy with stabilization policies in order to restore the balance of payment equilibrium and price stability (Godwin and Dagogo 2011, p. 123). SAP emphasized the downsizing of the public sector for improved efficiency in the management of public assets. Import licenses and agricultural marketing boards were eliminated, price controls were lifted and liberalization of the financial system became an important instrument in the stabilization of Nigeria's economy. SAP mandated the Nigerian government:

> *To alter the system of determining the exchange rate of the domestic currency by replacing the previously 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, p. 51)

Despite the attractiveness of these IMF-inclined policies re-introduced under the administration of President Obasanjo as NEEDS, 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 World Bank and IMF imposed economic policies throughout the developing world (Jones and Hardstaff 2005). This research makes references to 238 separate incidents of civil unrest involving millions of people across 34 countries, demonstrating the hostilities of people to IMF and World Bank polocies. Jones and Hardstaff maintain thus,

> *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. 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, p. 22)

Like the experiences of other countries (e.g. Angola, Bangladesh, Benin, Bolivia, Cambodia, Ghana, Honduras, Kenya, Malawi, Mali, Mozambique, Nepal, Nicaragua, Niger, Pakistan, Senegal, Sri Lanka, Uganda and Zambia), the implementation of SAP had resulted in violence and economic hardship for the Nigerian populace. The economic hardship in turn negatively affected domestic social forces in Nigeria and created the conditions for political upheaval seen in the series of mass protests that ravaged the country in 1988–1989. This is not only peculiar to Nigeria. One of the respondents regards SAP 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 foisted on countries were not compatible with the needs of poor African countries. The President reiterated the point that, "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, p. 29).

Indeed, it took close to half a decade between the time that the Berg Report recommended SAP in 1981 and the time that the various sub-Saharan African countries, including Nigeria, finally succumbed to its adoption (Umezurike 2012). In 1990, the World Bank report advocated for African development by export-led growth focused on the supposed "comparative" advantage of raw materials and agriculture (Iyoha 2005). This policy eroded the industrialization of African economies. Although SAP was debated and for these reasons overwhelmingly rejected by Nigerians, the government still went ahead with implementation. SAP has been recommended for Nigeria since the beginning of 1980 but took five years—and the toppling of an elected civilian administration and a counter-coup—for it to take off. It was nonetheless understandable because it has become quite clear that SAP had been introduced in response to the uncompromising pressures of creditor agencies to further the expansionist strategies of global capital.

The failures of SAP in Nigeria were evident. By the end of the 1980s, SAP had collapsed not only in Nigeria but in many other African countries. Local forces (and even globalists) now advocate for a shift towards the private company as an agent of development. In Nigeria, the economic harshness of the SAP was compounded by the devaluation of the naira. A US$ that had exchanged for N0.6369 in 1981 and N0.9996 in 1985 was N9.0001 in 1990. By 2000 it had gone well above N22.0000 to the US$ and by 2014 it stood between N160 and N163 (Robert 2010). It is untenable to implement classical liberalism in Nigeria decades after the introduction of SAP. Given its failure in Nigeria and other African countries, the government's decision to resuscitate SAP with NEEDS deregulation and privatization measures is very odd. More so, this was after the apparent decline of economic liberalism at the global level as other countries had realized the need for government regulation of private business, especially in sensitive sectors (as in the United States under President Obama's regime).

Public and global hostilities towards SAPs, especially from developing countries, motivated President Obasanjo's administration in 2003 to repackage the neo-liberal policy as part of NEEDS. NEEDS was presented as a way to raise Nigeria's standard of living through a variety of reforms, including macroeconomic stability, deregulation, liberalization, privatization, transparency and accountability (Odularo 2008). The policy came fully into force in 2004, directed towards right-sizing 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 2012, p. 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 powers continued to pressure 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)[5] for Nigeria in 2005 which was intended to support of the nation's economic reform efforts (IMF 2005). The satisfactory review of the benchmarks for the PSI had paved the way for the clearance of the debt to the Paris Club in April 2006 (Oshikoya 2008). Accordingly, this was to strengthen adherence to the IMF's policy advice for re-liberalization of Nigeria's economy. Therefore, the lending institution had on May 10, 2011 called on the federal government to remove petrol subsidies to help in its fiscal adjustments (Adebowale 2010). The IMF maintained that the removal of the fuel subsidy would also help 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 to 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 had remained a point of reference for opposing deregulation of the oil sector. One interviewee queried:

> *Why can't government run profitable businesses as applicable in other countries like Brazil and South Africa?*[6] *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 the inception of the Obasanjo's administration (1999–2007), made the privatization and deregulation of the power, extractive and communication sectors a priority. A cursory look at the privatization and deregulation in the telecommunication and power sectors 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 through a public tendering system with an open and efficient bidding process. Some companies that had not been able to meet the criteria for

[5] 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.

[6] 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.

participation had forfeited up to $50 million 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 had lost the deposit that they had paid. Such market driven deregulation would attract decent investors, while the government's role as a "regulator" was not compromised. The regulatory institution, the Nigerian Communication Commissions (NCC),[7] tries to curtail the profit maximization of companies operating in the telecommunication sector while strongly insisting on quality service and other initiatives to reduce the cost of mobile communication. Still, overall services in the telecommunication sector are still far from perfect as the public continues to suffer from 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, July 2013).

In the power sector, the government 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 the 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 long as the NNPC remains an investor under the control of political elites, it would continue to lack the capacity to drive the effective management of the oil industry, due to the substantial conflict of interest between professionalism and politics.

Apparently, NEEDS has incorporated certain tendencies in Nigeria's political governance that reinforce its comparison with SAP. It is also a fact that the framers of NEEDS had benefited from the experiences of the main actors behind the implementation of SAP (Odularo 2008, p. 54). Aside from this, the reform process under NEEDS had been plagued with problems and controversies. NEEDS, like other reform agendas imple-

[7] 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=frontpage&Itemid=107

mented by the Nigerian state, had exhibited what Joseph and Kew describe as "partial-reform syndrome"[8] (Luqman and Lawal 2011), endemic of past efforts in the downstream oil sector. The government had reversed the decision to implement complete deregulation in 2012 choosing to embark on subsidy-cuts and a continuation of its price regulation policy. Between 2012–2017, the price of fuel continued to rise under the regulatory power of the state. What the political elites actually had in mind was consistent price increases, not deregulation or oil sector reform, a fact which becomes contradictory in light of 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 Bretton Woods' institutions.[9] 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 reform programmes (Luqman and Lawal 2011). Given the social crisis that emanated from the adoption and implementation of SAP in Nigeria and other parts of sub-Saharan Africa, many Nigerians continued to be skeptical and unsure of what the outcome of the NEEDS reform agenda would entail for their social wellbeing. The insinuation that the IMF was behind the oil sector reform further deepened their skepticism and pessimism.

Global financial institutions did not just naturally emerge as major actors in Nigeria's political economy in the mid-1980s. Rather, Nigeria's socio-economic crisis and the state's inability to maintain fiscal balance spurred the interventionist activities of these IFIs and the introduction of SAP. However; it was soon evident that the implementation of SAP had not resulted in improved livelihood for the masses or national economic development. The economic crisis created by SAP led to massive protests and a demand for a return to democratic regime. By 1999, the military

[8] This occurs when governments subject a sector to a certain degree of privatization or deregulation but retain some measure of control, especially in pricing.

[9] 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 Bretton Woods' ideology, while the theoretical and practical aspects of the reform process and general economic management were approached from the purview of these institutions. For more information, see Luqman and Lawal (2011, p. 71).

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 simply 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 oil and power sectors. The subsequent section captures the roles of MNCs in the downstream oil sector.

7.3 Multinational Corporations and Private Investors: 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 and their relationships with the political elites. (Interviewee Number One, July 2013)

The direct convergence between globalization and the continued expansion of MNCs into developing countries cannot be overstated. Globalization has physically allowed state-borders to be flattened, and encouraged free finance and capital inflows across the world as part of 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 foreign direct investment (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 of deregulation was the tendency of the policy to drive politicians and local oil investors into collaborating with foreign oil MNCs as a means to have a greater grasp of the oil industry, opening the industry up 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 "commercialize or monetize" electioneering campaigns. The Nigerian political space has been militarized by politicians who have recruited the vulnerable youth to curtail free and fair elections, thereby imposing the "winners of the battle of steel and guns" on the electorate. The MNCs and IFIs have been consistent in their calls for the deregulation of the entire oil sector. Calls for subsidy removal by private investors, especially by MOMAN[10] (MOMAN 2012), was driven by what PENGASSAN refers to as "business sustainability and returns on investment" (Interviewee Number Seven, 2013). In the upstream industry, the manipulative strategies of the MNCs—as well as their capacity to maximize profit—were 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. At the same time, prospective new entrants into the industry are denied registration. Mobil and Shell were allegedly both guilty of expired of operating license (Interviewee Number Ten, July 2013). Oil corruption has provided great opportunities for these companies to maximize their economic interests through various means[11] in the oil sector.

In the downstream oil industry, 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. 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. This holds concern for the Federal Government of Nigeria's (FGN) transformation agenda and local content[12] initiatives directed at improving the capacity of home-grown operators to play the leading role in Nigeria's economic growth and development. Former PPPRA boss Reginald Stanley maintains that "maritime is one area where this country bleeds a lot of foreign exchange. This business is practically more than 95% dollar

[10] MOMAN members are Con oil, Forte Oil, Mobil, MRS, Oando and Total, which are MNCs operating in the Nigerian oil industry.

[11] This is through exporting crude and importing refined products, offering bribes to break bureaucratic inefficiency and granting of licenses.

[12] 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.

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, these MNCs have been allegedly high-handed in their treatment of the Nigerian labour force and have failed to adhere to acceptable labour practices. NUPENG drew attention to 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 2013). Agip Oil was accused of terminating the appointments of 93 contract workers who had been in employment for 25-35 years without benefits, despite a contrary directive by the Ministry of Labour and Productivity. Chevron employed the practice of only converting workers from contract to service labour, refusing them a Collective Bargaining Agreement (CBA) and not allowing them to join the union. Shell was condemned for refusing to have a CBA with workers and denying them the right for unionism.

NUPENG laments the manipulative strategies of MNCs to scuttle unionism and perpetuate oppressive, repressive and hostile anti-labour practices in the sector (NUPENG 2013). Contrary to the traditional "contract of employment relationship", they were accused of a shift towards the recruitment of a high number of contract and casual labour. In general, globalization imposes hardship on workers across the country, especially those 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 actions 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 in an effort to redress these oppressive practices (Interviewee Number Seven, July 2013). Although a technical working committee was inaugurated to reconcile opposing positions, it remains to be seen if the recommendations proffered—after 9 weeks of deliberations—would be fully implemented by oil MNCs guilty oftentimes of ignoring 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 Shell, which was categorized as the worst end user of contract workers in the oil industry (NUPENG 2013, p. 7), it was found that the local MNCs show more hostility to the welfare of workers, especially in respect to the freedom of expression and rights of association. For instance, MRS[13] and Oando[14] have both systematically eroded unionism in the oil industry by outsourcing employment to recruitment agencies and avoiding known "unionists" in their employment practices. 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 2013, p. 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 in Nigeria to abuse labour and degrade oil communities has become practice as usual.

Both foreign and local MNCs operating in the oil sector have continued to display the similar attribute of profit maximization. Bad labour practices by foreign MNCs have drawn wide condemnation from the Nigerian population. 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 engen-

[13] 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

[14] 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 from the United States. 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 Petrol 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.oandoplc.com/wp-content/uploads/Corporate_Brochure.pdf

ders capital flight, which is antithetical to sustainable economic development. Capital flight and labour exploitation features in the arguments of the dependency school of thought which views the activities of MNCs in developing countries as driven by domination and exploitation.

However, foreign MNCs are more accommodating of trade unionism than their local counterparts. 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).[15] Denying Nigerian workers the right to engage in unionism for better welfare packages constitutes a breach of these constitutional provisions. Charges of bribery and corruption levelled against many MNCs have yet to prompt a strong reaction from the Nigerian government, while other cases of labour abuse in the oil sector continue.

7.4 Civil Society Organizations

> *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, Nigeria Labour Congress (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, p. xi). Many notable union activists have joined the ruling class, which became a leadership crisis in the case of NLC. The vibrant former President of the NLC, Adams Oshiomole, who had led mass protests against the government between 1999 and 2007, joined politics and became the Governor of Edo State. Contrary to his previous stance against fuel increase and deregulation, he was one of the federal government's negotiating team in support of deregulation of the oil sector in January 2012.

The NLC and associated trade unions[16] were unwavering in their opposition to the military, which had frantically tried to disband union opera-

[15] See Constitution of the Federal Republic of Nigeria 1999.

[16] In Nigeria, trade unions and the NLC have a long standing coalition with civil society organizations under the umbrella of the Labour and Civil Society Coalition (LASCO).

tions and later succeeded in politicizing them towards the end of the military dictatorship in 1999 (Amundsen 2010, p. xi). Nevertheless, CSOs continue to occupy a constructive position in democratic consolidation in the post-military era. For example, they have been involved in constitutional and electoral law amendments and were very astute in their opposition to the third term agenda of President Obasanjo.[17] Their unflinching opposition to all forms of fuel increment cannot be over-emphasized.

The NLC[18] has been particularly hostile to the liberalization of the oil sector and continues to mobilize its members and the population against liberalization efforts by successive governments. The highest authority in the NLC is the national executive council, comprised of the elected leadership teams (president, general-secretary and treasurer) from each affiliated union, as well as the chairperson and secretary of NLC state chapters. Decisions taken are through consensus and, if necessary, by vote. NUPENG (an umbrella union open to all junior workers in the oil and gas sector) and PEGASSAN (comprised of senior workers) are the most active industrial unions in the oil sector. The two associations work hand-in-hand and take common decisions on issues affecting the oil industry, most times under a joint coalition called NUPENGASSAN (Interviewee Number Seven, July 2013).

Based on current conditions and the disposition of the government towards reform, PENGASSAN and NUPENG oppose deregulation and fuel increases under any guise. They see a low price of fuel as the only benefit derived by citizens from Nigeria's oil wealth (Interviewee Number Seven, July 2013). These unions would *only* support the removal of subsidies if structures are established to encourage local refineries. One interviewee reiterated the position of the union, which is the staunch opposition of 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

LASCO mobilizes Nigerian labour and masses during industrial action and protests against fuel increase and deregulation.

[17] President Obasanjo had made an unsuccessful attempt to spend an additional 5-year single term after completing two-terms in office.

[18] 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.

chairmen) for the complete removal of subsidies. The union vowed to resist any attempt at the complete removal of all subsidies on petroleum products and to embark on full deregulation unless the 2012 conditions of deregulation are met.[19] 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 federal government is mandated to sign the Petroleum Industry Bill (PIB) into law, explain how savings generated from partial subsidy withdrawal have been used since 2012 and reverse Nigeria's decaying infrastructure (e.g improve transportation networks and rehabilitated roads). The bill is still yet to become a law despite its passage by the Senate in May 2017. This is perhaps due to the president's ill-health. Buhari was out of the country "on holiday and later on medical check-up" for more than three months, only returning on the August 19th, 2017. The government should also complete the dredging of the River Niger before the removal of subsidies and full deregulation.

The TUC also queried former petroleum minister Allison Madueke who had claimed that about N879 billion savings were generated from fuel price increase and reforms without utilizing the fund to invest in viable factories, infrastructure and 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 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)

The TUC accused the federal government of insincerity, ineptitude, lack of vision and political will. As much as Nigerians are used to the fact

[19] For more information, see http://theeagleonline.com.ng/news/tuc-opposes-removal-fuel-subsidy/

that service delivery and infrastructure development is often localized (e.g. power-generation and bore-hole drilling for water), it would be impossible for individuals to construct roads or rehabilitate the highways. This makes government investment in infrastructural development imperative (Interviewee Number Sixteen, July 2013). The government has had the opportunity to restore its credibility as it 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—along with the unfulfilled promises of the FGN—has strengthened Nigerian opposition to subsidy removal and complete deregulation of the oil sector.

The NLC had a history of resolutely using strikes as a weapon 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 the resultant civil unrest. However, in case of 2012, both parties (government and labour unions/civil society) had 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 during the six days of protest amounted to more than N2 trillion (Interviewee Number Thirty-one, April 2017). 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 Nigeria"[20] and led by self-proclaimed activist Tunde Bakare[21] vehemently opposed the decision of the NLC and TUC (as well as other members of the negotiating team) that had 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.[22] The leaders of human rights groups and other activists had mobilized Nigerians to disassociate themselves from the decision to accept the N97 fuel price, instead insisting on a return to N65 and continued mass protests, which drew the ire of the state security services (Interviewee Number Eight, July 2013).

Their arguments hinged on repeated reassurances from the government to the labour unions—and via public pronouncements—that an increment in fuel prices would be suspended until the conclusion of public debates and robust consultations on policy options with various segments of the population (Interviewee Number Eleven, July 2013). The government, however, had reneged on this, and went ahead with the announcement of a fuel price increment and complete deregulation on the January 12th, 2012 (Interviewee Number Seven, July 2013). Based on the public reaction and government defense of the announcement, the expected consultations and public debate were not concluded (Social Action 2012,

[20] "Occupy Nigeria" is a protest movement that started in January 2, 2013 in response to the announcement by Nigeria's federal government 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", *Aljazera*, January 23; available online at http://www.aljazeera.com/indepth/opinion/2012/01/201212114314766322.html; and Ogala Emmanuel and Ben Ezeamalu (2012) "#OccupyNigeria: One year later, the gains, the losses", *Premium Times*, January 12; available online at https://www.premiumtimesng.com/news/114890-occupynigeria-one-year-later-the-gains-the-losses.html

[21] Tunde Bakare was a former Presidential candidate and also became the vice presidential candidate to Muhammed Buhari during the 2007 general election.

[22] Lagos, in Lagos State, is the commercial nerve centre of Nigeria and remains the rallying point of political activism.

p. 5). This further explains the disconnect and mistrust between the government and its citizenry. It shows that the public debates and preceding negotiations with the labour unions had not been 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 rationale for the hike in the price of PMS in a country with vast oil wealth amid corruption, waste and excessive display of affluence by the ruling elites. Media displays of information criticizing the government pronounced rationale for deregulation also played a role.[23]

The media opposed 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 subsequently felt constrained in effectively carrying out the responsibility of disseminating information to the general public. They had "secretly" felt 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 who once had unrestrained entry to all oil facilities and outlets in the NNPC were denied access after the immediate post-2012 fuel reform crisis. This impeded access to information as journalists became frightened away from reporting sensitive information to Nigerians. It also constitutes a denial of the right of citizens to public information and press rights to freedom of expression as provided for in Section 39 of the Nigerian constitution. According to Interviewee Number Ten (July 2013), the affected journal-

[23] The media were using inflammatory captions in their headlines to strengthen people's resistance of deregulation.

ists could not legally seek redress in the courts because their lives had been threatened and the state had repeatedly displayed its lack of capacity to ensure their safety.

7.5 Conclusion

Civil society organizations and labour unions have not been adequately assertive of the need to maintain stable fuel prices and ensure fuel availability 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 parts of the country. They are quick to embark on mass protests against any incremental increase of the fuel price but have concurrently failed to adequately pressure the government and oil marketers into ensuring the sale of petroleum products at approved prices. The labour unions do not have power to enforce compliance on regulated prices, but they may well be able to influence the government to force marketers to adhere to the official price.

The roles of IFIs have not been particularly damaging considering the financial and fiscal realities of the government and their ideological approach to addressing developmental challenges; though the economic hardship generated by the IMF-inspired SAP created 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 charting its own course. 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 pressure on the government to combat corruption and implement policies that would ensure accountability and transparency. Despite this, corruption is given free reign, even in the country's highest office, the Presidency.

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 a 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. Thus, new public management theory becomes useful in understanding opportunities to increase the efficiency of the Nigerian bureaucracy. It advocates for the transformation of public institutions of administration to realize more effective management. Once transformed, 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 the MNCs. One would have expected the IFIs to have insisted on political and bureaucratic reforms before the implementation of SAP. This was not the case in Nigeria. The same institutional format that had plunged the country into a socio-economic crisis was left unchanged. The liberalization of an economy with weak public institutions and depleted public enterprises favours the MNCs which exploit the weakness and unprofessionalism of state agencies to maximize profits.

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CHAPTER 8

The Deregulation Debate

8.1 Introduction

This chapter takes a holistic approach towards understanding the motivations behind the pseudo-deregulation of the downstream oil industry. 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 (b/d) with confirmed reserves of 36 billion barrels expected to sustain production for the next forty-six years[1] (Alison-Madueke 2013). In addition, there have been recent discoveries of significant crude oil deposits in Eket, Akwa-Ibom State (Interviewee Number Twenty, July 2014). This has positioned Nigeria to set an ambitious national target of attaining production levels of 4 million b/d by 2020.

Despite 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 et al. 2010). The failure of the Nigerian state to significantly improve the standard of living of its

[1] Having reserves that will last for 46 years is only meaningful if oil proceeds are substantially and effectively used to develop Nigeria.

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_8

citizenry can be attributed to the mismanagement of the oil wealth, a visionless and corrupt political leadership, over-bloated institutions and a large government. Corruption has been identified as the most obvious impediment to attaining a high level of development by the state. 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—about the negative impacts of corruption on Nigeria's development. Reports from global coalitions against corruption reflect a similar perception. The 2014 International Corruption Index by Transparency International ranks Nigeria number 144 out of 177. Nigeria also ranked 136 out of 175 countries on the corruption scale in Transparency International's 2016 Corruption Perceptions Index. In reaction to Nigeria's socio-economic challenges, the IFIs and other global actors maintain that limited government would rid the country of its economic backwardness. From this perspective, in order to be effective, the government should limit itself to the provision of guidelines to support the smooth operation of economic activities left under the better care of 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 have spoken strongly about the need to deregulate and subject the sector to market forces; however, the government was primarily only interested in constantly increasing the prices of petroleum products as a means of increasing its revenue base. Lesser priority was placed on concerted efforts to embark on full deregulation by relinquishing the control of the downstream[2] sector to private ownership

[2] The downstream sector comprises the distributive and marketing aspect of the petroleum industry. It is not just a distributive and marketing network, but encompasses oil infrastruc-

and control. The question is why the government remains hesitant to completely remove the subsidy[3] and embark on complete deregulation of the sector? Alongside other complicities, one of the main answers can be found in electoral politics. President Goodluck Jonathan had been reluctant to embark on complete deregulation due to the negative effect it would have had on his interests in seeking re-election in the 2015 presidential election (Interviewee Number Four, July 2013). Despite this, he eventually lost the election to the incumbent, President Buhari. Although there have been moves, even under the Buhari administration, towards deregulation and the subsequent removal of fuel subsidies, the status of the Nigerian downstream oil industry—wrought by complexities and confusion—remains the same. The same calls for full deregulation and complete removal of subsidy that predated 2012 are still being re-echoed by the government five years after.

Considering the large increases of fuel prices in Nigeria since the late 1970s and the efforts of President Obasanjo and President Yar'Adua to deregulate the sector, President Goodluck took a bold step in announcing the deregulation of Gasoline Motor Spirit[4] (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 large 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 et al. 2007, p. 3). Raising petroleum prices during this time tended to be politically costly. A number of countries like Nigeria and

ture and the structure of fuel in the sector. Everything outside crude oil exploration falls under the downstream sector.

[3] Subsidy in simple term is the difference in the naira value of the cost of petroleum products, at the point of distribution to consumers, and the government approved price.

[4] 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 122–158 degrees Fahrenheit at the 10 percent recovery point to 365–374 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).

Yemen suffered significant civil disorder, protests and strikes. Yemen's July 2005 fuel price increase ignited widespread protests, leaving 22 people dead and many more injured (Baig et al. 2007, p. 17).

Nigeria's federal government kept presenting justifications for the gradual withdrawal of the fuel subsidy; however, the Nigerian Labour Congress (NLC) and civil society organizations (CSOs) had vowed to resist deregulation in any guise having successfully mobilized Nigerians popular opinion against every increase in the price of fuel since 1979 (NLC 2008). After a dialogue with labour leaders, the federal government had agreed to walk back the initial fuel price increase from N65 to N141 in favour of a N97 PMS price per litre. Real concerns about rot in the industry, coupled with unrestrained corruption and the apparent inability of the Nigerian state to combat sector mis-governance, motivated the NLC to give way in its strong anti-deregulation posture and its decision to accept the N97 price of PMS in January 2012.[5] Price increases did not end there but rather have become the norm for regimes; legitimate or illegitimate administrations have used the increase to expand the revenue base of the state.

Kombo (2003) presents three viewpoints on the deregulation of the downstream sector in the Nigerian oil industry. Supporters of the first viewpoint 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, p. 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 had been *securitized*[6] and it was asserted that the developmental agenda of the federal government would be placed in great jeopardy if the bid to fully deregulate the sector failed. The Minister of Information at the time, Mr. Labaran Maku,

[5] The Federal government increased the pump 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 but a cross section of Nigerians and some civil society organizations accused NLC of betrayer.

[6] The government vehemently argued that the security of Nigeria, as well as its corporate existence, depends on the implementation of deregulation policy.

maintained that Nigeria's economy would be truncated if full deregulation of the downstream sector was not implemented.

The second viewpoint was that of the *moderates*[7] who desire 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. The third perspective strongly opposes 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.

The third viewpoint has long been the position of the population, CSOs and the NLC (Despite the decision by the NLC 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 et al. (2011, p. 2864) note that "past experience with subsidy reform suggests that protecting the poor from the negative impact of reform is most important for successes".

8.2 Historical Background to Deregulation and Fuel Price Increases

The pioneer crude oil refinery was founded in Port-Harcourt by the Shell/British Petroleum conglomerate in 1965. Before then, Nigeria relied on imports to satisfy overall fuel consumption demand. The idea that Nigeria relies on external sources for petroleum products is therefore not unusual. What does seems odd, however, is the high degree of importation and scarcity of fuel despite the establishment of four refiner-

[7] These are sets of individuals who have displayed a moderate stance against deregulation and who, although believing in its implementation, are opposed to the manner in which the entire process is being implemented by the government. They would rather prefer a gradual process that includes a sustained subsidy payment until all the conditions necessary for full deregulation were put in place and strong institutions were created to manage the deregulation processes, backed by a legal framework to prevent policy reversal. They were more interested in the availability of fuel at all times, and fall within the upper-middle class. Many of these moderates are businessmen, senior public officials and highly-skilled professionals.

ies[8] 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 made during the Interim Government of Ernest Shonekan in 1993. It had been systematically designed as a phased model, an approach meant to appeal both to the public and the protagonists of the prevailing deregulation initiatives. PMS was to be fully deregulated, while diesel and kerosene would continue to enjoy some levels of subsidy till the end of 1995 (Interviewee Number Four, 2013). General Sanni Abacha, who had "snatched" power from the Interim President Ernest Shonekan, had been set to authorize the deregulation policy for the oil industry. However, his abrupt death in 1998 halted the announcement and disrupted the long-held plan.[9] The first steps towards deregulation were initiated 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 intent to deregulate the petroleum products market. His decision was based on the recommendation of the *Vision 2010 Committee* headed by Ernest Shonekan. Deputy President Admiral Mike Ahigbe, acting in support of the Presidential proclamation, insisted that government should not be involved in the regulation of petroleum price and that the market should determine the price of oil products like every other good.

Towards the end of 199, as soon as his regime had begun to enjoy a bit of legitimacy, President Obasanjo started strategizing on implementing a policy shift in the oil sector. In April 2000 the federal government set up a Special Committee on the Review of Petroleum Products Supply and Distribution (SCRPPSD) to reform the oil and gas industry towards the deregulation and privatization structures of the NNPC. Under this arrangement, seven subsidiaries were to be sold, including the Eleme Petro-chemical Company and Nyson Nigeria Limited. By October 2000, the committee had submitted its work and the government had made two basic decisions based on meticulous study of the recommendations: (1) creating the Petroleum Product Price Regulatory Agency (PPPRA),

[8] The politics and realities behind low productivity of the refineries are discussed later in this chapter.

[9] General Sani Abacha had forced the Interim President, Ernest Shonekan to resign in a bloodless coup. General Abacha had therefore become the President; see http://www.nytimes.com/1993/11/18/world/nigerian-military-leader-ousts-interim-president.html

through the Petroleum Products Pricing Regulatory Agency (Establishment) Act 2003; and (2) liberalization of the industry. A Presidential Technical Campaign Committee on liberalization of the downstream sector of the petroleum industry was established headed by the then Special Assistant to the President on Petroleum and Energy Funsho Kupolokun (Now Group Managing Director of NNPC). Kupolokun had then swung into action in an effort to sensitize the Nigerian public on the need for deregulation and liberalization of the downstream sector.

On September 30th, 2003, the federal government—through the PPPRA—announced the deregulation of the downstream sector of the oil industry in Nigeria (Ogunbodede et al. 2010, p. 113). Implementation was uneven. Diesel was deregulated leading to a diversity of prices set by private investors. However, PMS and kerosene remained regulated. This was the situation until announcement of immediate deregulation and the complete cancellation of fuel subsidy payments in 2012. The move was seen as abrupt and came as a shock to Nigerians. Meanwhile, half a decade later, the government's apparent unpreparedness to implement full deregulation is evident.

8.3 Rationale for Deregulation and Fuel Price Increases

The intention of the Nigerian state to embrace a liberal economic ideology first surfaced with the acceptance of SAP under military dictatorship. Liberalization efforts persisted under the Obasanjo-led civilian administration between 2003 and 2007 as with the re-enactment of SAP disguised as NEEDS—a well-calculated attempt through urgency to implement fully-fledged economic liberalization. The major proponents of this policy included the federal government, the Presidential Steering Committee on the Global Financial Crisis, the Nigerian Economic Summit Group (NESG)[10] and the IFIs. Reiterating the importance of deregulation, a respondent asserted that deregulation is not just an economic concept that became imperative, but a necessity that emerged as a result of the limitations of the state controlled economic system inherited from the colonial power decades ago (Interviewee Number Three, August 2013).

[10] These committees have no formal power but play advisory roles in the economic programmes of the President.

State failures in Africa attracted the intervention of IFIs, which recommended economic liberalization for Africa. In the Nigerian case, economic liberalization therefore became a critical element at a point when it became obvious that the state's continued control of the oil sector was not serving the purpose for which it was intended. According to the respondent, deregulation policy in the sector was to serve as a veritable means of injecting dynamism and efficiency into the petroleum industry. In his view, given that the Nigerian economy operates within a capitalist system, market forces of supply and demand are commonly expected to apply. 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)

This argument supports the assertion that private enterprises and the discipline of free market forces are a better inducement for better businesses operations and more effective trade, conditions that allow the state to 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). However, the transfer of ownership from one section of the economy to another might represent a superficial change. Riley (2006) argues that more vital changes have occurred when monopoly powers[11] were broken down, which could be due to government policy or by having relinquished 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 was removed immediately (Punch Editorial Board 2012). The government strongly maintained that post-

[11] One of the aims of the policy shift in the oil sector is to divide the responsibilities of the NNPC under different institutions.

poning 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. The consequence of this would be catastrophic for Nigeria's weak economy and its population. In 2012, former Finance Minister and Head of the Economic Team Ngozi Okonjo-Iweala warned that Nigeria could be plunged into the type of economic crisis currently faced by Greece and other euro-zone countries (Anyadike 2013, p. 43). The governor of the Central Bank of Nigeria (CBN) at the time, Lamido Sanusi, added that Nigeria would *never* develop unless the subsidies were totally removed (Punch Editorial Board 2012).

The federal government complained about the huge sum of money allocated for fuel subsidies and argued that such money could be better utilized towards improving other sectors that were weighed down by inadequate funding. Savings as a result of subsidy removal would amount to an annual income of US$8 billion (Social Action 2012, p. 16). Moreover, savings from reduced subsidy payments would be better utilized to boost electrical infrastructure. In 2012, Nigeria generated less than 3000 megawatts[12] (MW) of electricity on a daily basis for a population of more than 150 million (Social Action 2012, p. 12). In 2016, the country generated an average 4600 MW (recording a peak of 5074 MW in February 2016). Expectedly, this was not sufficient to meet the needs of households and industrial use. Although it defied socio-political logic, the government (through the Minister of State for Petroleum Resources and Group Managing Director of NNPC Ibe Kachikwu) announced the government's decision to scrap the subsidy regime in 2016 (Ejoh 2016).

This was one of the numerous calls and efforts directed towards resolving the persisting fuel scarcity and other crisis in the industry. The minister raised alarm that between 2011 and 2016, the government had paid N1 trillion yearly to support subsidies (Ejoh 2016). This was despite the official rise in the price of PMS from N65 in 2012 to N145 in 2017 (Unofficially the price ranges between N145 and N250 in different parts

[12] The 4600 MW of electricity generated in Nigeria is extremely inadequate. This explains the intermittent supply of electricity and complete power outages in some areas (Ekiti State and Ondo State) for weeks. Inadequate power supply also increases the use of PMS as a source of generation for private electric generators. In the same period, South Africa on the other hand, with an average population of 55 million people generated 34,000 megawatts of electricity; see http://www.eskom.co.za/AboutElectricity/ElectricityTechnologies/Pages/Generating_Electricity.aspx

of the country). Although the oil price has fallen on the international market, the government attributes the increase in price for domestic products to a fallout in crude oil production, difficulty experienced by oil importers due to scarcity of foreign exchange and inability to secure foreign exchange at the government-approved rate. Between 2015 and 2017, the Nigerian naira trade at about N450 to the U.S. dollar. It was about N150 as at the end of the President Goodluck's administration in May 2015. During the 2012 deregulation debate, the federal government embarked on public engagement initiative on why it was necessary for Nigerians to accept the deregulation policy. These educational efforts to enlighten the public focused on the burden of subsidies on the national treasury and the strain of financing Nigeria's state-owned petroleum businesses (Eme and Onwuka 2011). The government also presented other motivations for deregulation such as intra and inter-border smuggling of Nigerian petroleum products; the higher market prices of petroleum products in West Africa compared to Nigeria[13]; 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).

The need to revive Nigeria's failing refineries provided another strong motivation. The federal government believed that deregulation would lead private investors to build new refineries, which would in turn trigger competition and subsequently "force" down fuel prices. Although there has been an improvement in the production capacity of the existing refineries, resulting in domestic production of 8 million barrels out of the 28 million required for local consumption, operations remain below capacity. Full deregulation would increase the buoyance of the Nigerian refineries and generate employment opportunities to the large population of unemployed youth[14] in the country. The spill-over effect on those industries that have endured low capacity utilization and productivity would be resuscitated and made viable through fuel availability to power their engines, thereby increasing productivity.[15]

Former Minister for Petroleum Resources Alison Madueke, explaining the reasons for inadequate foreign investment in the sector—and by exten-

[13] Nigeria maintains the lowest prices of PMS in West Africa in 2012 (IISD 2012). As at July 2016, Nigeria ($1.94 per gallon), Egypt ($2.46 per gallon), and South Africa ($3.19 per gallon) represented the lowest prices of fuel on the continent at large.

[14] There is a link between the high number of unemployed youth in the country and the spates of armed insurrection against the state. See Akinola and Uzodike (2014).

[15] http://www.pppra-nigeria.org/faqs.asp

sion 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. However, the NLC-led opposition was more concerned with 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, investor confidence in the political stability of government remained shaky. Second, since it was highly profitable to simply import fuel; hence, what would be the motivation to build refineries? (Interviewee Number Four, July 2013).

Nigeria has three refineries with nameplate capacity of 445,000 b/d, 5120 km of product and crude pipelines, 21 storage depots and one import terminal at Atlas Cove. All 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 for more FDI, Madueke 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 base[16] to make any meaningful impact on local content development (Alison-Madueke 2013).

The government sought to easily dismiss public fears generated in reaction to repeated fuel increases by emphasizing that the monetary effect of subsidy removal on people is very low; while the monetary benefits to government remain extremely high (Interviewee Number Four, 2013). In other words, subsidy removal would not negatively affect the masses in a significant manner (Interviewee Number Ten, July 2013), and that prices would ultimately decrease due to the open competition associated with deregulation policy. Much of the fuel subsidies go to higher-income households. The top 20% of households received on average about 42

[16] This point was reinforced by the Commercial Integration and Business Value Manager of Shell, Mr. Taaj Shobayo, who complained about the failure of local of 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/

percent of the total subsidy, whereas the bottom 20% received less than 10 percent (Baig et al. 2007, p. 14). The government aligns with Baig et al.'s (2007) hypothesis that fuel subsidies are a costly method of 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 et al.'s hypothesis failed to capture the reality in Nigeria. Any increase in fuel prices in Nigeria usually leads to inflation and increases in expenditure by the population. The population relied on road transportation and the use of PMS as fuel for generators and kerosene for household cooking.

One of the leading long-standing justifications for an increase in fuel prices was the monolithic nature of the Nigerian economy, which conditioned the country to depending entirely on crude oil for foreign exchange. For instance, in 1987, oil exports were N28,154.4 million while non-oil exports were N1423.6 million; in a year in when overall 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 (Godwin and Dagogo 2011, p. 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. In 2007, the federal government lost N5.9 billion a day to pipeline vandals. Aside from the heavy loss of revenue to the government, there were more than 2000 deaths arising from oil pipeline sabotage or vandalization. For instance, in 1998, an explosion caused by leaking fuel from a vandalized pipeline killed over 1000 people who had reportedly been 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.[17] 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's argument that bunkering activities would stop once the price aligned with international market prices, then bunkering would cease seems weak (Interviewee Number Fourteen, July 2013). Higher prices of fuel have not halted bunkering in the five years since 2012. Parity between the international and domestic price does not actually deter bunkering or oil theft since selling even below the prescribed official rate still makes the practice very lucrative. Substantial amounts of money would still be realized in such illicit deals. The respondent also explained that some Nigerians buy fuel at the official rate of N97 and then divert the sale to neighbouring countries (Interviewee Number Fourteen, July 2013). Ojo (cited in Ogunbodede et al. 2010, p. 119) maintains that almost 20% of the fuel (PMS) for local consumption was smuggled into neighboring countries given low fuel prices in Nigeria. Fuel diversion, bunkering and theft aggravate fuel scarcity and inflate the quantity of fuel consumption, which invariably increases subsidy payments by the federal

[17] See Ogunbodede et al. (2010, p. 120) for more information. The study reports that about eleven million litres of fuel had allegedly been 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.

government. At the same time, without downplaying the reality of across-the-border fuel smuggling and theft, public officials exaggerated the volume of data on fuel diversion, bunkering and theft to raise their subsidy claims.

One respondent claims that the Nigerian borders are porous and many of the customs officers are corrupt; hence, fuel exits 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 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 as much as it enriches a few oil marketers, corrupt civil servants and individuals at the upper cadre of the society (Interviewee Number Three, August 2013). Over the years, large parts of Nigeria (northern and South-southern), which experience repeated periods of fuel scarcity, still do not enjoy the official oil price. Instead, the supply and demand economics of the local market dictate fuel prices.

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 was 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 could be artificially induced in a bid to create a favourable atmosphere for an 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 fire outbreaks 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.

Once scarcity sets in the products are sold in secrecy (not in the open as is done in the northern part of the country) (Ogunbodede et al. 2010). In summary, Kombo maintains that:

> *The low capacity utilisation of Nigeria's state-owned refineries and petrochemical plants in Kaduna, Port Harcourt, and Warri, the sorry state of disrepair, neglect, and the repeated vandalisation of the state-run 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 bedeviled the country relentlessly.* (Kombo 2003, p. 1)

There is no denying the existence of these challenges. 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 as the "liberalization of impoverishment" (Interviewee Number Twenty, September 2013). Therefore, efforts at fuel subsidy removal and deregulation faced massive resistance. The seriousness of the Nigerian opposition was reflected in the massive turnout during the 2012 fuel crisis protest. 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. The gravity of these networks of protests compelled the National Assembly to order a probe into the subsidy regime while attempts the pass of the petroleum stalled. This marked the last time masses fully engaged in mass protest and dissent due to fuel price increases. They now seemed resigned to the fate of the paradox of plenty and resource curse. The bill was eventually passed by parliament in 2017.

8.4 Motivation for Dissent

Concerns about globalization, unsuccessful privatization and deregulation in some transition economies from the former Soviet Union and the failures of infrastructure privatization initiatives in developing countries strengthened critiques of liberalization policy in Nigeria. Furthermore, the crash of Wall Street in the United States, the resultant economic depression that emanated from the advanced capitalist powers in the late 2000s and the inability of IFIs to intervene raised renewed pessimism about “limited government”. The frantic commitment by economic liberals to the revival of Adam Smith’s logic of unfettered market forces began to lose ground to superior arguments in the face of flagrant failures of liberalization as an ideology to deliver on its promises. The antagonists of deregulation policy located their arguments within the orbit of radical political economy’s school of thought. Godwin and Dagogo (2011, p. 125) comment on a symbiotic relationship between capitalism, colonialism and imperialism as the theoretical milieu underlying deregulation. They maintain that—right from the time the Nigerian economy underwent deregulation as part of SAP in 1986—every liberal policy has succeeded in pauperizing a larger population of Nigerians. Human rights activist and Senior Advocate of Nigeria Femi Falana challenged the rationale for the resurgence of SAP in form of deregulation. He asked: “What did we have at the end of Structural Adjustment Programme?”

Nigerians cannot 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 ought to enable them enjoy low prices of fuel (Social Action 2012, p. 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 yell. Time will tell whether government has goofed or not” (Okafor 2009). There was also a claim that fuel price increases constituted a breach of Section 315 of the 1999 Constitution which clearly lists petroleum products as a product of which the price must be regulated by the government. Thus, any policy abdicating the government’s role in oil price regulation runs afoul of the constitution and should be declared illegal.

There is no doubt that the Nigerian state is wealthy and benefits tremendously from oil resources; hence, the public would expectedly demand maximum benefits from petroleum resources (Robert 2010). The fact that they do not receive these benefits shows the total disconnect between the state and the population. Ordinarily, state wealth directly benefits the population. The Nigerian state has has debunked that claim with respect to Nigeria's oil resources (Odularo 2008). Nigeria's proven oil reserves are estimated to be about 36 billion barrels and natural gas reserves are well over 100 trillion fti (2800 kmi). The public believes that the policy presents an avenue for government to divest itself of any social contract with the Nigerian people. This contradicts the essence and role of the state. The presence of a *Bill of Rights* in many states is motivated at ensuring that the government fulfills its end of the social contract. Therefore, mass protest against fuel increases in Nigeria should be seen as a demand on the state to provide social security and services. Low price for petroleum products is conceived as the only visible social security to be 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 the opposition[18] such as Gani Fawehinmi and Femi Falana.[19] Key actors within the anti-subsidy groups allege that every claim by the government on the subsidy payment was false and should thus be dismissed. 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)

As strong and enticing as the "no subsidy payment" position seems, persuasive evidence[20] exists to refute this claim in favour a situation where

[18] Human right activists such as Gani Fawehinmi, Femi Falana and some civil society organizations strongly believe in this line of argument.

[19] Femi Falana, one of the conveners of the civil-society led "occupy Nigeria", a member of the most honourable rank of the Nigerian Bar, and Senior Advocate of Nigeria (SAN) served as the President of the African Bar Association.

[20] 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 federal government continues to pay 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 individuals colluded—and are still colluding—with the institutions of government and oil marketers to subvert the processes of subsidy administration, does not dismiss the potential benefits of subsidy payments. The amount returned as subsidies could also be characterized as insignificant and insufficient to justify the payment by Nigerians of the N97 PMS price or the implementation of deregulation policy (Interviewee Number Four, July 2013). I am of the position that if the government had 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 population and the state remains one of the challenges that has spurred resistance to changes in fuel prices. The disconnect between the government and the citizens was reiterated by a respondent who commented as follows, “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). By 2014, Nigeria was rated 6th out of 162 countries on the below poverty line index. The Central Intelligence Agency’s (CIA) World Factbook estimates that 70% of Nigeria’s population lives in poverty.

In 2012, Nigerian GDP per capita stood around US$2500 compared to that of South Africa—a non-oil producing country with a population of just over 40 million—at US$8300 GDP per capita. By 2016, the GDP had fallen to $2262, reflecting the slump in Nigeria’s economic growth, and the resulting drop in the livelihoods of a broad cross-section of Nigerians. The public provides 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 in fuel prices was seen by Nigerians as not *just* a new level of economic hardship but a travesty and injustice against humanity. The subsequent price increases should also be seen in this light.

A Strategic Union of Professionals for the Advancement of Nigeria (SUPA[21] Nigeria) study revealed that the cost of domestic refining is less than N31.50 per litre (Alike 2010). The organization maintains that any policy that is driven by fuel importation would further devalue the Naira due to excessive inflation as well as foreign exchange demands for fuel importation. The unavailability and hoarding of foreign currency amid high exchange rates deepened and worsened in 2016 and 2017. The scarcity and challenges faced in obtaining international currency, particularly U.S. dollars, due to a drop in crude oil sales and foreign earnings has compounded the crisis in the oil sector. Furthermore, rising inflation undermines national and private investments in Nigeria's existing refineries. Foreign and local investors were led to ignore the need to construct domestic refineries and focus instead on importation. This ultimately subjects the masses to the vagaries of international market price dynamics, while the real income of workers becomes threatened due to hyperinflation and the resulting devaluation of the national currency.

SUPA further notes that deregulation will create socio-economic ripple effects due to increased poverty, industrial crisis, increased crime, desperation and hopelessness, as well as an increase in socio-political tension due to increased poverty. As discussed earlier, the 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 the government's inability to provide "safety-nets" to cushion the effect of such price increases. Critics of deregulation dismissed the government's position on the impending collapse of the Nigerian economy if deregulation was not immediately implemented and the subsidy removed completely. This position remained unconvincing. Years after the 2012 impasse, the reckless oil theft, corruption, waste and display of national wealth have undermined the strength of the government's claim. Nigerians easily identified many areas of waste in the subsidy arrangement, which could have easily covered up or been 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 incom-

[21] 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/

petence 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 geared towards providing amenities or instigating economic development, but rather 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, p. 10). Fawehinmi 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.* (Fawehinmi 2002, p. 5)

The findings of different probe panels on the subsidy regime strengthen Fawehinmi's assertions. The table below highlights the increase in fuel prices in Nigeria between 1978 and 2012 (Table 8.1).

A cursory examination of the table reveals that President Obasanjo adjusted the pump price of fuel 8 times between 2000 and 2005. At the time of each such increase, the result was always violent mass protests in resistance to what the masses considered as government's insensitivity to their economic plight. One of President Obasanjo'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. Rather, fuel importation—and its complexities—originated due to mismanagement, sabotage, a harsh operating environment and the high cost of Turn Around Maintenance (TAM)[22] that negatively affected refineries' productivity

[22] TAM refers to the periodic maintenance or repairs necessary to keep the refineries working at full capacity.

Table 8.1 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	***[a]
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%
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%
22	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: Fawehinmi (2002)

[a]The asterisked columns (***) highlight periods where the government reduced the fuel price from initial upward review due to mass protests

(Ogunbodede et al. 2010, p. 118). Local production declined so much that fuel demand had to be satisfied through increased imports. Importation furthered the cause of corruption in the sector and served as an easy excuse for covering up the inefficiency of the Nigerian refineries under the management of the NNPC. The labour unions and other opposition repeatedly faulted[23] the high reliance on importation, when the local refineries could easily have been 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 financing required and the absence of highly technocratic and management institutions, he advises the government to resist the pressures associated with investing in the dilapidated refineries. In his opinion the government should utilize the opportunities associated with fuel importation. He also raises some concerns:

> *Even if Nigeria has 10 refineries, what is the guarantee that they would 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)

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 a so-called "cabal" or "cartel" (Social Action 2012, p. 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

[23] 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.

petroleum products were issued by governmental institutions. Hence, players and vested interests in the oil industry are no 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 was shifting its inefficiency to the activities of some powerful forces considered to be a "cabal". Although, the President of PENGASSAN also lent credence to the presence of a cabal acting to stunt the development of the oil sector (Eboh 2014), federal government blame of a cabal was particularly surprising. Considering that the state possesses the instruments of coercion, placing the blame on a cabal represents an implicit confession by the government of the inability to maintain law and order within its jurisdiction. The National Assembly probe reports indicted both companies and public officials in the fuel subsidy scam. Many of them maintain close relationship with the ruling party,[24] which explains why no one has faced prosecution over fraud in the subsidy regime.

Critics 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 rationale for subsidy removal. The allegation that high volumes of fuel had 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)

[24] A respondent revealed that one of the oil companies is strongly backed by a powerful minister under the current leadership.

Most Nigerians elites continue to support deregulation and fuel price increases. This is understandable as many of them are linked to the state in one way or the other, while some rely on the state for wealth generation, illicitly or legitimately. They have the obligation to support governmental policies either as a way of showing loyalty to the state that has immeasurably enriched them, or in expectation of attainment of political positions in the future. They possess the financial wherewithal to withstand fuel price increases as long as fuel availability is guaranteed. 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 opponents 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.

8.5 Conclusion

The federal government has refused to take advantage of opportunities for implementing a complete removal of fuel subsidies in the immediate post-2012 era. The first test the government failed was its inability to fulfill its promises of providing palliatives and judiciously managing income from the 2012 subsidy cut, and subsequent savings as a result of recurrent fuel price increases. Ironically, the Nigerian state has continued to renege on its promises to provide safety-nets, accountability and oversight in the management of oil revenues. The federal government has also been unable to strengthen both the existing and newly created oil sector governance institutions. The passage of the PIGB presents an opportunity to instill institutional capacity and effectiveness; however, the likelihood of diligent implementation of its legislative provisions remains in doubt because of the nature and character of the Nigerian state. For instance, in 2014, a serious crisis had impeded 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 was fear that the federal government might be unable to properly manage the post-deregulation regime. Baig et al. (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 et al. 2007, p. 12)

The rhetoric of ensuring free competition in the sector, one of the strong points of government efforts to mobilize support for deregulation, has not dissuaded the NNPC from maintaining its dominance over PMS imports and monopoly of importing kerosene. Based on the actual motivations for the government's insistence on deregulation, increase in price and expansion of patronage or clientism, the state is unlikely to subject the downstream oil sector to a free competitive market. The government and its institutions also lack the capacity to transform the oil sector into private enterprises. This requires a disciplined government and successive Nigerian administrations have manifested certain acts of institutional indiscipline. The reality is that the management of the subsidy savings has created doubt and reinforced the insinuation that money saved from subsidy-cut would not be judiciously utilized to benefit Nigerians and provide safety nets for the public (Interviewee Number Four, July 2013).

Government provision of safety-nets or palliatives for the poor has remained very problematic. Before any effort to implement palliative measures, the government needs to create a database to identify the poor and those that are negatively affected by fuel increases, as well as negotiate with the labour union and CSOs to determine the extent of the negative effect of fuel price increases and the best way to ameliorate it.

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CHAPTER 9

Oil Subsidy Administration in Nigeria

9.1 Introduction

The Nigerian government continues to move "back-and-forth" with respect to the fuel subsidy question. After the 2012 subsidy crisis, the government has increased the price of oil and reduced subsidies at will. The government even claimed—to the amazement of Nigerians—the cancellation of subsidies altogether citing a period of reduced oil prices. In December 2015, the government (through the Minister of Petroleum Resources) announced the removal of oil subsidy, implementation of deregulation and reduction of fuel price from N97 to N87 per litre. This generated mixed reaction among Nigerians. Some were celebratory and some indifferent as informed minds wondered why the government was still involved in price regulation at N87 if deregulation had been implemented. The main reason for the price drop was the drastic reduction of the international market price of petroleum products. However, this seemed designed as a softening up process for future increases in the price of fuel in Nigeria. By June 2017, the government announced the resumption of the subsidy regime and recorded a N49.86 billion subsidy payment on fuel between January and March 2017 (Akpan et al. 2017). The government was pleased to attribute the increase, once again, to the rising cost of crude oil on the international market (oil rose from US$20 per barrel in 2015 to $50 per barrel in better part of 2017).

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_9

Despite government rhetoric of the wake of the post-2012 sanitization of the oil sector, Nigerians remain discontented with the gross 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, which has generated social dissent and hostility towards 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 "shameful dance" in the country.[1] It is very difficult for the citizens to comprehend the complexities of the subsidy regime. Nigeria needs a deeper understanding of the significant fiscal and social costs of deregulation, while the need for a policy shift is often poorly understood (Baig et al. 2007, p. 9). When oil-exporting countries like Nigeria do not adjust domestic petroleum product prices to reflect higher international prices, there is an implicit subsidy as the "windfall" from the higher oil prices is passed on directly to domestic consumers. The initial costs of implicit[2] subsidies are typically assumed by the national oil company without explicit[3] compensation via supplementary budgets.

Petroleum products subsidies tend to be inefficient in part because they are poorly targeted. Households with higher incomes who consume larger quatities of petroleum products benefit relatively more from subsidies. A study by the World Bank in 2006 revealed that in Venezuela during the 1990s, the wealthiest 20% of the population accumulated six times more in subsidy per individual than the poorest third of the entire population (Baig et al. 2007). This typifies the wide gap between the rich and the poor, which corresponds with one of the assumptions of dependency theory. This chapter presents the reality of oil subsidy system, the state of the public refineries and cases studies of fuel subsidy reform in several countries.

[1] That was 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.

[2] Implicit subsidies are much harder to measure and often unreported. 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 et al. 2007, p. 11).

[3] 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 et al. 2007, p. 10).

9.2 The Realities of Oil Subsidy

Despite the prospects of globalization, the interventionist strategies of IFIs and the developmental activities of MNCs face a harsh reality. Quite simply, the poor states continue to get poorer while the rich states get richer. In the same manner, the rich in society get richer and the poor slip further into poverty. The federal government, through the federal ministry of finance,[4] sought to highlight the assumption that fuel subsidy removal primarily affects the rich (who have many cars) and not the poor masses (who can barely afford cars). I claim that the fuel price increases carry no significant impacts on wealthy incomes but have a comparable tremendous impact on poor incomes due to inflation and increases in the costs, inter alia, of transportation, household utensils and accommodation. The Nigerian transportation system is very scant, comprised primarily of road transportation and limited public transport systems. The Nigerian road transportation sector is private-driven and thus controlled by the wealthy. Further, in the absence of government owned or subsidized accommodation, especially in the rural and semi-urban areas, the wealthy class sub-lets housing to the poor. Therefore, at least indirectly, the wealthy re-allocate fuel price increases to the poor in the form of increased transportation fares and rents. My claim is supported by a respondent who also holds that the poor suffer more from the negative effects of any increment than the rich (Interviewee Number Three, July 2013).

Ironically, in March 2013, former President Jonathan commended late President of Venezuela Hugo Chavez for utilizing the oil wealth of his country for improvement of the lives of his people (Falana 2013). Falana believes that the President should have emulated Hugo Chavez who never once increased petroleum product prices during his 14 year tenure. It is important to note that since 1978 all successive Nigerian Presidents have increased fuel prices. Subsidies as a concept became a widely used term in Nigeria in 1987 when then President Ibrahim Babangida's led military regime announced an 80% reduction of the subsidy on PMS (Social Action 2012). The effect of the increase of prices of PMS led to inflation and severe economic hardship across the country while the "quick cash" accrued to the government aggravated corruption levels in Nigeria. His

[4] See http://www.fmf.gov.ng/component/content/article/3-trendingnews/63-faqfuel-subsidy.html

predecessor, General Abacha, had also increased government revenue through an increase in the price of PMS. This move has become a pattern of successive administrations in the country, including the incumbent, President Buhari. President Buhari had vowed never to increase prices of fuel if voted to power during the 2015 campaign debates and had accused his predecessor, Goodluck Jonathan, vehemently of being insensitive to the economic conditions of Nigerians.

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 Forum[5] when they visited the president in June 2011 (Social Action 2012). These deregulatory efforts came during a period of intense national debate on labour rights with unions proposing a N18,000 minimum wage for workers at all levels of government. Calls by the state governors for the removal of the subsidy, predicated on the Labour Union's demand for improved minimum wage and implementation of the Minimum Wage Act, was condemned by Nigerians. The governors restated their inability to pay and suggested the complete removal of the subsidy on all petroleum products in order to increase the federal government's revenue allocation to state governments.

During the presentation of the 2012–2015 Medium Term Expenditure Framework,[6] the federal government revealed its intent to embark on the phase out of subsidies beginning in 2012 with claims that the savings would be utilized on critical infrastructure (Social Action 2012). These promises of critical infrastructural development by the federal government are typical each time there is a move to increase fuel prices. Akintunde[7] 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*

[5] The Governor's Forum comprised of the 36 Governors representing their respective states. It is not a legally constituted body, but it enjoys strong legitimacy to make recommendations to the central government and react to issues on governance.

[6] 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.

[7] Jide Akintunde is the Managing Editor of Financial Nigeria Publications.

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. Since that period, the country is yet to record any 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" (Fawehinmi 2002, p. 23). Under this arrangement, the federal government needed to ensure the effective implementation of a well-structured and phased deregulation of both the upstream and the downstream arms of the oil industry (Kombo 2003, p. 6). The government's involvement was predicated upon prevention of monopolistic tendencies in the distribution and marketing of petroleum products. Kombo (2003, p. 6) further presents the following factors as a practical road-map to effective phased deregulation of the Nigerian petroleum industry writ large:

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 and overseas.
5. The NNPC and its subsidiaries would be restructured in phases, and subsequently broken up.
6. The regulatory role of the DPR would have to 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 in favour of a complex form of *semi-deregulation*. The reality was that the preservation of subsidies—concurrent with federal government efforts to implement complete deregulation—have been shrouded in indecisiveness and confusion. Nevertheless, 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 as soon as possible: "what the nearest future means, we do not know" (Interviewee Number Eight, July 2013). Beyond the phased deregulation conditions highlighted above, any attempt by the federal government to liberalize the downstream oil sector should first sanitize the entire import-supply chain and reorientate the port system to prevent the waste and corruption that has characterized Nigeria's fuel importation networks. The importation of refined products from Spain remains one of the most striking abnormalities in the subsidy regime (Interviewee Number Thirty, September 2014). Spain is a non-oil producing country; hence, it relies on crude oil imports for refining. Spain has a refining capacity of about 1.3 million b/d,[8] while Nigeria's four refineries at full capacity could only record 445,000 b/d in 2011. Nigeria, a country endowed with large deposits of crude oil, continues to rely on fuel imports from Spain, a non-oil producing country.

Labour unions reject any form of fuel importation. The 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)

The NLC also condemned the federal government for contracting with 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 oil-producing countries that have domesticated refining technology. 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

[8] This information is available online at http://abarrelfull.wikidot.com/european-refineries

2014). These costs represent another motivation for labour union such as the NLC to demand improvements in the refining capacity of Nigeria's four refineries as one of the pre-conditions for deregulation.

The union 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 NLC has also accused shipping companies and oil marketers operating in Nigeria 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 was attributed to the shallow conditions of Nigerian ports in need of dredging which prevented ships from berthing close to the jetties where the products could be offloaded. Smaller boats were therefore used to offload the products, which were then ferried to the jetties for loading unto tanks. Oil marketers use these conditions to deliberately ensure that ships engaged in the discharge of fuel overstay in port, thereby allowing them to charge 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 in the oil sector with duplicative monitoring roles are inimical to the success of the industry. The clash of responsibilities has made it challenging in ascertaining the volume of fuel importation, consumption rates and the cost of subsidies per day. A respondent also maintains that the inability of the government to rationalize the system in respect to actual consumption levels, greatly influences the imperative of deregulation and associated subsidy cuts (Interviewee Number Ten, July 2013). Another respondent further commented that

Table 9.1 Subsidy payment between 2010 and 2017

Year	*Subsidy payment*	*Sources*
2010	N561 billion ($3.5 billion)	Sulyman (2012)
	N261 billion[a]	Social Action (2012)
2011	N1.3 trillion ($6.1 billion)[b]	Sulyman (2012) and Social Action (2012)
2012	N832.06 billion	Ochayi (2014)
	N971 billion[c]	Niyi (2013)
2013	N862.06 billion	Ochayi (2014)
2014	N971.1 billion	SDN (2015)
2015	More than N1 trillion	Public declaration by the Minister of State for Petroleum Resources, Ibe Kachikwu
2016	No budgetary allocation	
2017	N49.86 billion (January and March)	Akpan et al. (2017)

Source: Compiled by the author

[a]The federal government released estimate of N561 billion was debunked by Social Action (2012, p. 16), which maintains that the cost of subsidy for 2010 was N261 billion

[b]There were divergent figures released by government officials as subsidy costs. The PPPRA top official, Ronald Stanley, said the agency was able to reduce subsidy payment to N1 trillion as against the N2.09 trillion spent in 2011

[c]The FG budgetary allocation for subsidy payment for the year 2012 was N971.138 billion, while only 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 payments

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 2017. These figures are the official amounts of money spent on fuel subsidies by the federal government. Cases of conflicting figures further reveal corruption levels (in the form of inaccurate and manipulation of data) that characterize the oil sector (Table 9.1).

The presentation of different conflicting/contradicting data on subsidy payments by the government in 2010[9] and 2011 were a major concern. The figure released in 2011 had been inflated by public officials to justify the January 2012 announcement of subsidy removal and the immediate deregulation of the downstream sector. Government scrutiny of the subsidy regime through NEITI and the National Assembly led to a reduction

[9] Either N561 million or N261 million.

in the subsidy payment in 2012 and 2013. It must also be noted that corruption, waste and lack of accurate data are responsible for the high subsidy rates in 2011.

During the organized public debates in 2012,[10] it was very surprising and odd that the federal government team was unable accurately ascertain the volume of daily or annual consumption of PMS,[11] production quantities of 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, p. 19). Figures ranging from N138, N139, N140 and N141 were presented as the true landing cost of PMS, dependent upon the government officials giving the estimate. House committee members investigating irregularities in the subsidy payment were surprised when top officials of the DPR, NNPC, CBN, PPPRA and Accountant General of the Federation gave contradictory figures on the subsidy payments and quantity of PMS consumption (Social Action 2012, p. 19). This goes to show the caliber of Nigerian leadership. As hard as the dependency school of thought tried to downplay the assertion that internal contradictions were the sole cause of the socio-economic crisis being experienced in developing states, the Nigerian experience shows the validity of some of these condidtions. 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 9.2—for the cost of PMS importation, the regulated price and subsidy claim in the pre-fuel crisis of 2012. Table 9.3 also displays the petroleum products pricing template, which highlights the subsidy cost.

Table 9.2 reveals N76.38 as the subsidy claim per litre in December 2011 while, by July 2013, the subsidy's claim per litre had dropped to N50.04. The market price increased from N141 in 2011 to N147.04,

[10] 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. The dialogue was held on November 14th, 2011. Despite the unanimous call by these representative groups 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 January 1st, 2012. For more information, see NLC (2011).

[11] PMS is needed to power automobiles as the primary and most common means which farmers and non-farmers use to transport their goods from their homes to market. Furthermore, PMS is required to power generating sets because there is high irregularity in electricity supply from Power Holding Company of Nigeria.

Table 9.2 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) and Social Action (2012, p. 18)

Table 9.3 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)

which had to do with the fluctuations in crude oil sales and the addition of extra charges by marketers.

It is pertinent to note that the federal government did not have reliable and accurate data on the subsidy payments and the volume of fuel consumption. The government not only admitted to its lack of data on subsidies but also confessed to having sourced its figures from oil marketers (NLC 2008; Interviewee Number Four, July 2013). If the real volume of fuel consumed was not recorded and the real cost of a litre of oil was imprudently assessed,[12] then government action in the downstream sector is ill-advised, driven by increased corruption and government designs for increased revenues. It was discovered that about N220 billion (US$1.4 billion) was "deliberately"[13] overpaid to oil marketers as part of subsidy claims (Social Action 2012, p. 25).

The Social Action (2012) claimed that the Central Bank of Nigeria (CBN) assessed N1.75 billion ($11.6 billion) in government subsidy

[12] It is revealed that many of the officials saddled with the responsibility of determining sector data are ill-trained, unprofessional, 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 nepotism.

[13] This was another case of corruption where the oil marketers collaborated with public officials to rip off the country of excess payment on subsidy claims.

payments for 2011, while the Accountant General of the Federation (AGF) assessed N1.9 trillion (US$12.6 billion). The Minister for Petroleum, Allison Madueke, declared daily fuel consumption in Nigeria stood at 35 million litres while the PPPRA boss stated that fuel importation per day was 59 million litres. In the midst of this information gap, a subsidy payment of N670 billion (US$4.4 billion) was paid by the federal government as an "extra" subsidy on PMS in 2011 (Social Action 2012). This amounted to about US$1.6 trillion disbursed to private pockets in a single year. The Nigeria Custom Service (NCS), through the Deputy Comptroller General,[14] alleged that most PMS imports had no official record but were compensated via a directive from the Ministry of Finance (Social Action 2012). Beyond this, the NNPC also failed to pay duties on imported petrol worth N45 billion (US$300million) between 1999 and 2002. Former NEITI Chairman Professor Asobie[15] supported the NCS allegation and accused the oil corporations of throwing transparency and accountability in the dustbin (Interviewee Number One, July 2013).

A lack of transparency and accountability has discredited government benchmarks in determining the actual amount of subsidy claimed per litre. It is difficult to trust public officials to 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 high. The federal government approved retail price is set by the presidency. There are no clear indices to 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 PPPRA[16] website 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 maintained that the total volume of PMS consumed in 2013 was 39.66 million barrels (Okafor 2014). The report revealed that the consumption figure was different from the about 60 million barrels claimed to have been consumed in 2012. The reduction in consumption

[14] This is the deputy head of the Nigerian Custom Service.

[15] 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. The Buhari's administration effected a change of leadership and appointed Mr. Waziri Adio as NEITI chairman.

[16] This is available at http://www.pppra-nigeria.org. The 2013 template is also attached as an Appendix.

was made possible by stringent reform initiatives initiated by the agency and other government actors in the oil industry. Nigeria currently consumes about 40.32 million litres of petrol daily, which reflects a 22.18% 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 budget[17] (Opara 2012). Although the pump price of petrol after the 2012 fuel price battle was N97 per litre, the federal government claimed that the landing cost of a litre of imported petrol was N152.44. Therefore, the government paid N55.44 as a subsidy on every litre of petrol that was "purportedly" imported and distributed.

The PPPRA paid a subsidy payment of N1.351 trillion between January and October 2013 compared N679 billion over the same period in 2011, a 49.7% reduction (Yakubu 2012). The NNPC had received N337.7 billion while other independent marketers got N342 billion. With this feat, the agency managed 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 through the inflation of subsidy claims. Further, the N671 billion was expected to be transferred to SURE-P for infrastructural development.

The table below shows PMS import and subsidy payments between 2006 and 2011. It highlights the volume of fuel imports, total costs of subsidy, market value of fuel and subsidy claim per litres (Table 9.4).

The above figures represent data for imports and not for the overall consumption of PMS per year. As shown in the table, despite consistency in the increase of subsidy payments between 2006–2010, the figure increases dramatically in 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 deregulation efforts.

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 bridging[18] costs becomes necessary due to the long distance from the NNPC depot (loading point) to the distributing outlets. Excessive reliance on road transportation using trucks in the presence of a

[17] The cost of the PMS subsidy is always higher than the federal government projected amount. In 2011, the appropriation bill approved only 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, p. 10).

[18] This is the transportation of products for distances beyond 450 km from the federal government approved loading point.

Table 9.4 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*[a] *(N per litre)*
2006	9.3 million	151.9 million	16.3	74.94
2007	10.2 billion	188 billion	18.4	88.4
2008[b]	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	1300 billion	59.3	145.80

Source: IISD (2012, p. 10)

[a]This is an acronym for "Expected Open Market Price"

[b]This only highlights PMS payments between January and July 2008, while other data from the agency has lumped PMS and kerosene subsidy payments together. A total of N630.5 billion (US$3.9 billion) was paid on PMS and Kerosene (IISD 2012, p. 11)

moribund railway network has led to further complications (PEF 2012). The risk of transporting fuel on the road, in addition to the challenge of getting reimbursements from the government through PEF, has denied some areas regular fuel supply. The result is fuel scarcity and fuel sales above regulated prices.

The government's policy of uniform 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. This has been exploited by oil marketers. 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. Effectively monitoring and determining where products are supplied is very difficult. For instance, a truck could onload oil from the Ibadan NNPC depot and claim to be heading to a far location when in fact delivering the supplies locally.

The management body of the PEF has sometimes failed to pay marketers their bridging claims when they are due, while only registered marketers are eligible to benefit from the fund. This has led to fuel scarcity at various times (Interviewee Number Thirteen, July 2013). According to the interviewee, there have been cases where the marketer "refused" to import fuel as a form of protest against the excessive amount of money owed to the marketers (Interviewee Number Twenty-five, July 2013). This respondent further expressed his disappointment at the level of deceit and misinformation released by the federal government to the public when marketers boycotted fuel importation. This deceit—a characteristic of the Nigerian ruling elites—has come at the price of fuel scarcity and the periodic increase in fuel prices in the oil sector.

Fuel scarcity constitutes a very serious problem for fuel consumers. Motorists are sometimes forces to queue-up through the night to buy fuel during periods of scarcity. Delays in subsidy payments to marketers represent one of the major causes of fuel scarcity. The fuel scarcity in August 2013 became so disruptive that NUPENG threatened to embark on a strike action if the federal government failed to pay the subsidy claims that had accumulated to marketers (Edukugho 2012). A similar experience was recorded in 2015, resulting in serious fuel scarcity. The Major Oil Marketers Association of Nigeria (MOMAN) and the Depot and Petroleum Products Marketers Association (DAPPMA) estimated the aggregate subsidy arrears owed the oil marketers by the government at N356.2 billion (The Nigerian Times 2015). Amidst another fuel scarcity that rocked the country in June 2017, the oil marketers demanded payment of the N720 billion debt accumulated by the government, explaining the withdrawal of the marketers from fuel importation.

Aside from the government's failure to pay subsidy arrears, underperformance in the refineries also makes Nigeria susceptible to incessant fuel scarcity (Interviewee 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 calls into question its intention of building new refineries or strengthening the existing ones. In 2012, about 90% of PMS consumed was imported due to inadequate local production caused by redundant refineries (MOMAN 2012). In 2016, the NNPC website posted a 36.72 percent capacity utilization for the 4 refineries, while the CNN reported that the companies' had recorded 50% capacity usage (Giokos and Whiteside 2016). Irregardless, even when performing at full capacity, the refineries lack the capacity to satisfy domestic fuel demand.

9.3 The State of the Refineries

US$90 billion was approved to support refining operations at Nigeria's four refineries between 1999 and 2004 (Social Action 2012, p. 15) and $400 billion was expended from 2003 to 2009 on repairs to enable production at full capacity (Eme and Onwuka 2011). However, these efforts and the huge sum failed to bring about any significant improvement in productive output. The under-performing refinery facilities are dilapidated, over-used and consistentlycharacterized by irregular TAM. The federal government accused "the cabals" of frustrating every attempt to resuscitate refinery operations for improved productive capacity. A respondent claimed:

> *There is a cabal in the Nigerian oil industry that strategically positions itself to prevent our refineries 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 Aluko[19] asserts that the oil import cabal conspires with political office holders and civil servants to prevent local refining. He maintains:

> *As Chairman of the National Economic Intelligence Committee, we found out that, for every shipload of petrol imported, the profit at that time was US$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)

[19] 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.

The statement above reinforces the government's accusation that the "cabal" is responsible for the dwindling performance of the refineries. But some of the importers referred to herein were known at the time to have been closely associated with the PDP ruling party. There are other claims that several MNCs operating in the downstream oil industry were averse to the vibrancy of the refineries. None of the foreign MNCs in Nigeria currently invest in running refineries, a fact which runs contrary to their investments in refineries outside the country. For instance, Shell operates many refineries in Canada, Saudi Aramco and Total collaborated to build the SATORP refinery in Saudi Arabia, while Qatar Petroleum and Shell partnered to build a $12.6 billion refinery in East China. This is notwithstanding a May 2017 announcement by Minister of Petroleum Resources Ibe Ikechukwu of an Agip decisioin to invest US$15 billion in building a 150,000-barrel capacity refinery in Port-Harcourt, Nigeria. 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. Building a refinery in the country would reduce fuel scarcity, reduce fuel import costs and subsidy payments and provide more jobs for Nigerians. In contrast, Nigerian investor Aliko Dangote[20] has embarked on a huge investment towards constructing a refinery in Nigeria. Dangote signed a $3.3 billion financing agreement with local and foreign banks to construct a major refinery, expected to be the largest in Africa (New African Magazine 2013). The private refinery, located in Lagos, will have a capacity to refine 650,000 b/d per day, which would complement the 445,000 b/d generated by government owned refineries.

The construction of the private refinery would increase local refining capacity and take the pressure off Nigeria's dilapidated refining operations. Nigeria's four refineries were built for a combined installed refining capacity of 445,000 b/d, although the facilities have struggled to perform at optimal productivity. 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. Table 9.5 below highlights information about the age and the capacity of these refineries.

According to the NNPC 2011 Draft Annual Statistical Bulletin, the refineries received 40,405,605 barrels (5,284,675 metric tons) of crude

[20] Forbes lists Mr. Dangote as the richest man in Africa. The Nigerian businessman accrued his wealth from cement, flour and sugar business. He is worth about US$16 billion (£10bn).

Table 9.5 Installed capacity of Nigeria's four refineries

Refinery	*Year of establishment*	*Installed capacity (bpd)*	*Capacity (bpd) presently (2017)*
Port Harcourt	1965	35,000	60,000
Warri	1978	100,000	125,000
Kaduna	1980	100,000	110,000
Another one in Port Harcourt	1989	150,000	150,000
Total capacity when established		385,000	445,000

oil and processed 39,408,108 barrels (5,088,208 metric tons) into 5,379,854 metric tons of different petroleum products like PMS, Kerosene and Diesel. In 2011, the overall average refining capacity was 24% compared to 22% in 2010. This represents a slight increase in local refining, but the increase remains insignificant in ameliorating fuel scarcity in the country. The NNPC's 2013 Annual Statistical Bulletin revealed that the national refineries received a total of 36.193 million barrels (about 4.918 million metric tons of dry crude oil, condensate and slops) and processed 35.233 million barrels (about 4.761 million metric tons) into various petroleum products. Therefore, the combined production output by the refineries was 5.068 million metric tons of petroleum products and total average refining capacity utilization for 2013 was 22% compared to 21% was recorded in 2012.

As of February 2014, the NNPC estimated that Nigeria needed more than 50 million litres of refined products per day. The breakdown included 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. Of the 50 million required, the four refineries could only produce 12.02 million litres, leaving about 37.08 million litres as a shortfall (Interviewee Number Thirty-one, April 2016). This shortfall was supplied through imports. In 2013, the four refineries produced 2.71 million litres of PMS per day, which satisfied just 9% of domestic demand. In general, the refineries were estimated to operate at 19% of their capacity through the first three quarters of 2013.

The Nigerian refineries have been declared as the worst managed among Africa's 42 refining facilities with an average capacity utilization rate of only about 18%. This prompted Atumah to raise a pertinent question:

> *Are our refineries old? No! The oldest refinery in the world, the Digboi refinery, Assam in India constructed in 1901 is still refining crude. The oldest refinery*

in Jeddah, Saud Arabia was constructed in 1967. The newest complex refinery in the United States, the Marathon Petroleum Company in Garyville, Louisiana was constructed in 1977 and upgraded from a 200,000 bpd to 522,000 bpd capacity plant in 2014. (Atumah 2016)

In 2012, out of Nigeria's four refineries, three were working 30% below expected capacity while the Kaduna refinery was no longer in operation (Punch Editorial Board 2012). In contrast, the operating efficiency of refineries in South Africa—the best in Africa—was 85% while those in Egypt stood 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 545,000 bpd and 774,900 bpd. (Petrolworld 2012)

Before 1990, Nigerian refineries succeeded in refining adequate volumes of petroleum products for local consumption and, at the same time, exporting excesses volumes. Based of these fuel exports, Nigerian refineries earned US$124 million in 1991 and US$156 million in 1992. As of 2000, the local cost of refining was N21 for PMS, N21 for Diesel and N17 for Kerosene, prices relatively equal to pump prices (Fawehinmi 2002, p. 57). This shows that the high costs of petroleum products became a direct consequence of the under-performance of the refineries. Hence the public is presently 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 once regarded Nigeria as the "African giant" given its status as the continent's biggest economy.

Other West African countries are investing in refining capacity: the Republic of Niger recently completed a facility, Ghana built its second, while Gabon and Cote d'Ivoire not only possess refineries but are now exporters of refined products (Punch Editorial Board 2012). Based on newspaper reports, other oil producing countries are boosted by efficient refineries. For example, Venezuela possesses 14 refineries capable of processing about 1.28 million of the 2 million b/d (crude oil) in domestic production, Brazil 13, Saudi Arabia 9, Libya 6 and Malaysia 6. These countries were once under colonial administration and underdeveloped, but they have managed to effect sound oil management in their respective countries, a point advocated by dependent development theory surporters. Colonial heritage is not an explanation for 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.

Former PPPRA boss Stanley further detailed the constraints faced by the refineries:

> *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 had been refined was quantifiable and deserved 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 ability to create an enabling environment for the oil sector to thrive.

The two labour unions in the oil sector have remained unflinching in their resistance to the privatization of the refineries. NUPENG President Ingwe Achese vehemently condemned the insistence of the Ministry of Petroleum to privatize the four refineries. The trade union has reiterated its 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, the better course is to rehabilitate and strengthen the capacity of the state refineries to satisfy a greater percentage of domestic demand. This would provide for healthy competition and protect citizens from the "aggressive" profit maximizing of private investors.

NUPENG believes that more emphasis should be placed on enhancing the transparency agenda of former President Goodluck Jonathan, especially in terms of job creation, by granting licenses to private sector investors for new refinery builds. Although licenses should be granted irrespective of nationality, Nigerian companies that meet the criteria should be given higher priority. Locally owned businesses in the oil sector have better labour conditions than their foreign counter-parts (Interviewee Number

Five, July 2013). The respondent noted that most of the high positions in foreign MNCs are reserved for expatriates, while Nigerians are relegated to part-time and contract appointments. The prospect of local investors in the refining industry would be more beneficial for Nigerians, especially in terms of employment opportunities.

As much as it may be desirable to have local industry participating in the oil sector, it is more important to value 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 opening participation in the downstream oil sector to non-Western countries like China. The federal government and other advocates of deregulation argue for the privatization of the refineries to incentivise increased productivity, a better maintenance culture and the growth of tangible employment opportunities for skilled, semi-skilled and unskilled labour (Ogunbodede et al. 2010, p. 116). Nonethless, labour unions and the Nigerian public remain opposed to privatization.

9.4 Case Studies of Oil Sector Reform

A cursory review of the approaches employed by other countries to mitigate the negative impacts of subsidy removal/cuts on the vulnerable section of the population is beneficial at this juncture. Specific country case studies provide a useful vehicle for this review. Two of these countries, Iran and Indonesia, are endowed with oil resources and are members of the Organization of the Petroleum Exporting Countries (OPEC)[21]. The other two, South Africa and Yemen, are not OPEC members.

9.4.1 South Africa

South Africa is associated with mineral resources like gold, coal, platinum, diamonds and copper—not oil and gas. Although traces of proven oil and gas were discovered in the country as far back as 1913, explora-

[21] This is an association of oil producing countries. It was founded in 1960 and presently has 12 members, namely Iran, Iraq, Kuwait, Saudi Arabia, Venezuela, Qatar, Libya, the United Arab Emirates, Algeria, Nigeria, Ecuador and Gabon. Angola and Indonesia have terminated their membership. The organization regulates the supply and price of crude oil in the international market. With the exception of Nigeria and South Africa, other countries were under authoritarian or totalitarian regimes.

tion and production activities remain largely futile. The advent of sophisticated survey techniques in the 1990s resulted in modest but globally-insignificant discoveries. Proven crude oil deposits located on the south coast of Cape Province are assessed at about 15 million barrels (Newman 2017). South Africa's Petro SA currently produces less than 5000 b/d from the Oribi and Oryz fields. Newman holds that, "while the petro-geology for oil looks modest, the prospects for natural gas, whether conventional gas, shale gas or coal-bed methane (CBM) gas, appear to be more promising".

Just like in Nigeria, the government sets prices for all grades of petroleum products through an automatic price-setting mechanism, free from government intervention for political, economic and social considerations (IISD 2012, p. 39). Between 2012 and 2017, the price of petrol (unleaded) rose from ZAR7 in 2012 to ZAR14 in early 2015, before dropping to around R13 in 2017. The price ceiling is fixed by the government on a monthly basis in conformity with the international market prices for crude oil and the Rand/U.S. dollar exchange rate. Increases and fluctuations in fuel prices are marginal (always in increments of 30–50 cent or ZAR1) and do not spark mass discontent or dissent from citizens as in other developing countries like Nigeria. Unlike Nigeria's dependence on road transportation, the availability very low-cost rail transportation in South Africa comparably lessens the effect of fuel price increases on the general population (Interviewee Number Three, August 2013).

Nonetheless, South Africa's large geographic size entails significant reliance on road transportation to deliver agricultural products to market. In South Africa, about 98 percent of products are transferred via road transportation network. The rise in transport fares that occasioned fuel price increases, led to a corresponding rise in the prices of goods sold by small business owners. However, the bigger businesses and MNCs involved in the sale of goods, including agricultural outputs, have devised ways to moderate price increases in consumables. The presence of bigger business in South Africa's economy—when compared to the reliance on smaller scale businesses in Nigeria—therefore assures that fuel increases do not result in dramatic increases in the price of goods, especially in the urban centres.

South Africa also has advanced socio-economic shock-absorbers and safety nets to limit economic hardship occasioned by rising prices. Hence,

Table 9.6 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
Occupational/social insurance	Benefits to cover risks which are wage-related; contributory; for example, pensions; provident funds; medical and maternity benefits; unemployment insurance
Private savings	Individuals save for unexpected contingencies; for example, chronic illness; unemployment
Social relief	The government provides funds 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 for individuals to claim maintenance for dependent children
Compensation for occupational injuries and diseases	Compensation for injuries and diseases sustained at work

Source: Triegaardt (2005, p. 4)

citizens do not protest when prices rise. Safeguards put in place to defend rights to social security and assistance for individuals and groups in need (as stipulated in Sections 27 and 28 of the South African Constitution) represent a major achievement in the post-apartheid period. The table below presents the various forms of social security available in South Africa (Table 9.6).

According to Triegaardt (2005, p. 10) "poor children, older people and people with disabilities are protected by a safety net, but there are many structurally unemployed workers, particularly unskilled workers, single parent households, who face protracted impoverishment". The government has expanded the scope of social security, especially for the poor, which in a way strengthens the economy's capacity to absorb fluctuations in fuel prices. Hence, fuel price increases do not pose a serious threat to the livelihoods of South Africans. However, unemployment is still rife among the rural-poor and mass protests resulting from other grievances, such as poor service delivery, abound.

9.4.2 Yemen

Yemen represents another country that has experienced a series of crises in its attempt to remove or reduce fuel subsidies—now for more than a decade. The country, like Nigeria, remains highly dependent on oil resources for government income amid depleting reserves. Oil and gas revenues amounted to about 25% of GDP and 65% of government earnings (World Fact Book 2017). The government is confronted with long-term socio-economic challenges manifesting in low economic growth and protracted armed conflict. Presently, about 82% of the population requires urgent humanitarian assistance (World Fact Book 2017). Repeated government efforts to raise fuel prices have been met with resistance from its population. These conditions devolved into serious crisis beginning in 2014 when the government embarked on a new oil subsidy reform initiative. The government had sought to implement a phased reduction in fuel subsidies as part of an economic strategy to bring Yemen's domestic oil price to parity with international markets. This strategy stalled as price increases in 2005 were rescinded due to violent public protests (Baig et al. 2007, p. 10).

The experiences of Yemen and other countries like Nigeria validate the assertion that protecting the poor from the negative impact of reform is most important for success. The immediate negative effect on real household incomes, especially those of the poor, may explain why petroleum subsidy reform is often accompanied by social tensions and even conflict. In 2014, the ensuing violent protest against subsidy reform had left 22 Yemini citizens dead, while about 300 sustained serious injuries. The intensity of the resistance to the subsidy cuts was due to the associated sharp increase in consumer prices, potentially subjecting more than 500,000 Yeminis to deeper impoverishment (The Guardian 2014). Just like in Nigeria, the masses have viewed subsidies as one of the few widely available forms of social security in the country.

Aside from meeting the conditions for obtaining a US$560 million loan from the IMF, the decision to cut subsidy payments became necessary to boost welfare spending and avert economic meltdown in the country (The Guardian 2014). Baig et al. (2007, p. 10) claim that the subsidy was unsustainable because the projected fuel subsidy for 2006 was higher than Yemen's budgeted health expenditure (Breisinger et al. 2012). Yemen's fuel subsidy payment represented the largest single expenditure in the country's budget since 2007. Despite a yearly budget deficit of between \$2.3 billion to \$3 billion (Ali 2014), the government had been reluctant to remove the subsidy due to the projected adverse effects on the population. Yemen, like Nigeria was rated low on the 2014 human development index. The country was ranked 154 out of 187 countries (UNDP 2014, p. 166).

In 2014, the Yemen Petroleum Company (YPC) revealed that government officials and major private corporations owed \$4.7 million to the corporation. The government finally announced the complete removal of subsidies in August 2014 (Associated Press 2014). Ali explains the reason for the violent protests and strong opposition to the subsidy reform thus,

> *There needs to be a functioning economic system. Simply removing the subsidy without fixing other issues will not work. Preparations should be made before taking the decision. Five years ago, there used to be committees responsible for preparing for subsidy cuts. This approach disappeared five years ago due to economic challenges. We used to draw up integrated preparation plans for increasing fuel supplies that included increases in employees' salaries, increases of cash transfers for poor households, price controls and even fixing the public transportation fares. There must be plans for the increase of fuel prices.* (Ali 2014)

Expectedly, tens of thousands took siege of Yemen's capital in a protest led by Abdel al-Malek al-Hawthi (leader of Yemen's Hawthi tribe) to compel the government to reverse its policy. Yemen's President, Abed Rabbo Mansour Hadi, had declared the policy as inevitable (Associated Press 2014). This rigidity by 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 Nigerian government did later reduce the initial increment from N141 to N97 per litre, and implemented phased price increases to its present N145 per litre.

The Nigerian state and society have devised a means of managing violent protests and dissent during oil price increases in order to avert protracted socio-political conflict and breakdown like the case of Yemen. The resulting insurrection and social breakdown that followed the subsidy cut in Yemen nullified the possibility of achieving whatever objectives the reform sought to achieve. Implementation of all the social welfare packages to cushion the effect of the fuel increase, including cash disbursements to the vulnerable, failed to materialize after the outbreak of the conflict in 2014.

9.4.3 Iran

Iran, one of the leading producers of crude oil, has faced instability in its subsidy scheme. On April 28th, 2014, Iranian President Hassan Rohani implemented the second phase of subsidy cuts by increasing petrol prices as much as 75% (4000 to 7000 rials or US$0.16 to US$0.28 per litre) (Esfahan 2014). By May 2015, the government completely removed subsidies on fuel, leading to a further 43% increase (Bozorgmehr and Khalaj 2015). Unlike the 2010 subsidy cut under former President Ahmadinejad, Iranians had high hopes for Rohani's subsidy reform program. In 2010, 50% 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 about 80 million, about 73 million categorized themselves as poor (more than 80% of the population). The government believed the figure was inflated (Esfahan 2014; IISD 2012, p. 43). The Human Development Index ranked Iran 75 out of 187 countries in 2013 and 75 out of 195 countries in 2014. This drop in its human development indicator could arguably be linked to the increase in fuel prices and its attendant negative effect on individual incomes. Taxi drivers, who are mostly hit, were banned from increasing transport fares. "I am furious. My colleagues, too," a taxi driver named Ramin who worked for a private company was quoted as saying, "Our income goes down but our expenses dramatically go up. How fair is this?" (Bozorgmehr and Khalaj 2015).

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, p. 43). The funds were deposited in their accounts but access was frozen until commencement of the policy shift. Up to US$40–100 billion is paid every year to augment fuel prices as well as other consumables (Esfahan 2014). According to Esfahan, the government realized that the rising consumption rate of fuel was due to its low cost, assessing that Iranians consumed 80% more than the average consumption across all Middle East countries. As in Nigeria, oil smugglers exploited the opportunity of Iran's cheap oil by transporting it across borders to Pakistan and Iraq.

Government revenues from implementing the "Subsidy Reform Plan" are projected at 48 trillion rials (US$12 billion) for the next fiscal year

(March 2017–2018), on par with estimates for the year before (Financial Tribune 2017). As much as the government had wanted to increase its budget by cutting fuel subsidies, existing legal frameworks had restricted government action. Since the Subsidy Reform Plan was launched in 2010, the government has paid about $60 billion in cash to almost all Iranians as social security to cushion the effect of high fuel price. Designated individuals—77 million out of total population of 80 million—continue to receive and enjoy a monthly 455,000 rials (US$11) cash payment, costing the treasury almost $850 million per month (Financial Tribune 2017).

9.4.4 Indonesia

In Indonesia, citizens had enjoyed very low prices for petroleum products until 2004 when the country turned into a net feul importer. Domestic energy policy in Indonesia has been characterized by increases in fuel prices from that point forward. 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, 2011 and 2017. The Indonesian government, like Nigeria, allocates huge amounts for subsidy payments. For instance, in Indonesia, the subsidy amounted to 3.4% of GDP in 2005, which was more than the budgeted expenditure for health and education that year (IISD 2012, p. 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, an attempt by former President Susilo Bambang Yudhoyono's administration to increase fuel prices by 335% failed to garner parliamentary support.

Yudhoyono's successor, President Joko Widodo also announced his readiness to completely remove fuel subsidies after he was sworn-in to office.[22] Expectedly, citizens had braced for a protracted battle with the new president in opposition to fuel price increases. Fuel prices in Indonesia remains among the cheapest in Southeast Asia. From an 8% budgetary allocations in 2010 and 2011 (IISD 2012), the fuel subsidy has risen to 20% of the budget amid increased domestic consumption driven by industrialization, economic prosperity and number of vehicles on the roads.

[22] See http://online.wsj.com/articles/new-indonesia-leader-looks-to-tackle-fuel-subsidies-1413793138

Indonesia implemented an unprecedented cash transfer program in support of 16 million poor families qualified to receive Rp.300,000 (UD$30) every three months (amounting to 0.7% of Indonesia's GDP) (Baig et al. 2007, p. 15). Baig et al. note that the indentification of poor families was based on a method employed by the Central Statistics Bureau which estimated a "proxy-means score" based on general household socio-economic 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 palliatives for fuel increase changed over time. The Parliament approved 9.3 trillion rupiah to compensate 15.5 million poorer families paid in four monthly installments of 150,000 rupiah. This was similar to the experience in Jordan as the fuel price was increased by 33% and 76% in 2005 and 2008 respectively. The government of Jordan paired those increases with an increased the minimum wage, raises for lowly-paid government workers (who also received a one-time bonus), cash transfers for low income families and lifeline electricity[23] tariffs at low rates (IISD 2012). The state also directed savings from subsidy-cuts to boost education, health and infrastructure packages for the benefit both low and middle income homes.

The Indonesian government had sensed the hostilities that subsidy removal would engender, and immediately embarked on concerted strategies and road-map towards its "peaceful" 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 was germane to state survival. Implemention over a long period was seen as critical in effort to reduce the effects on the poor. At the time, most of the consumption basket of the poor was 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 2012, p. 26). However, the challenge is in the provision of effective monitoring and supervising mechanisms to enforce compliance with the government's roadmap for successful subsidy removal.

[23] 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.

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 2012, p. 14):

1. Limiting subsidized fuel users to households, micro businesses, fishery businesses, public transportation and public services. 61 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.
3. Enhancing the development of alternative energy.
4. Continuing conversion programs of kerosene[24] 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.

In November 2014, the government increased fuel prices to increase government earnings. The decision also resulted in tertiary benefits to other parts of the energy sector as higher oil prices made other commodities more attractive. For instance, higher fuel prices led to substitution of crude palm oil (CPO) and coal in the energy mix. Notonegoro (2016) highlights the economic logic thus, "as crude oil has become cheap, demand for CPO and coal (both are also energy sources) declines accordingly. Indonesia is the world's largest producer and exporter of CPO, while the country is also a leading producer and exporter of coal". Increased demand for these commodities likely also led to increased profitability based on upward pressure on their pricing. This added to the attractiveness to the government of higher fuel prices.

By 2016, subsidy for gasoline fuel had been removed completely while a fixed IDR 1000 per litre was operative for the year (Notonegoro 2016). Government expenditure on fuel subsidies further declined in 2017 based on a decision to cut diesel subsidies by 50% (from IDR 1000 to 500 per litre) resulting in a drop in the subsidy value from IDR 60.76 billion in 2015 to IDR 43.69 billion in 2016 trillion (Gass and Lontoh 2017).

[24] 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 et al. 2007, p. 15).

Moreover, as reflected in the 2017 State Budget, there was a significant reduction in the government's liquefied petroleum gas (LPG) subsidies (from IDR 31.98 trillion to IDR 11.98). Unlike Nigeria that implements a uniform pricing system, fuel prices in Indonesia vary between regions due to the disparities in distance and distribution amenities across the Indonesian archipelago. The Minister of Energy and Mineral Resources is responsible for price fixing through a price-adjustment policy that is aimed at a quarterly price adjustment over the year. Price fixing under a new arrangement does not necessarily correspond to the international market price.

Beginning in 2004, Indonesia assumed the role of a net importer of oil, import costs that stood at $39 billion as of 2013. Therefore, Nigeria is not the only country in the fuel importation business—although it seems to be the only country that completely neglects to provide direct compensation to poor households. The world over, most countries (oil producing and non-oil producing) have liberalized the prices of petroleum products 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's action. Achieving this is very important to the socio-economic and political stability of states involved in an 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 et al. 2007).

States that are on the verge of subsidies removal 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 et al. (2007) believes a great level of trust and government legitimacy is required to effectively remove fuel subsidies. For instance, the Nigerian government was "entrenched in falsehood by repeatedly informing the citizenry of excess storage of petroleum products when in actual fact fuel scarcity loomed" (Interviewee 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 can be minimal and ultimately insignificant.

It is politically expedient for governments to get the timing and size of the price increases right before attempting to increase fuel prices in order to avoid political instability. Baig et al. (2007) re-emphasize the perspective 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 affords the state the opportunity to build political support and ensure a properly designed sustainable road-map to liberalization of the oil sector.

In oil-exporting countries, petroleum revenue is often shared among the regions that make up the country. 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 et al. 2007, p. 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.

9.5 Conclusion

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 began with the acceptance of SAP under the General Babangida military regime in the mid-1960s. Despite the contradictions of SAP that led to its failure, President Obasanjo's democratic regime re-enacted SAP as NEEDS designed to steer Nigeria's economy 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 came into power in 2011. His administration could not, however, absolve itself of the shoddy roadmap for implementation of the reforms, as well as its inability to ensure accountability in the administration of subsidies during his tenure. The present administration has also towed the same line in its approach to the subsidy question.

The federal government has the responsibility to secure its borders to evade cross-border oil smuggling; ensure the protection of pipelines to prevent oil bunkering; strengthen security operatives and other anti-corruption agencies (e.g. the EFCC and the ICPC) to move against oil theft and prosecute erring individuals; unbundle the enormous responsibilities under the NNPC as well as its monopoly on the importation of kerosene; ensure transparency in allocating oil importation licensing;

establish inter-institutional consultation among government structures to prevent discordant information; and to orchestrate a more sustainable deregulation policy in the oil sector writ large. No excuse can absolve the government from the neglect and under-utilization of Nigeria's four refineries. The recurrent TAM and other vast funds approved by the federal government to fix the refineries have not significantly improved their productivity to an optimal level. Instead, insinuations persist that substantial funding amounts meant for facility repair and maintenance found their way back into the purse of public officials through the unrestrained network of corruption.

There was compelling evidence of the lack of transparency by the government in the administration of subsidies and collaboration between government officials and oil companies in illicitly co-opting funds that were allocated and fraudulently claimed as subsidy payment. The claimed existence of a "cabal" by the federal government shows the depth of administrative weakness and unpreparedness to confront the ills ravaging the oil sector, also evidenced in similar sensitive sectors. For instance, years of persistent and extensive budgetary allocations have not resulted in a stable electricity supply. Rather, the more funds the government directs to the power sector, the worse the supply of electricity has become in many parts of the country.

There are multiple arguments around the need for deregulation, the mode and timing of deregulation and how to ameliorate the impact of such policies on the citizens of Nigeria. The importance of subsidy reform and deregulation 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. The government lacks the political will to ensure the proper institutional capacity of the various structures that drive oil policy in the country. A painstaking and holistic evaluation of the oil businesses, subsidy administration—based on reliable data—would have strategically positioned the sector for effective reform and combated incessant hikes in the price of fuel. Apparently, high rates of subsidy payments and falsified data on fuel consumption rates were the main justification for the "urgent" decision to opt for deregulation of the downstream oil sector in 2012. Years later, it was evident that the data on subsidy claims had been inflated and most other information in relation to fuel distribution and marketing was incorrect.

Notwithstanding, 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 go a long way towards triggering 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. Namely, oil sector governance in Nigeria is characterized by inept leadership, unpreparedness, deceit and indecisiveness (due to the 2015 electioneering projections). Presidential assent to transform the PIGB into law remains the subject of delay.

The crisis in the Nigerian oil sector is deeper and more complex to enable a single theoretical framework for understanding its dynamics. However, institutional capacity is important for any initiative to properly reform 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. Under the prevailing circumstances, the deregulation of the downstream oil sector will not achieve the desired results. Also, in the event of complete deregulation, fuel scarcity will likely prevail and government claims of a reduction in the price of fuel may fail to materialize.

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CHAPTER 10

Oil Sector Reform and the Scourge of Corruption

10.1 Introduction

That Nigeria is a corrupt society is no longer the 'news', the problematic has been the complicity of political elites and public officials, its spill-over effects on state, society and economy, and the destructive effect it has on the crisis-ridden oil sector. Therefore, endemic nature of corruption remains at the center of discourses on economic development and democratic sustainability in developing countries, and constitutes a core conversation on Nigeria's economic recovery and effective management of the downstream oil sector. The resource-rich Nigeria has consistently displayed its incapacity, due to corruption, to transform its oil wealth to good governance and ensure the vibrancy of the downstream oil industry. This protracted crisis in the oil sector, occasioned by persistent fuel price increase under the pretext of deregulation or subsidy reform has engendered contradictions that have deepened impoverishment of the mass of the people. Corruption is at the root of the mismanagement, waste, inefficiency, institutional weaknesses and failures to restore stability and efficiency to the oil sector. Also, it explains the inability of the state to confront the rot in the sector. In conclusion, oil sector reform under the prevalent arrangement constitutes a mechanism for the devolution of corruption in Nigeria. Since the oil boom in Nigeria, corruption has been the bane of the economic malady and developmental dilemma that has confronted every attempt at instigating tangible socio-economic policies. It has

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_10

threatened Nigeria's economic and institutional development, while every attempt at combating 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 a corruption-infested country. The impact of corruption is so damaging; it abounds in gross bad governance and severe under-development that has characterized the Nigerian political space. The state has shown a lack of capacity to manage its economy because of the "deep-seated, pervasive, massive and unstoppable corruption in the country" (Interviewee Number Three, August 2013). The wave of corruption across all institutions of government has led to capital flight, exportation of naira across the world (particularly to Swiss banks), and constraints wrongfully placed on 'honest' businessmen from investing in the country (Abubakar 2004, p. 160). In the international arena, Nigeria's reputation had been tarnishedas a result of corruption, and the confirmed theft of billions of dollars—stashed away in foreign accounts—by the military hierarchy and civilian conspirators between 1985 and 1999 (Ogundiya 2009, p. 287). This chapter reveals how corruption has stunted the development of the downstream oil sector, and also explains the subsidy crisis that continues to haunt the nation since the introduction of Sap, and its replacement, NEEDS.

10.2 Nigeria: The Corruptible State and Society

Corruption in Nigeria has become a unique case because it cuts across all facets of the society: from the presidency to the third tier of government; from the police to the judiciary; from the national legislature to the councilors in the local councils; from the taxi drivers to the market women; and from the lecturers to students. It is most acute in the political environment where corruption defines governance, public policies and politics. In 2013, the Transparency International Corruption Index ranked Nigeria 139 out of 174 countries with a score of 27 out of 100. The 2014 International Corruption Index, as revealed by Transparency International, ranked Nigeria N144 out of 177; in 2015, Nigeria was ranked 136 out of 168 countries; and in 2016, the country was ranked 136 out of 176 countries, scoring 28 out of 100. Transparency International further highlights the depth of corruption in Nigeria,

> *85 per cent of Nigerians surveyed believe corruption has increased from 2011 to 2013. Corruption hits hardest at the poor in Nigeria who make up more than*

> *40 per cent of the 179 million people. Global Financial Integrity estimates more than US$157 billion in the past decade has left the country illicitly. Corruption is everywhere: even the health and medical services, considered the least corrupt government institution, are considered very corrupt by 41 per cent of Nigerians.* (Amnesty International 2015)

Even the Presidency is not immune to corruption and cronyism. There have been many instances of Presidents, (President Obasanjo and Goodluck Jonathan come to mind), granting amnesty and presidential pardons to members of the political class convicted for public abuse, maladministration, and corruption. The most recent case was the 'Presidential pardon' granted to a former governor of Bayelsa State—one of the oil producing states—(a kinsman and a former boss[1] to President Goodluck Jonathan). The former governor, Diepreye Alamieyeseigha was accused of corruption, he escaped Nigeria, was arrested, convicted and sentenced to prison in London, but had come back to receive state's forgiveness under the initiative of the President. Therefore, corruption thrives in Nigeria because successive Presidents allow and benefit from 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. According to Martini,

> *The nature of corruption and the social norms implicated certainly changed with the increased oil revenue. Combined with a weak public administration, opacity and a culture of impunity, oil provided further opportunities for public officials to extract rents from the state. As such, many of the forms of corruption identified in the country in the past years are related to the management of oil resources.* (Martini 2014, p. 3)

Aside from the monumental oil lost to official corruption, bunkering and vandalization of pipeline infrastructures to divert oil for personal accumulation reigns in the country. It was reported that a staggering

[1] President Goodluck Jonathan was the Deputy Governor of Bayelsa state between 1999 and 2005 and had become the Governor in 2005 after Diepreye Alamieyeseigha, the erstwhile Governor was impeached under allegations that he had 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 March 12, 2013.

300,000 barrels of oil were stolen per day between 2001 and 2008 (Martini 2014, p. 6). 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, p. 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.

In 2013, the institutions of government (the Ministry of Petroleum, the Ministry of Finance, and the CBN) traded blames over N500 billion of oil revenue that has now been declared "missing" (Interviewee Number Twenty, August 2013). The oil sector (both upstream and downstream) were riddled with heavier systemic governance failures that had left it susceptible to a high degree of corruption and had weakened the Nigerian state's capacity to appropriate maximum income from the oil and gas sector. This denial was partly responsible for the lack of financial strength to oversee an efficient service delivery (Iledare and Suberu 2010, p. 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, the key challenge here was that the prevalent corruption in the public sector compounds other 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, p. 8).

A point of note was the purchase of 63 houses, and their furnishings, 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 revealed that the Nigerian parliament had embarked on what they termed a "retreat" to Johannesburg in 2012. Further reporting that in Ekiti State, High Judges' had also com 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, p. 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. The foundation of power centralization has been attributed to the period of military rule and the short-sightedness of successive political leaders that have occupied the government seat since the demise of the first republic in 1966, and the return to civilian rule in 1999. The continuation of concentration of excessive power at the centre by the civilian administration was borne out of the idiosyncrasy of President Obasanjo[2] and his military background, which predisposed him to 'central command structure'. 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 the adjoining organs of government at lower levels.

Onifade and Ojukwu (2010) in a review of the state of Nigeria's state, castigate the military and successive political leadership for bad governance which exhibits in different dimensions: patrimonialism (neo-patrimonialism), rapaciousness, personalized rule over what Joseph discusses as prebendal[3] 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 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, p. 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 patronage or clientelist[4] rela-

[2] He was a former military President.

[3] 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 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.

[4] Clientelism is operated under a state whose life has been commandeered by an oligarchy, both civil and military, and channeled towards the fulfillment 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 on clientelism, see Balogun, M. J. (1997) "Enduring Clientelism, Governance Reform and

tions. The resulting bad governance and capacity crisis of the state exacerbates the surge of corruption which has characterized the Nigerian socio-political landscape (Onifade and Ojukwu 2010).

Nigeria has shown the attribute of a rentier state, which is evident in its mismanagement of the oil sector. Rents and rent payment is not destructive in its entirety, it has the potency to drive the developmental agenda of states. But, rents could easily be exploited and implemented to further the interests of the few. In most cases, a rentier state[5]—like Nigeria—is less concerned with accountability to the society it governs so the government does not feel pressured to make changes to its poor developmental plans (Ross 1999, p. 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 the equally confused political elite. Thus, the Nigerian state becomes the accumulative apparatus of the elites, 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: 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 corrupt practices—in both the private and public

Leadership Capacity: A Review of the Democratization Process in Nigeria", *Journal of Contemporary African Studies*, Vol. 15, No. 2, pp. 237–260.

[5] This is a state with high attributes of rent-seeking. Karl (2007, p. 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 a widespread behaviour, in both the public and private sector, aimed at capturing oil money through unproductive means".

spheres—had 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 established. Between 2004 and 2007, Nigeria had made tangible improvements in fiscal discipline, accountability and displayed a 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 Club,[6] 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 (Odularo 2008).

The more active of the agencies, EFCC,[7] had 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 engaged in 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 Olabode George's political clout as the Chairman of the South-Western zone of the ruling party at the time, PDP. Shortly thereafter, President Obasanjo's tenure had expired and Ribadu was removed as EFCC Chairman, and Bode George was subsequently arrested for the same allegation by the new EFCC leadership. He was found guilty by a competent court of law and subsequently jailed.

The most infamous case of corruption was perpetrated under the watchful eyes of former President Goodluck Jonathan, involving the anti-

[6] On June 29, 2005, the Nigerian 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.

[7] 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.

terrorist arms deal, popularly tagged 'Armsgate' investigation. Nigerians and the international communities continued to wonder at the factors responsible for the shameful subordination of the Nigerian military might by the Boko Haram terrorist organization. The successes recorded by Nigerian military forces, under the aegis of the ECOWAS Monitoring Group (ECOMOG) in Liberia and Sierra Leone, and the giant contribution of the army to the United States Peacekeeping operations were still fresh on people's minds. It was soon discovered that military corruption was the explanation for the weakness of the Nigerian army to combat Boko Haram armed conflict.

Ordinarily, and in other societies, corruption associated with governmental arms deals manifest in the form of kickbacks and bribe, which is always in respect of granting of licenses for the supply of arms as manifested in the infamous 'Armsgate' scandal in the United States. Often, about 10% bribes or kickbacks exchange hands between government officials involved and the supplier company. But, Nigeria have defiled the norm, whereby public officials, in this case, mostly comprised of the military echelon, had a better idea. Why not issue out fake contracts for non-existing equipment and claim 100% of the contract funds? This was exactly what happened in the Dasuki-led arms scam. Funds amounting to about $15 billion, meant for the purchase of arms to combat Boko Haram's reign of terror that has almost wiped out a section of Nigerians in the northern part of the country, was diverted into private hands between 2007 and 2015. At the centre of the arms deal was the National Security Advisor to former President Jonathan, Colonel (retired) Sambo Dasuki, between 2012 and 2015. President Buhari's administration, acting through the EFCC, arrested almost all the main actors, except the man, former President Jonathan, under whose watch such deals had been perfected and executed. There were claims and suspicion of personal vendetta in the arrests; accusing the government of using the anti-graft agencies of 'witch-hunting' government opposition has been the norm in Nigeria.

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.[8] The nonchalant attitude of the population and the Nigeria

[8] 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.

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 enjoys, 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 2009, p. 290)

The state is so weak, it exists on 'paper' and should ordinarily not be referred to as a state: "some individuals operating within the state behave as if they are stronger than the state" (Interviewee Number Five, July 2013). Therefore, institutional weaknesses of African states and a lack of significant growth in state institutions is at the root of Africa's socio-political crisis. The absence of institutional growth negatively affects the performance of the anti-corruption agency. The president, with a strong political will, could rid the country of corruption; therefore, corruption continues to thrive in Nigeria because the President allows it.[9] The activities of the EFCC paint a picture of how an effective anti-corruption agency could substantially reduce bribery and corruption in Nigeria.

[9] 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 Alamieyeseigha 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).

10.3 Proliferation of Corruption in the Oil Sector

Amundsen (2010, p. 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, p. 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 assume the forms of nepotism and patronage politics. Appointments to public institutions are influenced by family ties, personal relationships, ethnic and identity politics, religion affiliations, in place of professionalism and merit. These considerations play out in the recruitment exercise of sensitive oil institutions like NNPC, DPR, PPPRA, among others. Political office holders are allocated numbers of positions to be filled by relatives or 'well-wishers'. A respondent recalled when he was shortlisted for an interview in one of the oil agencies, and was surprised when the head of the panelists had asked bluntly, "who is your sponsor? Can you present the verification note or card from your godfather?" (Interviewee Number Thirty-one, April 2016). Amundsen concludes that corruption in both forms is entrenched in Nigeria: extractive corruption and corruption for power preservation purposes. Alex et al. notes that:

> *Opportunities for rent-seeking have distorted incentives throughout the extractive industries value chain—including, for example, oil bloc 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 et al. 2011, p. 7)

Chains of corruption are also identifiable in the allocation of oil licenses and oil blocs; Public officials, who are in charge of its allocation and regulating oil licenses, exercise their free will by acting in their own interests, and colluding with oil investors to further their interests and that of the oil companies.

In the bid to halt corruption in the oil industry, Nigeria became the first country to endorse the EITI and the subsequent establishment of NEITI in Nigeria, which was to subscribe to the Stolen Assets Recovery (STAR)

Initiative (Alex et al. 2011, p. 3). Unlike other resource-rich countries, Nigeria introduces anticorruption mechanisms that potentially expose corrupt politicians but there is the need to go beyond *just exposing offenders to* institutionalizing strong punitive measures to halt corruption in its stride. Indeed, the environment of subsidy administration is hostile to development and accommodates unrestrained corruption; corruption was built into the network of oil marketing and distribution. The National Assembly found that \$6bn (£4bn) had been defrauded from the fuel subsidy fund in the past two years (BBC 2012a). The 205-page parliamentary documents uncovered a long list of alleged wrongdoings involving oil marketers, NNPC and its subsidiaries. According to the report, 15 fuel importers had claimed more than \$300m in 2010 without having imported any fuel, while more than 100 oil marketers collected the same amount of money on several occasions leading to payment duplicity (House of Representatives 2012). Subsidy payment actually furthers the illicit interests of many actors in the sector, the failure of the Nigerian state to reveal their acts and arrest such individuals remain the unresolved question.

The document presented by the national assembly reveals that the ruling class, under the watchful eyes of the presidency, had greatly benefited from the subsidy fraud (BBC 2012b). These allegations have been denied; some individuals had taken out full-page adverts in local newspapers, proclaiming their innocence.[10] 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, p. 28). This corrupt practice was also extended to crude oil allocation:

> *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 and sell in western Nigeria at government approved rates.

[10] See *This Day* newspaper, June 11, 2013.

In other parts of the country, the prices are sold above the official rates and subsidy claim would be appropriated for the shortfall between the official price and the international market prices of petroleum products (Interviewee Number Twenty, August 2013). This has been the system in the oil sector.

There were strong allegations of corruption against the ruling class and claims that the oil marketers exploited the weaknesses in the subsidy regime to engage in diverse forms of corruption. Many oil marketers who had 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, p. 10). NNPC uses its official percentage of crude oil allocation as patronage for 'friends' of the ruling party (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 had monetized their electoral processes, whereby money was used to 'buy votes' and secure political party's nominations (Akinola 2009).

The NNPC was consistently accused of fuel diversions. The NNPC, through its Crude Sales department, was noted for diverting refined products—like kerosene and petrol—to middlemen players in the downstream sector that have private storage facilities; hence, this explained the scarcity of kerosene even in the NNPC mega filling stations during the 2012 subsidy conflict (Interviewee Number Ten, July 2013). The middlemen also buy above the official prices from the NNPC and justify sales to the consumers at prices 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).

The NNPC officials are not alone in the shoddy deals, 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 were meant. For instance, in 2010, 150 truckloads of fuel allocated to the Independent Petroleum Marketers Association of Nigeria (IPMAN) disappeared from Ore depot and this had triggered a serious crisis among members of the association (Ogunbodede et al. 2010, p. 120). Those individuals behind the diversion of the oil would have made N70.2 million if the product had been 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 depot.[11] Other cases of corruption abound.

The House of Representatives Committee on Public Accounts (PAC) was stunned at the gross irregularities perpetrated by the ruling class, who complete disregard for constitutional provisions (Oluwasegun and Anofi 2013). For instance, the legislature notes that in 2007, sums totaling about $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. An estimate of $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, had not been presented for audit verification. The banks where the deposits had been made, the principal sums deposited, and the rate of interest were also not made available for audit verification. It was also revealed that:

> *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 N1168 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)[12]

In similar revelation, the NEITI also discovered that the NNPC had withdrawn 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 (Ofikhenua 2013). This fact was

[11] Ore depot is one of the NNPC oil reserves located in Ondo State (Western part) of Nigeria.

[12] The House of Representatives Committee on Public Account requested the Inspector-General of Police to present the leaderships of NNPC, PPPRA, and DPR, to respond to the allegations levied against the institutions they headed.

revealed by the Independent Oil and Gas Industry Audit Report,[13] covering 2009–2011, put together by NEITI (NEITI 2013). The report noted that subsidy payments claimed by the NNPC increased by 110 per cent, as the payments had risen from N198 billion in 2009 to N416 billion in 2010. However, in a sharp response, the Minister of Petroleum at the time, Allison-Madueke, who had earlier claimed she did not know the number of NNPC mega-stations,[14] staunchly absolved the NNPC of any wrong doing and argued that the corporation was 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, p. 27). However, the former CBN Governor, Lamido Sanusi, had accused the NNPC as well as the Minister of involvement in corrupt oil deals.

The former CBN boss also publicly accused the NNPC of illicitly siphoning up to $50 billion oil revenue, which did 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 refined petroleum products without involving cash (UPI 2014). The former Minister of Finance, Okonjo-Iweala who also claimed that the Ministry, discovered a shortfall of $10 billion in the NNPC remittance, demanded to know the truth about the alleged missing funds from the federation account.

Defending public institutions under her oversight, Alison-Madueke also claimed that the PPMC and the NNPC were not complicity in the Kerosene deregulation scam. She reiterated the fact that her ministry had directed a stay of execution on the removal of the kerosene subsidy in 2009 to avert its negative effect on the public.[15] Yet, the Minister had not applied 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

[13] 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.

[14] This is NNPC outlets/filling station for marketing distribution of petroleum products directly to consumers at the official prices.

[15] See http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/510/Press-Release--Why-Kerosene-is-sold-Beyond-Official-Price-NNPC.aspx

stolen \$50billion[16] remains elusive. The NNPC[17] refuted the claim that \$50billion was missing on its website; other commentators believed that the figure had been over-bloated, and that *only* \$20billion or \$10 billion was truly missing. There are more serious cases of oil corruption in the oil sector. These are discussed under the next section that deals with the case of a kerosene scam.

10.4 The Case of Kerosene

Why was kerosene very expensive and scarce? Why were Nigerians passive and unwilling to engage in protests against the sporadic and steady increase in the pumping price of kerosene? Why has the labour union display skepticism in kerosene-related matters? Had kerosene been 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 in the pre and post-2012 era. Over the years, the country has witnessed steady scarcity and high cost of kerosene, also called Dual Purpose Kerosene (DPK). 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 high price and faster sales (Okafor 2014). 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.*[18]

[16] For more information about the missing \$50billion, see UPI (2014).

[17] See http://www.nnpcgroup.com/PublicRelations/NNPCinthenews.aspx

[18] http://www.nnpcgroup.com/PublicRelations/NNPCinthenews/tabid/92/articleType/ArticleView/articleId/510/Press-Release--Why-Kerosene-is-sold-Beyond-Official-Price-NNPC.aspx

However, the reasons go beyond this (as later claimed in this section). It is a deliberate attempt to force the price up for the benefit of the 'big players' and powerful 'middlemen' in the downstream oil sector.

The Nigerian masses is usually predisposed to protests against fuel increases, while the middle class,[19] led by labour union, in conjunction with CSOs, coordinated and galvanized people into action. This was 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 refrained from calling for mass protests in the case of kerosene. Unlike the case of PMS, there was no attempt by the federal government to explain the steady rise in the price of kerosene. This has deepened the discontents towards the government. For instance, diesel was deregulated prior to 2012, and the price of the fuel keep rising and also scarce, as against government's projection. In 2013, it was imported at N150 per litre and expected to be sold at the official price of N50, though only the NNPC actually sold at the official price. Others sold between N120 and N200; yet they still claimed subsidy payment (Interviewee Number One, July 2013).

Although the federal government has succeeded in phasing out subsidies for diesel, there has been no benefit in terms of reduction of the price, as canvassed by the government (Apekhade 2012). The unfulfilled promise of 'invincible hands of the market' forcing down the price of diesel after deregulation increased Nigerians' resistance to the deregulation of the entire downstream oil sector, especially in the face of a rise in the price of diesel after deregulation. In 2012, 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 was that the poor were not heavily affected by its rise, as only a small percentage of Nigerians buy diesel for domestic use. Those who consume it for powering electric generating sets fall within the 'relative' upper class because affordable the generating sets, used mainly by the masses, consumes PMS as sources of power. In the automobile industry, motorists are majorly dependent on PMS; only trucks and a few cars use diesel in Nigeria, in the first quarter of 2017, the price of diesel stood between N220 and N300, but the inter-

[19] By this, I mean the Nigerian working class and other individuals in similar socio-economic statuses.

vention of the NNPC had brought the price down to around N155 in June 2017.

The scenario in the case of kerosene was different. As one interviewee claimed, "only the poor masses use kerosene in their homes. The middle class do not consume it" (Interviewee Number Four, July 2013). Therefore, the middle class are not affected; hence, are not concerned.[20] More so, charcoal and firewood provide much cheaper alternatives to the use of kerosene as sources of energy. 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 99 percent of Nigerians rely on road transportation, a few use air transportations, while rail transportation is almost non-existent (Ogunbodede et al. 2010, p. 115).

In fact, there had been no controversy on 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 be sold at market prices, but recent revelations appeared to be to the contrary. The institutions of government, including the NLC had been under the impression that kerosene had been 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**[21] 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 had been deceived into believing that kerosene had been 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

[20] 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.

[21] Emphasis is mine.

fact that his agency did not know if kerosene had been deregulated or not (Niyi 2013). This begs the question: how could the common man on the street 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 continues to debunk allegations of selling beyond the official prices. The DPR 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 was 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 Number Thirty, 2013). A respondent insisted 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 senior officials of DPR did not know the status of kerosene. If this was the case, then the question must be asked: how could they have monitored or oversee a policy they did not understand?

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 was given and endorsed by gazette, such a directive would not become implemented until the Minister had given 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 the CBN governor indicted the NNPC and demanded a refund of the huge sum the agency deducted as subsidy claim on kerosene. 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 billion[22] 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, confirmed that the federal government was unable and unwilling to uphold the N50 regulated price. He insisted on the implementation of deregulation policy as a viable option to redress it (Premium Times 2013). But, he did not explain why the NNPC remained the only importer of kerosene and why the agency was involved in the diversion of kerosene to middlemen. The price of kerosene has consistently increased since 2012, hitting N300 in the early part of 2017. The government, through the NNPC called for a maximum of N150 selling price of kerosene per litre. 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 management theory, a 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.*[23]

Kerosene scarcity 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 the Port-Harcourt refinery on kerosene had

[22] MOMAN officially claims that the federal government spent N685 trillion on kerosene subsidies during that period. 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.

[23] 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

been 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 had been added to the draft, before the draft was granted approval for onward transfer to the filling stations. This presented another outlet for corruption to be perpetrated by officials of the NNPC and its subsidiaries.

It was ascertained that the NNPC, who remained 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, p. 15). The executive secretary of MOMAN, Obafemi Olawore, frowns at the monopoly of kerosene importation by the NNPC and called on the government to deregulate kerosene and provide clarity on the policy surrounding marketing and distribution of kerosene (Kalejaye 2014). This call was a condition given by MOMAN for its participation in the kerosene business. He submitted:

> *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 were directly responsible for the scarcity of kerosene. A practical way of reducing the consumption of kerosene is by encouraging 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. Firstly, access to LPG is restricted in terms of distribution and marketing in rural areas. Secondly, many incorrectly believe it is very expensive, especially in comparison to firewood, which is cheap and could be freely obtained in the rural area or other points in the urban centres like the sawmill industries.[24] Thirdly, there is a fear that LPG could explode.[25]

There have been efforts by the NNPC to reduce the pressures on the consumption of kerosene by refocusing its strategy towards encouraging and increasing the consumption of LPG, which provides a cleaner and cheaper energy option to the use of kerosene (NNPC 2014). The Managing Director of NNPC at the time, Engr. Yakubu, posited 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 maintained 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) was willing to partner with banks (Microfinance bank) to approve soft loans for low-income households in Nigeria to purchase LPG. Aside from making cooking gas available, the company provided for cooking stoves, which were directly available to consumers through the company's vast network of over 500 retail networks and other authorized distributors. This would 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 maintained that the world has abandoned the use of kerosene for domestic cooking, while kerosene is

[24] A sawmill industry comprises timber and plank processing factories, which harbours unused planks of wood and subsequently burn such.

[25] This is my personal observation as well as my analysis of multiple viewpoints on the reluctance of the public to use LPG.

only being used in Nigeria and less than 10 other countries (Kalejaye 2014). Instead, he advocated for a switch to gas cylinders for domestic use, cost reductions and subsidies for these cylinders, (as done by the South African government) and advised the government to educate the masses about their use, utility 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. The monopoly of the NNPC as the sole importer of kerosene engendered corruption and is responsible for its rising price.

10.5 Conclusion

In this chapter, 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, not for lack of coercive instruments to combat corruption, but due to absence of will-power and government officials' complicity in corrupt practices. Even the police and anti-corruption agencies have been accused of corruption (Akinola and Uzodike 2014). The ruling class that is supposed to protect the interests of the population continues to protect 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.

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, who continue to accuse one other of corruption. The CBN accused the NNPC and Ministry of Petroleum of corruption; this speaks volumes of the depth of corruption in the polity. The fact that none of the leaderships of these institutions had faced the wrath of the law in respect of the accusations and counter-accusations represented the height of impunity and Presidential laxity and tolerance of corruption. In conclusion, apart from increasing state's income, the subsidy reform initiatives and fuel price increases created an opportunity to raise more funds to perfect the 'proliferation' and 'deregulation' of corruption in the country.

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CHAPTER 11

Globalization of the Nigerian State and Economy

11.1 Introduction

At the heart of the study of politics is the relationship between the political system, the economy and society. This connection has prompted 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 book. Globalization remains an 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 (FDI) and the development of information and communication technology.

One of the striking realities of the post-colonial African states like Nigeria is the globalization of its economy. Globalization has achieved the objective of unifying the world's political economy through the exportation of liberal democracy and its associated open market economy to the developing countries. Nigeria finds itself trapped under the web of the new international economic order. Thus, the pressures generated by globalization and democratization significantly influenced the action and inaction of the Nigerian state in the oil sector, and stripped the state of the sovereignty required to effectively function as a true state. Oil sector

A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4_11

reform was supposed to rid the sector of rot and re-direct the state on the path of socio-economic stability; however, the contradictions inherent in the reform agenda engendered economic crisis and aggravated the impoverishment of the masses.

Democracy offers the opportunity to entrust government in the hands of the majority through their elected representatives. Under democratic governance, 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. The chapter presents the implications of the implementation of economic reforms under the weight of globalization and pressures from local democratic forces.

11.2 Liberating the Nigerian State

There has been a shift in scholarly debates on the study of problems facing Nigeria and that of Africa in general. The focus had been on internal deficiencies within the African state such as the failure of leadership and the question of good governance. This viewpoint contradicts studies attributing undeniable African problems to colonial, neo-colonial legacies, and recently globalization. It is clear that the processes of globalization and limitation imposed by colonial heritage challenge the capacity of African states and their ability to promote effective governance and sustain democratic regimes (Akinola and Ndawonde 2016). 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. Aside from the complicity of the state and its institutions, non-state actors have contributed tremendously to the recurrent crisis in the Nigerian downstream oil industry. The IFIs and MNCs (local and foreign) operating in the oil industry did not hide their oppositions to continued fuel subsidies and had supported the deregulation of the Nigerian oil industry. MNCs have greatly contributed to the extraction of mineral resources and their subsequent conversion to finished resources in Nigeria. Few of them have shown their interest in the distribution and marketing segment of the oil industry but the present subsidy arrangement impedes their participations. The IFI (and the IMF in particular) attempted to ensure fiscal discipline and budgetary performance in the country. However, these institutions are under the influence of specific economic agenda that promotes their economic interests and that of Nigeria's investors, at the expense of the Nigeria's masses. The population, through the labour unions, pressurize the state to curtail labour abuse by MNCs, but both state and non-state actors lack the capacity to combat the economic aggressiveness of the MNCs for profit maximization.

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, p. 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, p. 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 Sixteen, 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.

The MNCs have been very reluctant to invest in local facilities for technological innovation, which corroborates their own global logic. This logic 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, p. 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 behaviour, according to Evans (1979, p. 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 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 corruption, 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, p. 80)

For instance, Former Halliburton co-executive, Albert Stanley was sentenced to 2½ years in prison, three years after he had pled guilty to having coordinated \$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 had 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 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 traced 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 new international economic order 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.

The global order imposes a stringent discipline on the power of the state, delegating only a few roles to government: this is consistent with free market policies and liberalists' idea of limited government. 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 constrained to perform a municipal role in the global system: provision of the required infrastructure, physical and legal, for international capital (Mimiko 2010; Smith 2003, p. 128). For instance, the road that connects the Niger Delta with major cities in Nigeria (East–West and Benin/Ore road) has suffered neglect from governments for more than a decade and become 'a death trap' to road users. Since crude oil is transported out of the zone through pipelines and not via road transportation, foreign investors and petty-bourgeoisie had no interest in the road nor the number of deaths caused due to motor accidents on the 'bad' road. Instead, they shuttle through air transport networks; thus, condemning the people to their fate.

Not only Nigeria, globalization marginalizes sub-Saharan Africa, as neither foreign nor domestic investors show any serious interest in developing the state or strengthening their powers (Gelb 2001, p. 9). Their interests were specific: expansion of global capital and profit maximization as witnessed in many instances of environmental degradation of the Nigerian oil-communities. Regrettably, the Nigerian state does not have the discipline to uphold compliance to laws; neither does the state possess the political will to enforce and regulate the activities of global capital or insist on corporate responsibility (Interviewee Number One, July 2013). Thus, the more powerful and legitimate a state becomes, the more resistance it could muster against the excesses of global capital and its agents. The integration of the hinterland, rich in agricultural products, 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. The 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 the socio-political and economic subjection of the periphery by the core countries. Independence from colonial powers was followed by neo-colonialism built on manipulations that uphold political independence and celebrate economic dependence. Although Nigerian leaders had exploited these opportunities to establish weak, corrupt and authoritarian regimes, Sachs et al. (2004, p. 136), maintain that "if it is true that these leaders hanged themselves and their fellow citizens, the rich countries often provided the rope". Accordingly, the developed countries had laid the foundation for many of the internally-generated problems (like corruption, nepotism and weak institution) of the African state. 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. The disruptive and destructive nature of colonialism in Nigeria cannot be easily erased. The nature and character of the Nigerian state is therefore a direct function of colonial heritage. The contemporary state of African political economy, when subjected to historical context, reveals a deeper understanding of diverse socio-political and economic crises that have characterized the post-colonial African state (Bayart 2009). This does not mean, however, that the state should be absolved of responsibility of piloting the society towards effective 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, p. 28). Despite the long years of independence, the state still retained its uncompromising and authoritarian character as revealed in the its insistence on the deregulation of the oil sector, when institutional discipline could have revived the dilapidated refineries and successfully subjected the subsidy administration to sound management. At independence, the state was expected to be transformed to meet the aspirations of the people, but the political elites were content with using the authoritarian structures of the state to expropriate economic gains for themselves. Therefore:

> *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-bureaucratised, 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, p. 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 of fellow African countries, like South Africa, 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. Access to information exposes the government to best practices, and "if Nigeria is serious about tangible development, we should borrow and adapt these practices to our system … These are openness, transparency, responsive leadership, respect for others" (Interviewee Number Three, August 2013).

11.3 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 has negative effects on the real income of individuals, results in increased transport fares, and this has exerted more socio-economic hardship on the public. Another effect is the distortion of the Nigerian economy to the detriment of the poor population. One interviewee claimed that only the poor suffer tremendous economic downturn as a result of price increment, and not the politicians whose inconveniencies and excesses are paid for by government (Interviewee Number Seven, July 2013). 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 the consumption of inflated goods and rising expensive fuel. A respondent comment thus:

> *Look around the faces of people on the street, what do you see? I live with them and I know better. About 90 percent of the population is poor. The south west is the most developed, yet … people suffer 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 has dropped, the masses are hopeless and desperate to survive' (Interviewee Number Five, July 2013). The youth are jobless and hopeless in a country blessed with vast oil resources. It could be said that government's insensitivity to the economic plight of the population directly explains militancy and terrorism in Nigeria.[1] The poor socio-economic conditions in which majority of Nigerians remain consist of a potent motivation for crimes and insurgency against the government. It must also be noted that armed

[1] 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", *Ghandi Marg*, Vol. 35, No. 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*, Vol. 1, No. 3, pp. 70–78.

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, commercialization, privatization, 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!*

Despite economic reforms, including that of the oil sector, Nigeria remains a country that harbours greater percentage of poor people, who continue to live in unimaginable pathetic human conditions. 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 dissents against the government during the January 2012 fuel increase were unprecedented in the recent history of Nigeria. The unprecedented turn out of Nigerians, the anger on their faces and their resoluteness to confront the government, revealed the depth of their frustrations. In a democratic Nigeria, petroleum policy remains a very sensitive socio-economic issue, while fuel pricing policy, especially rising fuel price, is a politically sensitive and costly endeavour.

In many instances, governments have been reluctant to embark on deregulation and increase fuel prices due to the negative effect such would have on the incomes of poor families. At this stage, Baig et al. (2007) maintains that it is the responsibility of governments to be responsive by initiating sustainable fuel subsidy reform programmes that identify practically with 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*

Table 11.1 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
3.1. Total	100	100

Source: National Bureau of Statistics (2012)

> *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 et al. 2007, p. 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. Table 11.1 below highlights the breakdown of how much Nigerians spend on their household needs.

From the table, it is clear that fuel was allocated 6 percent of the total expenditure, while every hike in price will increase this percentage. The spill-over effects of such increases have an effect on other areas of expenditure like transport, household goods, rent and food.[2] 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 incre-*

[2] The high rise of food prices 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.

ments. Countries like China and Iran were able to identify the poor and send money directly to them (mostly via cheques). 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)

Ghana declared free education after increasing the pumping price of fuel; Nigeria's government could possibly make university education free in the first year or highly subsidize the funding of State Universities, which is becoming too expensive for the inhabitants of such states. Even, the federal Universities are becoming very expensive. Many public universities in Nigeria, like the Obafemi Awolowo University,[3] continue to increase tuition fees, leading to violent protests by students. Inadequate funding from the federal government has made imperative for universities to raise funds through increases in tuition and other fees.

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 2014 UNPD report put Nigeria at number 152 out of 185 countries rated, while the 2016 Human Development put the country in number 152 out of 188 rated in 2016. The prevailing economic conditions of Nigerians are characterized 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, p. 5), claims that more than 80% of Nigerians live on less than $2 a day. 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.[4]

[3] The management of the Obafemi Awolowo University, Ile-Ife, had 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.

[4] 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 was found that one in every 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 (not the country with the largest percentage) in the world (Amundsen 2010, p. 6). The United Nation Children's Fund (UNICEF) reports that Nigeria loses about 2300 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.[5] 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. According to Trading Economics, in October 2016, the core inflation rate had hit 18.2%, but fell to 12.2% in July 2017. 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. The dependency theory proposition, which states that the liberalization of Africa would not translate into tangible development, especially in improving the livelihoods of the citizens, is valid in the case of Nigeria.

11.4 Oil Sector Reform: Realities and Sustainability

There is an historical prominence of oil since independence in 1960, and 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 improve the standard of living of its citizenry is attributed to

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

[5] This is available online at http://www.unicef.org/nigeria/children_1926.html

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. The reality of over-bloated and weak public institutions in the sector has created an overlap of functions and responsibilities. This is not only confusing and inimical to productivity, but explains the inefficiency and under-performance of the downstream oil sector in terms of ensuring effective distribution and marketing of petroleum products within the country.

Corruption has been identified as the most obvious impediment to attaining appreciable subsidy reform and economic development in the country. In reaction to Nigeria's socio-economic challenges, the IFIs and other global actors maintain that limited government would rid the country of its economic backwardness. That is, 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 has the ideological justification for the decision to liberalize the entire downstream oil sector and the subsequent efforts to deregulate the downstream oil industry. History of Nigeria's liberalization policies and economic reforms have raised pessimism towards neo-liberalism.

Considering the increases in fuel prices in Nigeria since the late 1970s, and the efforts of successive regimes to deregulate, former President Goodluck Jonathan had taken the bold step to announce the deregulation of PMS and the complete removal of fuel subsidies in January 2012. Nigerians had 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 was portrayed as anti-government due to its confrontational stance against the government during the '2012 subsidy battle'. However, it is important to understand that PMS is only sold at the government's regulated rate in the western part of Nigeria. Historically, the zone has been at the centre of political activism that dates back to the "June 12, 1993" pro-democracy struggle. The insignificant 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.

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 was 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 on 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 reignited 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 any form of significant economic growth that is expected to trigger sustainable economic development. Instead, the population continues to slump deeper into 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 that experienced economic crisis like Portugal and Greece. It is time to enhance the arguments of the South[6] that effective governance and mass-inclined or ‘bottom-up’ democracy would be enhanced by the introduction of fundamental changes to the modus operandi of global institutions. Amidst 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. Globalization has heightened the impoverishment of majority of Nigerians since the introduction of the SAP in the mid-1980s and NEEDS in the 2000s.

[6] This represents the voice of developing countries.

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-1980s. Despite the contradictions of SAP and its failures, former President Obasanjo had re-enacted SAP as NEEDS in 2003. This was to re-direct the state's economy towards privatization, deregulation and commercialization. Therefore, the decision to fully liberalize the entire oil sector, particularly the downstream sectors, had been taken decades before the 2012 saga. However, the administration of former President Goodluck Jonathan could have threaded carefully and absolved itself of the shoddy roadmap to its implementation. His administration failed to ensure transparency and accountability—a vital feature of democracy—in the subsidy scheme.

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 redistributing wealth. Liberal democracy does not represent these. Thus, liberal 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 universality of liberalism, irrespective of a country's historical antecedents and socio-economic formation is at the bane of the failure of liberal order. The convergence of globalization and democratization revolves around the assertion that globalization could only become fully operational in an atmosphere of political stability, individual sovereignty, unhindered trade, liberalization of markets and unhindered export of capital: only the internationalization of liberal democracy could guarantee the success of globalization. Globalization has facilitated the opening up of Nigeria's economy and its integration to that of advanced capitalist countries. Paradoxically, it also strengthens local forces and social movements in support of democratization as well as energized organized labour unions to resist military dictatorship. The same organized oppositions 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 influence of globalization and democratization on the socio-political environments in which public officials in the Nigerian oil industry make decisions. This book 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. The book reinforces the importance of considering the political implications of initiating reform, especially those which directly affect the majority. This prompts Olaopa to comment thus,

> *It is important to note that not all innovative reform initiatives can be implemented. This is because certain reforms do not have necessary structures—within the political realm and the bureaucracy—that will sustain them, or enhance their success … therefore, it is important, to consider what is politically and institutionally feasible.* (Olaopa 2011, p. 47)

That is, it is important for public institution to reconcile the proposed economic policy with the current political structure, institutional capacity and the prevailing political environment, especially when such policy is a foreign import. Furthermore, policy makers must be ready to deal with the political dimensions of reform: "the first is the politics that arises from the reactions of the political elites in the country; the second has to do with the way the public servants perceive, receive, or react to the reform; while the third is about the citizens' perception of the reform" (Olaopa 2011, p. 52).

Furthermore, 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, explain 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 many vital resources (oil and gas, steel, coal, etc.) but successive governments lack the will power and discipline to re-negotiate with global actors in the interest of the state, economy and societies.

The book explores dependency, dependent development and new public management theory for a better understanding and to properly situate the theme of the book in context. Dependency theory locates the socio-economic crisis and developmental challenges of the Nigerian state 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 feasible due to the extreme interconnectivity between Nigeria and the global environment and the 'impossibility' of any participating state to delink or isolate itself from the prevalent global economic order: an order controlled and driven by the developed countries, development of ICT and global capitals.

The dependent development paradigm exposes the inadequacy of dependency theory in explaining the development of Third World economies of the Asian countries. The theory advances strong arguments for the possibility of the development of underdeveloped 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. The utility of the new public management theory becomes imperative due to the institutional indiscipline and weaknesses, and government failures that have characterized Nigeria's political sphere. The theory provides an informed thought on how the Asian countries had embarked on public management and policy transformation to facilitate the development of the previously underdeveloped societies. The bureaucracy that ought to be the engine-room and instrument of accelerating the developmental initiatives of the Nigerian state is very corrupt, weak, and unprofessional and lacks the capacity to match the dynamics of democratic governance within the web of globalization.

The Nigerian public service 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 accomplishing Nigeria's developmental needs. These institutions would not be able to successfully at overseeing a beneficial deregulation policy in the oil sector.

The need for a well-orchestrated institutional and policy reform in the downstream oil sector becomes imminent. The urgency with which such should be implemented is even 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, passing the PIGB into law, 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 oil sector. Any form of reforms that do 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 democratization 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 of 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 a systematic training and the improvement of skills is more important for institutional effectiveness and improved performance of the Nigerian public service. Also, a civil service driven by nepotism would continue to struggle in terms of service delivery.

Personal observations and interactions with many high-profiled officials in the oil sector reveal a lack of knowledge and understanding of the workings of the sector, and their inability to grasp the emerging innovation and technology that drives the success of similar agencies in functioning states. There was an instance where a DPR official—in July 2013—insisted that full deregulation was already in operation in respect of PMS, diesel and kerosene, and that the DPR had no authority to further enforce compliance to the regulated price of PMS and others. The official was wrong, and this was very surprising. Another high level official in one of the government institutions of oil displayed a lack of basic knowledge and understanding of government policies in the oil sector as well as the roles of other associated agencies. The duplication of duties and responsibilities among government 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 for the furtherance of high level of corruption in the sector.

Transparency and accountability should be entrenched in the minds of public officers, while the 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 allegations of corruption, poor governance, failure, incompetence, moral integrity or scandal. In Nigeria, public officials celebrate scandals! With the identified challenges in Nigerian public institutions, eradicating impoverishment, maintaining results-oriented public enterprises, engaging in successful economic liberalization, monitoring of private investments and constraining the exploitative activities of MNCs within its geographical domain, became a daunting task. The formation of the state, the quality of its leadership and the 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, in many respects, the Nigerian state has exhibited the characteristics of state failure, but not state collapse. The state has failed to provide security and an enabling environment for human and infrastructural development. It has been unable to meet the economic aspiration of its population. The state has been hit economically, overwhelmed by the 'resource curse' and 'paradox of plenty', and stunted technologically and industrially. It has even failed to provide security for its population. Militancy in the oil region and terrorism in the North has tested its military might and revealed its weaknesses as the legitimate repository of the use of force.

There are high expectations of the passage of the PIGB, which would in a way, provide the legal basis for reforming the public institutions involved in the Nigerian oil business. The bill is concerned with a change of roles and is not directed at human capacity and the attitudinal change of public servants. However, the PIGB, which is a consolidation of about 16 different bills, once the President gives its assent and passes the bill into law, would open up the entire oil sector to new players. It remains to be seen if qualified Nigerian companies would be given the opportunities to become big players in the oil business. The Senate President expands on the prospects and limitations of the PIGB thus,

> *We, therefore, look forward to the concurrent passage of the PIGB into law by the Federal House of Representatives and also eventual assent by the President of Nigeria … We, however, note that the PIGB only deals with one aspect of the PIB, that is the governance and institutional framework of the Nigerian Petroleum industry. We look forward to the passage of the other aspects of the PIB such as the Petroleum Fiscal Framework Bill; Petroleum Industry Downstream Administration Bill; Petroleum Industry Revenue Management Framework Bill and the Petroleum Host Community Bill … For instance, we know that there is no mention of the Petroleum Host Community Fund in the PIGB and we know that one of the major challenges facing the industry is host community and Niger Delta issues.* (Umoru et al. 2017)

The government has the responsibility of strengthening 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 functionaries to be the *sole-drafter* of the bill is a great weakness. Though the parliament made input in drafting the PIGB, it would have been more desirable to have had a 'bottom-up' approach to its drafting, which would have presented opportunities for a broader input by keen and knowledgeable Nigerians, and non-government organizations would have cherished the opportunity of making valuable contributions. Despite the government acclaimed good intention, it is therefore apparent that the PIGB remains a mechanism devised by government to justify and legalize the deregulation policy.

A reflection on existing studies reveals that global forces have played major roles in diminishing the potency of African states in general (Akinola and Ndawonde 2016), and the Nigerian state in particular. However, internal contractions have aggravated the state's weakness. Existing studies continue to downplay the magnitude of pressures generated by neoliberal political system (democracy), through the strengthening of civil society and proliferation of political institutions which further diminish state capacity, and on the character and idiosyncrasy of Nigerian political leadership, which influence their perceptions of the international economic order. 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 administrations 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) schools of thought have a great influence on the explanation of the Nigerian capacity to instigate and successfully implement viable economic development. The two have presented 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, p. 40)

Therefore, the Nigerian state should act responsibly towards finding 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 most assured way of attaining unimaginable wealth and fame in Nigeria. The clumsy and over-centralized federal arrangements constitute a stumbling block towards establishing a stronger Nigerian state. Military regimes that had 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 the Nigerian federalism, bureaucracy and society as well as politics negatively impacted on state effectiveness.

The government has the responsibility of securing its borders to prevent across-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 driven the refineries to optimal productivity, talk less of expanding their productive capacities.

Corruption and institutional negligence have been at the root of the dilapidated state of the refineries. Despite Nigeria's large population, the country's average fuel consumption is low compared to some other less populated African countries; hence, there should not be any question of overpopulation as an excuse for inability to refine fuel locally. Nigeria's average fuel consumption stands at 277,000 bpd; Morroco at 296,000 bpd; Algeria is estimated at 430,000 bpd; while South Africa records the highest in Africa at 633,000 bpd. 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 huge oil income.

11.5 Conclusion

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 hardly 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 population. Successive Nigerian governments have 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 in order 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 status of the Nigerian downstream oil industry is presently wrought in indecisiveness, complexities and confusion.

Despite this, there are persistent questions, which revolve 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 becomes 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, and the need to increase government income. 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. 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, according to the logic of demand and supply, should lead to a reduction in prices due to market competition. As shown by history and reality, there are now 'visible' hands that control and manipulate the logic of demand and supply, and subject the market to 'human' forces. The NNPC has not displayed the capacity required to enforce market competitiveness under a deregulated economy; not even the creation of new institutions can control the oil business under the prevailing Nigerian institutional and market arrangement. However, a well-targeted institutional reform of the oil and Nigeria's political institution could redress this. Deregulation policy, if well implemented would 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 PIGB, government's unpreparedness as well as political indecisiveness due to the ill-health of President Buhari.

Nigeria has gone through some measures of economic liberalization, but the road to political liberalization has remained blocked. Incidentally, these have got nothing to do with either the World Bank or IMF (they indeed support decentralization), but rather Nigerian political actors who have enjoyed so much power and authority at the national and even states' levels. Presently, the most prolific opponents of subsidy payment 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 divide 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 had been 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 had eluded Nigerians during the military regime.

I believe strongly that the book has made immense contribution towards a robust 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. *The implementation of complete deregulation and removal of subsidies without attending to the diverse concerns raised in this book would be politically costly and economically detrimental to the plights of majority Nigerians.*

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A.O. Akinola, *Globalization, Democracy and Oil Sector Reform in Nigeria*, African Histories and Modernities,
https://doi.org/10.1007/978-3-319-70184-4

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