

## **NIGERIAN GOVERNMENT AND OIL SUBSIDY REGIME: A HORN OF DILEMMA**

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### **Abstract**

Virtually all modern independent States have, as their fundamental goals, the pursuit of the welfare and well-being of their citizens. To achieve these goals, the Nigerian State is required to harness its huge human and material resources for the development of the country. The paper examines the nature and politics of oil subsidy in Nigeria with the aim of identifying the forces behind subsidy removal. To scientifically analyze the issues raised, the study utilized political economy and public choice theories, an eclectic approach. The paper argued that the removal of fuel subsidy by the Federal Government in 2012 violates the fiduciary responsibility of the State as exposed in the preamble to the 1999 constitution. It showcases the insensitivity of the government to the social concerns of the citizenry and attempt by the oil cabal to privatize Nigeria. Given the catalogue of challenges facing fuel subsidy, it recommends among others, that institutions and institutional rules should be strengthened, be accountable and made autonomous of cabals and individuals who might want to manipulate them for group or personal interests. It concludes that unless the government predicates its legitimacy on the peoples' support and obedience derived from better socio-economic performance, the country might experience another democratic reversal.

Key Words: Economy, Oil, Politics, Removal, Subsidy, Nigeria

### **Introduction**

Arguably, Nigeria is the most populous black nation in the World, potentially rich in human and material resources waiting to be fully harnessed for the benefit of its multifarious and multitudinous peoples brought together (amalgamation) in a fragile unity by administrative fiat of the British colonialist in 1914. Ever since then, it has struggled to achieve unity in diversity. National integration has remained elusive, yet it is needed to achieve the universal goal of development, that is, the pursuit of the people's material welfare and well-being.

The return to democratic rule in Nigeria after years of military interregnum, raised expectations for a possible resolution of the hydra-headed socio-political and economic crisis bedeviling the nation since its independence in 1960. The military that had little or no experience in governance when they first took power in 1966, gradually settled down in government. Yet, this failed to translate into socio-economic and political development as the economy moved from one crisis to the other. Thus no thanks to the prolonged stay of military in government.

Since the flag of independence in 1960, development has been rare and far apart. Various sectors of the society are experiencing varying degrees of neglect and rot. The citizenry are faced with dehumanizing conditions such as: disease, hunger, illiteracy, poverty, among other maladies.

Poverty in the mix of plenty has been the paradoxical state of things in the country. This description has continued to be confirmed by developments and official statistics in the country. For example, the National Bureau of Statistics (NBS, 2014) recently alerted that 54 percent of Nigerian youths are unemployment. The paradox is that the poverty level in Nigeria contradicts the country's immense wealth. Among other things, the country is enormously endowed with human, agricultural, petroleum, gas, and large untapped solid mineral resources.

Particularly worrisome is that the country earned over US\$300 billion from one resource – petroleum – during the last three decades (Igbokwe-Ibeto, Akhakpe & Oteh, 2012). Rather than recording remarkable progress in socio-economic development, Nigeria retrogressed to become one of the 25 poorest countries at the threshold of the twenty-first century whereas she was among the richest 50 in the early 1970s (World Bank, 1996). Oil is one resource that has been given to the people of Nigeria by nature. This heritage is meant to be used for the development and corporate existence of the people inhabiting the land called Nigeria.

Since the discovery of oil at Oloibiri in the present day Bayelsa State in the late 50s, oil has been exploited for sale in commercial quantity (Akhakpe, 2014). It is expected that the proceeds from its sale would be used to better the lot of the people in terms of the provision of the basic necessities of life such as: housing, motorable roads, water, education, health care facilities etc. However, 54 years after political independence, these expectations have remained a mirage. Yet, the country has had to endure a debilitating cycle of political decay and renewal due to the rent seeking behaviour of the comprador capitalist who, it would seem, are more interested in political power for material gain than promoting good governance. In the quest for material gains, rules, regulations and laws are breached as politics takes a winner takes all pattern. The immediate consequences of these actions are; flawed economic system, social dislocation and political upheaval. These developments alienate the people from their government creating in the process, legitimacy crisis. In the absence of political legitimacy, government resorts to the use of force as recently experienced during the anti-subsidy removal campaign by Organized Labour and Civil Society Coalition in 2012.

It appears all boils down to leadership deficit in the country. There is lack of a critical mass of men and women of integrity willing to harness and unleash the various resources in the country for the common good. The debate on oil subsidy in Nigeria has been an age long issue. The crisis that the oil subsidy removal elicits has polarized the Nigerian society. While one school of thought believes oil subsidy exists, the other is of the opinion there is nothing like oil subsidy. However, this is not our concern here as it constitutes another research topic.

The paper therefore seeks to examine the nature and politics of oil subsidy in Nigeria with the aim of identifying the forces behind subsidy removal; to examine how the resources of the country can be used to the benefit of all; to identify the challenges militating against the pursuit of this goal and the ways of resolving them.

## **Methodology**

The paper adopts the qualitative research design and descriptive analysis to gain an insight into the nature and politics of oil subsidy in Nigeria. The paper which is theoretical in nature draws its argument basically from secondary data which include journal publications, magazines, textbooks and internet sources. Statistical data were also used where necessary as empirical evidence portraying our argument. To improve on the reliability and validity of the paper, multiple secondary sources were used to minimize risk of error.

To discuss issues raised and for ease of analysis, the paper is pigeon holed into six compartments. The first section is the introduction. The second discussed the conceptual and theoretical issues germane to the paper. The third chronicled an overview of Nigeria's political – economy, the fourth discussed the nexus between the State and its citizens. The fifth examined the

nature and politics of fuel subsidy removal. The sixth examined the challenges facing the fuel subsidy regime, the way forward and then conclusion.

### **Conceptual and Theoretical Terrain**

Concepts in social and management sciences do not easily lend themselves to universally agreed definitions. This makes every definition perhaps only relevant within the parameters set for a given investigation. It is in the light of the foregoing that we undertake this enterprise. Akhakpe, Fatile and Igbokwe-Ibeto (2012) argued that no nation can really boast of having achieved development if a large percentage of her inhabitants are still wallowing under abject poverty, want and adept in socio-economic penury.

Toady, every modern society seeks to put in place a democratic system of government. Countries and regimes pursuing these goals are at different stages of the democratic continuum without any getting near the ideal state of democracy as popularized by the ancient Greek philosophers. While the ideal type democracy may not be feasible in this modern times due to the increase in population, Dahl (1971:109-110) posits that the next possible alternative to it is Polyarchy. He refers to Polyarchy as “administrations that have been substantially popularized and liberalized, that is, highly inclusive and extensively open to public contestations”. The reference to citizens’ participation underscores the relevance of the people’s welfare and well-being to democratic rule. Democracy is able to harness and release the potentials of the people to make important decisions which affect their lives, according to Ake (1994), in the process they exercise power however small or symbolic. Thus, Dahl (1971) argued that a political system that makes claims to being democratic should be substantially popularized and liberalized.

As citizens participate in the political affairs in a democratic system, the more they become democratized. The end result of democracy is development. Development is a multi-faceted concept that has experienced shifts in its paradigm with a wide range of human lives and governmental activities. Iwayemi (2001) argued that, beyond commodity fetism, development now embraces “...broad-based growth, employment generation, and steady improvement in literacy, and health status implicit in longevity and social stability”. All these have to be in place for the overall goal of development to be realized. From a broad perspective, development is conceived of as a:

*Comprehensive process through which a population recovers its own resources and put them to work according to its own cultural values in order to resolve its individual and collective problems by creating over a long period of time a frame of life where each stage is better than the preceding one (Rudeback, 1997:84).*

Flowing from the above submission, it is clear that development is not a received paradigm shift but a concept that evolves from a people’s cultural peculiarities which help them to resolve their own challenges at different levels of life. For Todaro and Smith (2003), development must be conceived of, as a multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty. This definition of development consistently contradicts the claims of the Nigerian government for removing fuel subsidy. For instance, the federal government claimed that the cost of fuel subsidy has continued to grow exponentially and affecting budget implementation to the extent that government can no longer sustain it. But further investigation reveals that oil subsidy management was characterized by monumental fraud where portfolio contractors were paid for products never supplied (see Tell Magazine, 2012).

The goals of development would seem herculean especially where the machineries of democratic governance are missing. Hence, governance is imperative for democracy to be deepened. Governance aims at ensuring accountability and transparency in the running of public affairs. According to Azeez (2002), governance is of two variants: good and bad governance. The former exists where public resources and problems are managed effectively, efficiently and in response to critical needs of the society. The latter occurs where public resources are not used efficiently and effectively to solve the pressing needs of the country.

Several theoretical platforms could prove heuristic for analyzing issues germane to the paper especially in the social and management sciences where perspectives often differ based on a scholar's orientation and worldview. It is in the light of the foregoing that we undertake this enterprise. Some of these include: theory of the two publics, political economy theory, state-society relations theory, public choice theory, political institutionalization theory, to mention but a few. In the pursuit of the core values of democracy as captured in our conceptualization of democracy, political economy and public choice theories come out forcefully. The political economy theory explains the neo-classical market reform into which the greater part of the liberal world has fallen, driven by economic liberalization which is another word for capitalism. It is seen as the best way to allocate resources without human intervention (see for example Osaghae, 1994).

The public choice theory is concerned with public goods and services which are provided by government instead of the market. Ayee (2008) posits that political society is made up of self-seeking individuals who pursue either their self interests or those of the interest groups they belong. It also, assumes that "citizens provide rulers or the state with resources and power for which they expect a return of goods and services as well as laws regulating society in return for what they are giving up" (Akhakpe, 2014).

According to Ayee (2008), it is imperative to note that that government sometimes makes irrational decisions because public officers are rent-seeking and inhibits the achievement of public interests. In the oil industry for example, the theory helps to broaden our understanding of the power of vested interests who oppose the reform of the oil and gas sector and how existing policies in the industry and political relationship they engender, have frustrated major changes in the industry's status quo. However, all theories are born refuted; the public choice theory is not an exception. It fails to tell us how power seeking motivations of policy makers, develop or change over time and space (Rapley, 2007). Yet, what is economically rational may not be practically expedient. Therefore, in practice, the theory may not work in the developing countries.

### **An Overview of Nigerian Political Economy**

The pre-capitalist economic arrangement in Africa before the advent of the British colonial administration was largely agrarian. Art and craft, trans-Atlantic slave-trade and commerce were the other dominant occupations. According to Osaghae (1994), the exposure of Africans to European trans-Atlantic traders brought to the fore foreign commercial interests who dominated and consequently sidelined craftsmen and peasant producers. Agriculture was the main-stay of the rural economy. It employed over 70 percent of the rural inhabitants, besides providing food for over the same number of people. Under colonial rule, it was the chief revenue earner for the country. However, before long, imperialist domination of the pre-capitalist mode of production aided capitalist penetration and the development of its forces of production (Osaghae, 2011).

Arguably, Nigeria is the most populous black nation in the World. Relative to its size and population, the major element of power which surface in the period after the civil war was oil. Before the discovery of oil, Nigeria was a lay being giant destined to lead Africa but was incapacitated by a large but rural and predominantly illiterate population, numerous religious and ethnic groups turn apart by divisive forces with hardly any common loyalties, an economy which

was basically agrarian, poor and limited potentials but with petrol dollars, Nigeria has abundance of opportunities and capacity to transform her stations. However, it is sad and highly regrettable that after over 50 years of exploration and sale of oil in commercial quantity with much impetus from the Middle East crisis when oil prices quadrupled from mere US\$5 to US\$20 per barrel (see for example Okigbo, 1994), there is little or nothing to show for it in terms of standard of living of the people.

Indeed, such variations along ethnic and religious lines are not in themselves issues of conflict except when instrumentalized by its followers to realize their personal or group interests. Often, these conflicts have threatened the continued existence of the country with intra and inter communal clashes and sectarianism and religious crisis as currently being witnessed across the country. In recent times, the emergence of militia groups such as the Niger Delta militants and the likes, and the religious sect like Boko Haram has brought once more to the fore religious revivalism in the match towards democratic governance.

The incorporation of Nigeria into the world capitalist order led to the development of its forces of production. But this has been carried out not in ways that favour craft making and commercial agriculture. On the contrary, it has grown in ways which met the requirements of commercial capitalism. Thus, Williams (1980) argued that the development of indigenous capitalism limited the development of peasant production. Unfortunately, Nigeria lacks the essential conditions which produce and promote indigenous capitalists. Attempts by the state to do this have led to:

shifting resources from more competitive to less competitive producers, from craft to factory production, from agriculture to industry, from rural to urban areas, from the poor to the rich, and from the Nigerians to foreigners. It has hardly given free rein to the ability of people to produce goods. It has promoted the wealth of the nation, but only by the impoverishment of the people (Williams, 1980:67).

The capitalist model introduced into Nigeria's economy distorted the pre-capitalist mode and forces of production to the extent that Nigerians have lost the initiative in organizing and directing their economic development from within. More often than not, economic policies are either received from Europe and America or fashioned along development in the capitalist or ex-metropolitan countries.

The three (Eastern, Northern and Western) regions that the country started out with became known worldwide for the production of different cash crops. According to Williams (1980) and Okigbo (1987), there was a healthy rivalry among the country's regions, each of which was export crop specific: palm produce in the East, groundnut and cotton in the North, cocoa in the West, and when the Mid-West region was created, it became a major producer of rubber. With revenue from these products, the various regional governments were able to meet, in varying degrees, their responsibilities to the people.

Invariably, the advent of oil and its exploration in commercial quantity was supposed to change the economic system in the country. However, it appears in the negative direction. Oil was first discovered in Oloibiri, a town in Bayelsa State in the late 50s. Since then, the Niger-Delta region has become the most prolific oil producing region in Nigeria. Oil accounts for over ninety (90) percent of government external earnings.

Consequently, it has displaced agriculture hitherto, the mainstay of the dominant rural economy. According to Osaghae (2011), two very important implications could be deduced from

this development in the economy. First it stultifies the growth of non-state capitalism. Secondly, it led to a largely extractionist economy run by a state that has become a rentier one.

Graf (1988) posits that state revenue comes from rents on production of oil rather than production activities. To worsen the crisis in this emergent economic model, Osaghae (2011) argued that, it has “limited the scope of the state’s autonomous economic action which largely explain the externalization of the efforts to arrest the economic decline” since the 80s after a period of oil boom. State institutions have become hot-beds of corruption and waste of monumental proportions (Igbokwe-Ibeto and Okoye, 2014). These developments have politics to be sought for as an end in itself rather than means to pursue the social concerns of the citizenry. The incorporation of the nation’s economy into the World capitalist system albeit to play a second fiddle, has compounded the crisis of its political economy.

### **The Interface between State and its Citizens**

At this juncture, it is imperative to interrogate the nexus between the state and the citizenry. The essence of the state is to provide the people with the basic necessities of life while the people on their part are to perform certain duties and obligations. This is well captured in the apt question by Williams (1980) “what do we really want for Nigerians”? The answer is almost obvious to enhance the welfare of the individual through providing better educational facilities, housing, health facilities, more jobs and a rising standard of living for the people as a whole (Williams , 1980). These could aptly be regarded as the universal goals of development which every human society should ascribe to and pursue doggedly. While governments are quick to acknowledge these goals, however they have failed woefully in practice to allow the value of human welfare to mediate or be the guiding values of public policy.

In the light of these developments, one could argue that political ideals about public goals and values need to be separated and protected from politics so that they can be to the advantage of all. In a political society where private interests engulf and dominate state institutions, development cannot easily be pursued and realized. In the Nigerian context, subsidy on oil is to help achieve the universal goals of development by progressively seeking better human welfare. But the pervasive greed of the ruling bourgeois class and the lack of effective counter-veiling force within civil society, give the power elite too much latitude to perpetuate misrule and authoritarianism. Oil being the collective heritage of Nigerians at this phase of the nation’s existence, ought to be used for the benefit of all. Through judicious disbursement of its benefits, it could create a platform for development that could endure even after oil dries up or become irrelevant in the scheme of things.

### **The Nature and Politics of Oil Subsidy Removal in Nigeria**

Today, Nigeria imports oil to meet its domestic consumption for the product. Yet, it is the largest producer of oil in Africa and 10<sup>th</sup> among the world oil rich nations. Oil subsidy could be defined as the money government pays as the differential between the international price of petroleum products and the local price in Nigeria. Since the early 60s, enormous revenues have been generated from this natural endowment. It is in the public domain that the government of General Yakubu Gowon had so much money that it had problems deciding what to do with it. A large proportion of these resources however, went into private pocket as witnessed in the recent subsidy scan while the remaining was filtered away on white elephant projects exemplified by the number of abandoned projects across the country. Major fuel consuming nations are assiduously working on alternative sources of fuel. It is imperative to note that oil is a finite resource that may be exhausted sooner than expected. Some by-products derived from oil include: kerosene, aviation fuel, premium motor spirit (PMS) otherwise known as petroleum, among others.

As a major oil producing country, a situation where some non oil producing countries import crude oil from Nigeria, refine and sale same to Nigeria is an indication that something is fundamentally wrong with the political leadership in the country. The four refineries in the country are at different levels of disrepair, therefore cannot meet local demands. It is not accidental that the four refineries in the country are not in good shape or are made to be so. It appears the oil cabal makes more money through importation and distribution of oil than its production. The economy and political institutions which have become woven around this system, would take quite an effort to extricate them from it. A distributive economy based on a weak ideological framework cannot engender development in a polity.

In spite of the enormous resources gotten from oil over the years, oil producing areas in particular and Nigerians in general have nothing concrete to show for them. Rather the “goose that lays the golden eggs” is allowed to die slowly. These developments throw up very germane questions. Who and what are the forces behind the removal of fuel subsidy? Who benefits from such exercise? How can government sustain its authority and legitimacy to regulate the industry without recourse to force? We shall at this juncture address these questions.

The removal of petroleum subsidy has been in the front burner of debate in Nigeria. However, it has taken a worrisome dimension since the return to civil rule in 1999 given the frequency with which they are carried out and the constant public outcry over its management. In other clime, where monies removed from subsidy are well expended, those in the lower strata of society still kicked against such exercise. The government announcement of fuel subsidy removal on the first day of January, 2012 when most Nigerians were still in their towns and villages for Charismas and New Year celebrations took many by surprise because consultations were going on and consensus on some aspects of it have not been concluded. It became an unpleasant new year present to Nigerians. Yet, it has become a recurrent exercise by a parasitic class whose stuck in trade is to appropriate the nations wealth for distribution to members of the ruling elite, their relatives, friends and cronies in the precinct and corridors of power.

The accumulation of state resources by the ruling elite started rearing its ugly head. The fuel price was first increased from 5 kobo to 9.5 kobo per liter (Daily Independence, 2012). Since then, it has become a recurring decimal in the Nigerian polity. Consequently, on October 2<sup>nd</sup>, 1994. The pump price of fuel increased from ₦3.25k to ₦15. On October 4, 1995 the pump price dropped from ₦15 to ₦11. Again, in 1998, General Abubakar increased fuel price from ₦11 to ₦25 and reduced it to ₦20 on January 6<sup>th</sup>, 1999. By the time he left office in 2007, Obasanjo’s civilian administration took the pump price of fuel from ₦20 in 1999 to ₦75. But President Yar’Adua, felt it wise to reduce the price of fuel per liter to ₦65 (Daily Independence, 2012). On coming to power, President Jonathan increased the price to ₦143 and later ₦97 per liter of fuel after many days of protest, killings and destruction of properties. There are all indication that we have not seen the last of the of fuel price hike in Nigeria.

With these increases in the prices of petroleum products, more money has entered into the coffers of the federal government which is yet to reflect in the life of the people in any concrete way. At the macro social level, the living standard of the people has grown from bad to worst. While liberal democracy and its correlate capitalism have become the only games in town, Nigerians have been at the receiving end. As Olukoshi, (1998) rightly observed, the neo-liberal monetarist thrust of the adjustment model, with its emphasis on a zero-sum market approach is one in which from the onset, carried huge social cost.

The social cost of the adjustment regime has continued to create unequal impact on various sectors of the society. As Osaghae (1994:13) argued, the neo-classical reform

measures which include education, subsidy removal from oil and other essential public goods and services, “rather than better the life of the people, government after government slipped deeper and deeper into decay and stagnation, unable to improve on the situation bequeathed to them by the colonial administration.

The state of decay and stagnation are found virtually in all sectors of the Nigerian society: health facilities, employment, education and basic infrastructures including: housing, public transportation, roads, electricity, water etc. These are all in a state of comatose. While resources from oil have increased geometrically, social services have declined intolerably. It would seem that primitive accumulation of resources from oil has been more for personal and group benefits than the common good. Supporting the above, is a recent revelation that one out of the oil bloc owners in the country earn about ₦ 4 billion monthly and is richer than seven states of the North East put together (Punch, 2013).

Yet, oil has become powerful in the political calculation among the country’s leaders - individually or as a group. Even ethnic nationalities go to war over issues arising from oil. Pearson (1970) contends that the existence of petroleum may not have been responsible for the schism in the country that culminated in the July 1967 civil war, “but oil may very well have been the extra ingredient that finally precipitated the military conflict”. Over the years, the revenue sharing formula for federally collected revenue has been in constant dispute. The bane of dispute is the procedure for redistributing oil revenue. States outside the oil producing areas are pressing for change in the existing revenue sharing formula while those within oil producing areas are not satisfied with 13 percent they are being given after a protracted struggle with the federal government.

The ruling elite in the country have been mismanaging the proceeds from oil, a position recently confirmed by Bill Clinton, former US President. Before now, both Ayo Irikife and Pius Okigbo panels of inquiry into the management of oil revenue indicted Generals Obasanjo and Babangida military government of mismanaging ₦2.8 billion and ₦12.2 billion respectively (Okigbo, 1987). As the country battles with the colossal waste of oil monies, another problem has since emerged in the area of crude oil theft. Nigeria lost ₦ 58.2 billion to crude oil theft (Daily News Watch, 2013). Under such comprador capitalism, the ultimate goal is profit for self and groups. In this scenario, the oil triumvirates – political heads, middlemen and bureaucrats are all at work. As succinctly argued:

It is possible to get rich very quickly by being the intermediary in crude oil sales deals, or in illegal product exporting, and the government officers who allow the allocation of crude oil to such intermediaries or their partners would be hard put to account for this practice of crude oil middlemen-ship (Turner & Badru, 1985:11)

An examination of the above submission suggests that it is this group of men that are behind government removal of subsidy on petroleum products, sabotage attempts to fix the country’s refineries and favour fuel importation and price hike so that they, in connivance with the metropolitan bourgeoisie, can engage in primitive accumulation. In all these, the state still remains fragile in its regulatory roles. It appears all these are part of the game plan to acquire, retain and expand their material base at the expense of the people.

Two years after the last removal of fuel subsidy was carried out by government, the people are yet to fully recover from its effects. Yet, all the promised palliatives from the fuel subsidy removal as contained in the “SURE-P” document are yet to register their presence in the life of the people in areas of increased standard of living. While arguments by government propagandists are increasing in the most cacophonous voices, we are of the view that going by experiences of previous programs; the so called putative benefits may never be seen in the peoples’ life. What are the impediments facing oil subsidy regime and how can

the palliatives get down to the common man? While the programme is still ongoing, we can make some intellectual deductions.

### **Oil Subsidy Regime in Nigeria: Challenges and the Way Forward**

In Nigeria, there is lack of ethical and moral imperative in governance. That virtually all sectors of the Nigerian society are in crisis is not an over statement. It is along this line of thought that Osborn and Gaebler (1993) argued that “we don’t need more government, we need better government”. To be more precise, we need better governance. The challenges are multi-faceted and complex. Thus, the hydra-headed monster called corruption is a repugnant virus that should be cleared. It is a bug that has eaten deep into institutions of government at all levels. The National Assembly members, the NNPC, Security and Exchange Commission (SEC), the Nigeria Pension Board, among others are some of the state institutions at the federal level which have been entangled in the mucky waters of corruption in recent times. The judiciary is not left out of this pernicious phenomenon (Guardian, 2012).

The level of corruption and its attendant poverty in Nigeria has made corruption an endemic phenomenon, the socio-economic and political scourge has eaten deep into the entire fabric of both the public and private sector. Corruption has arrested development in the country and made public interest a second priority. This is supported by Ake (in Akhakpe, 2007:126) when he contends that:

Public administrators do not believe they are serving any body else but themselves and exploit their position for personal gains. They generally arrive to work late and leave early. They take extra-long lunch recesses. They steal public property. They accept bribe for performance of duties that are contractually part of the responsibilities. When they work, they work slowly. They stymie the public by losing their files through excessive review of the issues at hand, or by simply pretending that they have not heard of the matter before. For all these, they acknowledge no wrong doing for they do not believe that what they are doing is wrong.

In Nigeria today, fiscal indiscipline appears to be the hallmark of government and all state institutions. Since the return to democratic rule in 1999, experience shows that government has not demonstrated enough discipline in its budgetary processes and implementation. Therefore, fuel subsidy cannot be blamed for non effective implementation of its annual budgets which are supposed to be the instruments for jump-starting and subsequently launch the country into the club of developed nations.

Another impediment worthy of mentioning is the oil-development nexus and the volatility of the international oil market that fails to maintain oil prices over a long period of time. Oil speculators or what Turner and Badru (1983) called “the commercial triangle” involve “foreign partners who join with allies in the Nigerian private sector and the state in the business of such commercial triangle(s) to organize the outflow of Nigerian oil money in foreign exchange to international banks, with local middlemen known as oil cabals and state compradors taking their cuts”.

According to Tell Magazine (2012), the House of Representatives Ad-hoc Committee’s report on the fuel subsidy regime established that the actual subsidy money paid by the federal government as at December 2011 was ₦2.587 trillion as against ₦ 245 billion appropriated in 2011 budget. Yet, out of this amount, ₦ 1 trillion was paid to fake and non existing companies. In fact, many of the so called oil firms which got the contract and money merely existed in the suite-cases of their owners. That the oil cabals were paid subsidy on fuel they did not supply confirms

their position in the country's political economy. All these could not have been possible without the connivance of some government officers.

Yet, the crisis that the fuel subsidy removal elicits has once again thrown up the poverty of leadership that has become an endemic phenomenon in the nation's public and private life (Guardian, 2012). A democratic leader should be able to put himself in the follower's position at all times and look for a meeting point of resolving issues of national interest and relevance. Where their views diverge, it is only wise that the leader seeks other avenues to constructively get his position met. But as Achebe (1983) contends, the trouble with Nigeria is essentially leadership. The sage, Awolowo (1966:34), takes a broader view of this challenge and came up with the position that:

What we very much lack (as a people) is a sufficient number of powerful leaders with the caliber, characters and qualities requisite for uniting and keeping happily together the diverse elements in our...nation and for the multitudinous and intractable looking problems which beset us.

The politics of impunity and wanton destruction of lives and properties are all signposts of the state of mal-development, misrule and lack of relative autonomy of the state. The foregoing has demonstrated how oil has underdeveloped rather than developed the country.

However, as overwhelmingly and complex as the challenges may appear, they are not insurmountable. Indeed, they can be managed and possibly be ameliorated. The following examines how the challenges can be managed.

The Nigeria state has for too long failed to employ its regulatory mechanism in running the affairs of the State. For example, while there are extant laws to regulate the oil and gas industry, they often remain inactivated or are circumvented for personal and group reasons. Instead of having strong institutions, we have strong men and groups. Thus, institutions and institutional rules should be strengthened and made accountable as well as being autonomous of any cabal or individual who might want to manipulate them for group or personal interests. The so called oil cartel or cabals are powerful because of the absence of enforceable rules and regulations guiding their activities. In other climes, they exist but are closely monitored by regulatory authorities.

As a matter of urgent national importance, government at all levels should explore other sources of generating funds in the country. Agriculture can still be the hub of the Nigerian economy. So much is left undone in this sector that if properly leveraged would launch the country back to its former position as a major exporter of some agricultural produce. Ivory Coast, Malaysia among others, have become investors' destination due to the export of and revenue accruing from cocoa and palm produce respectively. With proper re-orientation, the groundnut pyramid, cocoa, rubber and palm produce could be brought back as drivers of the economy. The growing number of unemployed youths could be gainfully engaged in these areas.

It therefore, means that democracy cannot flourish under the condition of material shortage in which Nigerians found themselves. The 1999 Constitution of Nigeria espouses the imperative of the state as that of generating and using the resources of the country for the benefit of all. This should be the overall objective of the state. However, poverty is so pervasive and deep rooted that people are ready to take the greatest risk to eke out a living, like stealing of crude oil, scooping fuel from fallen fuel tankers and get killed in the process. The Boko Haram insurgency in the North, crude oil theft in the South-South, kidnapping in parts of the country and other social malice are partly fueled by the army of frustrated and jobless youths. When will Nigeria's second

liberation be achieved? In the words of Huntington (1991), poverty has to be drastically reduced if the people will enjoy higher standard of living and democracy consolidated.

A new Nigeria we all crave for will remain a mirage without a missionary and visionary leader who can transform the Nigerian State. Transformation of the polity is what is needed to set in motion a people driven development under a populist framework. It remains the solution to the hydra-headed challenges besetting the Nigerian state. A leader that will reverse this trend should of necessity pursue this goal because at this juncture of the country's existence, it needs to draw from its inner strength to advance in the realm of development.

Political power if left unchecked could be abused by even the most honest of men; for power corrupts and absolute power corrupts absolutely. Thus, the National Assembly should be alive to its oversight functions. Civil Society Organizations (CSOs) have to join the fray to serve as bulwark against the total influence of holders of state powers. However, it appears the CSOs in Nigeria lack the staying power to resist the state and its demagogic influence in the pursuit of the general will. The never die approach as witnessed in the 2012 fuel subsidy protest is imperative if the people are to be liberated from the draconian and obnoxious government policy and hydra-headed socio-economic penury in Nigeria.

### **Conclusion**

It is the position of this paper that the Nigerian state has failed to control the social and centrifugal forces within the society competing for supremacy with it. This is a signpost of a failing state because it cannot meet its fiduciary responsibility to its citizens. Yet, the state is not an unbiased umpire in managing the conflict among social forces making it difficult for the state to realize meaningful development. Little wonder, it lacks the regulatory power to bite where and when necessary. Its inability to fish-out and deal with the so called oil cabal brings to question its relative autonomy and legitimacy to enforce its laws and regulatory functions.

It is in this regard, we should view with a pinch of salt, the much talked about palliatives encapsulated in the "SURE-P" document. While the document contains some of the yearnings and aspirations of Nigerians, the political will and executive capacity to realize them appear to be lacking. In all these, the people's interests become secondary thereby defeating the pursuit of the common good which is the very essence of government.

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