



# Fuel subsidy in Nigeria: contexts of governance and social protest

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## Abstract

**Purpose** – Fuel subsidy removal has become a recurring issue in Nigeria. Successive governments in the country have interfaced with this issue as they attempted to reform the economy and the petroleum downstream to reduce corruption and waste and make the sector more effective. Importantly however, fuel subsidy removals have always met opposition from the citizens and civil society organisations. The remit of this article is to bring original and current perspectives into the issue and trajectories of fuel subsidy, which has become a major problem in Nigeria's development struggles. Previous works were dated and did not capture most recent popular uprising. The paper aims to discuss these issues.

**Design/methodology/approach** – Purely primary, empirica and normative with primary insight.

**Findings** – A major mechanism that must be put in place is popular and unpoliticized anti-corruption mechanisms and networks especially to sanitize the oil sector in the minimum. Also, government must demonstrate transparency and accountability across sectors and spending including at the government house. Sufficient palliatives like public transport and dedicated social services for the really poor is important before subsidy is implemented. Until these are done, government's intention to successfully Remove Subsidy For Development (RS4D) may be a mirage!

**Research limitations/implications** – This paper presents details of an international work with evolving issues.

**Originality/value** – The paper argues that subsidy removal that will lead to high fuel prices appears unjustified given the wide income gap between workers in Nigeria and those in other oil-producing nations.

**Keywords** Africa, Governance, Development, Nigeria, Democracy, Politics, Subsidy

**Paper type** Research paper

## Introduction

Questions relating to purposes of government and goals which ought to determine the focus of governance and public policy have always been at the front burner of development experts. In Africa particularly, the subjects have been of great concern to scholars of African affairs and African development because of the level of underdevelopment on the continent; a reality that continues to worsen in spite of the presence of abundant natural resources in most states of Africa and the negative implications for global development especially with ascendancy of globalization. Regardless of disciplinary and theoretical persuasions, African development quagmire remains a critical issue among scholars. Although points of emphasis may differ from one scholar to another, the fact that government has some responsibilities towards its citizens is never contested. In fact, the strength and the fundamental basis of acceptance of any theory of governance in most contemporary societies lies in its ability to clearly



spell out what the obligations of governments are to the people and whether government can, within its theoretical framework, meet those obligations. This is especially true of theories of democracy wherein the best governments are described as those capable of producing the greatest degree of happiness and safety for their people (Akanle, 2009a, b, 2012; Redburn *et al.*, 1984) – among other fundamental needs the people require to optimise their livelihood. Most of these governance responsibilities have now been standardised and encoded in national constitutions and international documents.

In Nigeria, the responsibilities of government to citizens are embedded in the 1999 constitution of the federation. From section one of the second chapter of that document, government was directed to focus public policy on actions that will enhance happiness and promote welfare. It states that governance should be managed in a manner that contributes to welfare-enhancing outcomes for all the members of the society. Specifically, the 1999 constitution of Nigeria provided that the government should make social services available to the citizens through access to qualitative education, healthcare, food, suitable and adequate shelter, reasonable living minimum wage, social insurance, old age care and pensions, equitable access to opportunities, basic amenities of life, security and social protection for sick and disabled, among others. For the Nigerian Government, the ideal, according to the constitution, is to promote maximum quality of life and support for the people. Government actions are thus expected to be humanely weighed relative to consequences of actions before they are implemented. Interestingly, most of the provisions above are also entrenched in International Conventions and Charters which Nigeria has ratified. For instance, the Government of Nigeria is a signee to the International Covenant on Economic, Social and Cultural Rights and the United Nations Convention on Human Rights, both of which obligated all signees to promote human freedom and provide quality livelihood that will improve the welfare outcome of people.

Unfortunately, governance in Nigeria has for the most part produced the exact opposite of what is expected (Akanle, 2013). Since independence, Nigerians have experienced hardship from multiple sources: through failed political experiments, ineffective and misapplied policies, misgovernment, corruption, poverty, declining income, inflation, insecurity, social and economic inequalities and ethnic contestations. Even with huge revenues from oil, the living condition of most Nigerians has continued to deteriorate just as improved growth rate has not translated to real development. Recent estimate showed that close to 70 per cent the country's 163 million people are living on less than US\$1/day while national unemployment rate is as high as 23.90 per cent (National Bureau of Statistics (NBS), 2012; *The Nigerian Poverty Profile*, 2012) and the government has not been able to promote good, popular and positive governance in any decisive manner.

In this article, we examined afresh how the struggle for subsidy in recent times has been a struggle by the people to enforce responsibility in governance. We analysed how government's refusal to maintain subsidy on fuel, and the politics of interests engaged in by the various actors in the oil sector, has come to be interpreted as aspect of irresponsibility in governance and the implications of these for oil politics and development in Nigeria. This is to, generally, offer current perspectives on the phenomenon of oil curse in developing countries especially in Sub-Saharan Africa. While we acknowledge some works exist on the issues engaged in this article (Lewis, 1996; Nwosu, 1996; Adegbulugbe *et al.*, 1989; Iwayemi, 1984; Forster, 1969),

the works were dated, conducted under military dictatorship and did not capture the most profound and most recent popular uprising against fuel subsidy removal in the history of the country under any democratic regime. This article links the politics of fuel subsidy to the political economy of elite governance disconnect in Nigeria and fills the important gaps in the literature on fuel subsidy and oil socio-economics and engaged the challenge of oil and economic reforms relevant to Sub-Saharan Africa, especially those countries still bedevilled with the oil curse.

### **Methodological approach**

#### *The setting: Nigerian national context*

Nigeria is Africa's most populous nation and it is commonly referred to as the giant of Africa due to the huge population size and the resource base. Nigeria has an area of 923,768 square km (356,667 square miles) with a landscape that could accommodate architectural, industrial and agricultural activities (Akanle, 2011; Akanle and Olutayo, 2010). Nigeria is the sixth largest producer of crude oil in the world, the biggest oil exporter in Africa with one of the largest natural gas reserves in the continent and the largest human reserve which should ordinarily propel development. The human resources of Nigeria are massive. The estimated population of Nigerians is 163 million (Akanle *et al.*, 2012; Nigerian Demographic and Health Survey, 2008; Federal Government of Nigeria, 2007) and about half of this population are able-bodied youth, energetic, innovative, dynamic, willing and capable to work. Nigeria is close to 20 per cent of Sub-Saharan Africa, 47 per cent of West Africa and is the continent's second largest economy (The World Bank (WB, 2003)). Nigeria became politically independent from the British in 1960, although she experience over 30 years of military rule after independence and only re-democratised in 1999. The nation's prolonged experience of military rule beginning in 1966 left a negative indelible political mark and this has affected the psyche of Nigerians especially the political class. Nigeria's democracy has been largely dominated by a single party (The People's Democratic Party (PDP)) since 1999 although the nation is said to be a multi-party nation.

Nigeria is one of the poorest countries in the world with poverty burden of about 70 per cent by less than \$1 a day measure and more than 70 per cent by less than \$2 a day measure according to the National Bureau of Statistics (NBS, 2012). It is a real paradox that even though Nigeria remains world's eighth largest proven natural gas reserve, with four refineries with original capacity of 445,000 barrels of fuel per day, the country is among world's largest net importers of petroleum products and gasoline. Local refineries in the country are old, poorly managed and have become a burden to the country. They operate far below installed capacity to the extent that they even find it difficult to satisfy local demands. Although turnaround maintenance (TAM) was instituted at different times, the process was usually nothing more than a conduit pipe for embezzling public fund and other resources.

Historically, until commercial exportation of oil started in 1958, the economy of Nigeria was dependent on vibrant agricultural export trade. However, discovery of more oil-rich sites and their subsequent exploitation led to a sharp fall in agricultural exports, with oil accounting for over 90 per cent of export earnings, and 80 per cent of government revenues in the 1970s (Okolie, 1995); thereby transforming the Nigerian economy to an oil-dependent one. Initially, incomes were used to build large government enterprises and social infrastructures while more *petro-dollars* went into

the expansion of newly nationalised corporations so as to provide opportunities for employment and perfect government's control over the economy. As *petro-dollars* swelled, most remarkably during the oil boom period in early 1970s, government introduced heavy subsidy on social services and on products it had direct control over, including crude oil products. Regrettably, the pricing of oil, on which the new subsidy regime was erected, was outside the control of the Nigerian Government as the nation depends on global market and international oil dynamics.

While the economic and human development crises worsened over the next two decades, successive military governments also managed to centralise power by enacting decrees that gave more control over land and resources to the federal government at the expense of constituent states[1] (Gboyega *et al.*, 2011; Lewis, 1996; Okolie, 1995). In terms of politics and political relations among Nigeria's over 250 ethnic groups, centralisation of power was of profound significance. It effectively foreclosed other avenues through which ethnic elites can access resources as power blocks from all sides of regional and ethnic divides became fixated on gaining total control of the federal government. In other words, struggle for power came to be nothing more than a struggle to gain access to oil-wealth (Gboyega *et al.*, 2011; Obi, 2007).

It must be noted, however, that the consequent politicisation of oil also brought about a new form of avarice in governance. This is what Lewis (1996) referred to as predation or avaricious dictatorship. According to Lewis (1996), the predatory political economy of oil differed markedly from the prebendal formations (according to Richard Joseph) of pre-oil era which was characterised by decentralised patrimonial rule, diffused clientelism and weak central government. The self-serving nature of predatory political economy of oil ensured that public policies after the oil market crash favoured personal accumulation. For instance, the structural adjustment programme (SAP) of 1980s had as part of its goals the mandate of selling-off government assets and businesses to private citizens – most of which were acquired at cheap rate by those connected to the ruling military and political elites (Olutayo and Akanle, 2011). At the same time, government continue to neglect its obligations of providing social amenities and promoting peoples' welfare. As social services and subsidies to the masses were gradually phased-out, fuel-subsidy came to be the only form of benefit that still trickled down to the poor in the country.

The foregoing marked the beginning of oil as a socio-economic and political problem in Nigeria and provided the context within which interests of various types had to compete for fuel-subsidy issue in the next three decades. At present, Nigeria is a mono-economy state that depends on oil for over 95 per cent of her foreign exchange earnings and 65 per cent of budgetary revenues. As such, every aspect of lives of Nigerian is connected to, and dependent on happenings within, the oil sector, leading to a situation where changes in price of oil products, especially premium motor spirit (PMS), cause negative ripple effects on other consumer goods (Akanle and Olutayo, 2010). Sadly, successive governments in the country have found it impossible to diversify the economy and only paid lip services to economic diversification.

This article was based on primary and secondary data. Secondary data was gathered through journal articles, books, unofficial and official but unclassified documents and reliable internet sources. Primary data was gathered through qualitative technique. Ten in-depth interviews (IDIs) were conducted with actors during fuel subsidy protests, interviewees were purposively selected based on relevance and willingness

to be interviewed. Participant observation (PO) was also undertaken throughout the period of the protest. Authors monitored the protests and systematically captured relevant issues throughout the protests, data gathered were later content analysed and presented in this article as ethnographic summaries.

*The social actors and fuel subsidy politics in Nigeria*

To come to terms with the trajectories of politics of fuel subsidy in Nigeria, it is imperative to understand the context of related constellations and contestations as driven by peculiar and pecuniary interests of key actors. While it is impossible to have a single categorization comprehensive enough for detailed appreciation of the fuel subsidy domains in Nigeria, as researchers and sociologists, we developed and created a categorisation of social actors based on our primary study, appreciation and understanding of the trajectories and forces in, and trend within, the sector. The social actors are largely representative of conflicting opinions, protestations and intersecting voices that have influenced the administration of fuel subsidy in the country over overlapping period of time. Key actors in the sector do not have permanent alliances but oscillating and self-interested interests that ultimately determine the period, structure and nature of alliances. They constellate and diffuse depending on the interests being protected and pursued at any particular point in time. Within Nigeria, we have identified the federal government (made of politicians with largely pecuniary interests), civil society organisations/labour unions/students/masses (as a populist group struggling against oligarchic strangulation of the political class), the Nigerian National Petroleum Corporation (NNPC, 2010), and oil marketers/importers while international financial institutions (IFI) and international oil companies (IOC) participate in the politics of fuel subsidy from outside, although with local alliances, commission agents and Lumpen Bourgeoisie according to Andre Gunder Frank (Table I).

The first most important social actor in fuel subsidy politics in Nigeria is the federal government. Since the collapse of the world market in the early 1980s, the federal government has had to confront serious economic misalignment. For successive administrations afterwards, fuel subsidy was regularly targeted as tool of correcting fiscal imbalances and for speeding up growth. Meanwhile, subsidy on fuel was always approached with great caution because most Nigerians perceived cheap fuel as a right (Nwosu, 1996). This belief about right to oil became popular after predatory rule began in full scale through “roll back the state” principle of SAP and the wanton corruption that followed (Akanle and Olutayo, 2009). As a distinct element in the politics of fuel, what is interesting with government’s treatment of fuel-related subsidy is that it understood the latent manipulative and distractive power of being able to effect changes in fuel price. It was a power that was used by military and civilian administrations to attract support from the public, foster government’s grip on the nation and to keep political oppositions at bay.

An instance of government’s instrumentality of control over fuel subsidy was clearly demonstrated when General Sanni Abacha was Head of State. Unlike those before and after him, Abacha was the only ruler since Shehu Shagari that never increased pump price even though he controlled the government for more than four years. While Abacha’s refusal to implement price changes may be explained within the context of his general resistance to external pressure, it is better interpreted as a move to confer a degree of legitimacy upon his illegitimate rule. Lewis (1994, p. 399) captured the politics of Abacha’s decision to retain subsidy on fuel as follows:

Date	President and nature of government	Price	Percentage change/ increase
1978	Gen Olusegun Obasanjo (military ruler)	15.37 k	
1982	Alh Shehu Shagari (democratic ruler)	20 k	30
1990	Gen Ibrahim Babaginda (military ruler)	60 k	200
1992	Gen Ibrahim Babaginda (military ruler)	70 k	17
1992	Gen Ibrahim Babaginda (military ruler)	₦ 3:25	364
1993	Gen Ibrahim Babaginda (military ruler)	₦ 5	54
1994	Chief Ernest Shonekan (interim)	₦ 11	20
1994-1998	Gen Sani Abacha (military ruler)	₦ 11	0
2000	Olusegun Obasanjo (democratic ruler)	₦ 20	82
2000	Olusegun Obasanjo (democratic ruler)	₦ 22	10
2001	Olusegun Obasanjo (democratic ruler)	₦ 25	14
2003	Olusegun Obasanjo (democratic ruler)	₦ 40	60
2004	Olusegun Obasanjo (democratic ruler)	₦ 45	12.5
2007	Olusegun Obasanjo (democratic ruler)	₦ 70	55.6
2007	Alh Umaru Shehu Yaradua (democratic ruler)	₦ 65	0.7
2012	Dr Goodluck Jonathan (democratic ruler)	₦ 141	116.9
2012	Dr Goodluck Jonathan (democratic ruler)	₦ 97	0.31
2012 and beyond	Dr Goodluck Jonathan (democratic ruler)	Drive toward total deregulation	To be left to market forces but currently at about 100 per cent

**Table I.**  
Petroleum price  
dynamics in Nigeria  
1978-2012

**Source:** Communiqué by South-south elders and leaders 2012; updated by the authors

Within days of assuming power, Abacha had reinstated a substantial portion of the domestic fuel subsidy, and in subsequent weeks he demonstrated antipathy toward liberalization. Lacking public confidence, and beholden to an array of distributive pressures and clientelist demands, the regime was averse to the rigours of further adjustment. This was manifest in the January 1994 budget, which dismantled the central features of the SAP and returned the country to a system of fixed exchange rates, foreign exchange rationing and restrictive trade and pricing policies.

Also in 2007, the government of Umar Yar'Adua used the power of control over subsidy to undo pump price increment of immediate past administration of Olusegun Obasanjo. This was perhaps a strategic move on the part of the ruling PDP to assuage mounting tension within the general population, especially among those who felt that Yar'Adua's presidential election was rigged by the ruling party. Similar usurpation is noticeable in the current administration in which government constantly throws up subsidy debate for distractive purposes. In all of these examples, government featured in the politics of fuel subsidy because it realised the country's dependence on oil early enough and did not lose sight of the concentric position of oil in the economic and social lives of citizens. As shown in Table II, nature of government and duration of stay in power does not determine the orientation of government towards fuel subsidy. Both military and civilian rulers in Nigeria tampered/tamper with oil subsidy and effected price changes through it. Also, even an interim government of less than a year without any real political power and legitimacy tampered with the fuel subsidy and increased pump price of fuel by 20 per cent amidst public outcry.

Date	Cause of industrial action	Duration	Resolution
1 June 2000	Increment to N30 from N11	Eight days	Price agreed at ₦ 20 per litres
16 June 2002	Increment from N20 to N26	Two days	Price retained at ₦ 26 per litres
30 June- 8 July 2003	Increment from N26 to N40	Eight days	Price reduced to ₦ 34 per litre
9 June 2004	Increment from N34 to N50	Three days	Government and NLC agree to a new price ₦ 42 per litre
11 October 2004	Increment from N42 to N52	Three days	Government appointed the 19-member Sen. Ibrahim Mantu committee on palliatives
September 2005	Increment from N52 to N65	No action	Protest by NLC and civil society group led to a cut in price
20 June 2007	Increment from N65 to N70	Four days	Price reduced to ₦ 65 per litres
1 January 2012	Increment from N65 to N141	Eight days	Price reduced to ₦ 97 per litres
From September 2012	Increment from N97 to (deregulation)	No action	Selling at unregulated price

**Table II.**  
Fuel subsidy and industrial action in Nigeria between 2000 and 2012

**Source:** Adagba *et al.* (2012); updated by the authors

Another distinct group of social actor in the fuel subsidy struggle in Nigeria comprises civil society coalitions, labour unions, and the general populace. This group considers themselves to be at the receiving end whenever fuel price goes up as a result of subsidy withdrawal. For more than two decades, they have been at the centre of several protests, open criticisms and civil resistance, championing the positions of millions who viewed high fuel price as a form of government betrayal that has direct impact on their well-being (Nwosu, 1996). In the last 12 years, the Nigerian Labour Congress (NLC), Trade Union Congress (TUC), Civil Liberty Organisation (CLO), National Association of Nigerian Students (NANS), Academic Staff Union of Universities (ASUU) and Occupy-Nigeria, the most recent addition, and many other populist organisations have staged as many protests, and have embarked on as much strikes, as fuel price was increased. See Tables II and III for important dates and price changes in subsidy removal and accompanying protests over the last three decades.

Of all the protests that were staged by these organisations, none was as coordinated and as massive as the protest of January 2012 in which the internet was effectively exploited to mobilise protesters against fuel subsidy in Nigeria, London, Belgium, Brussels and Washington as well as in pockets of other places in solidarity. The protest was meant to mount pressure on the Nigerian Government which had caved-in under the hold of the oil cabal as they are now popularly referred to in the country. In their struggle to retain oil subsidy, the attitude of government towards civil society coalition has been very repressive as the government label protesters as agents of opposition parties and enemies of Nigeria and the PDP. This is not surprising as anything can become politicised by public officeholders who are sufficiently blind and indifferent to local realities and largely disconnected from the realities of masses existences.

Such political blindness is both intentional and unintentional. The blindness and unnecessary politicisation of public issues are often intentional as needed distractions when politicians have failed in their bids to force obnoxious policies down the throat of the people. They are, also, not intentional sometimes because it is the sycophants at the

S/no.	Stakeholders	Position	Removal of fuel subsidy Remarks
1	Major foreign oil producing companies (Shell, Mobil, Chevron, total E&P, NAOC/Phillips, Texaco, and Pan-Ocean)	✓	Removal of subsidy would reduce local consumption and increase export to "home" countries
2	Foreign nations (major destinations of oil exportation): North America, Europe, Africa, South America, and Asia	✓	Removal of subsidy would reduce local consumption and increase receivable crude oil
3	Foreign nations (major sources of fuel importation): Europe, Spain, the Mediterranean, the Baltic, South Africa, and West Africa (Ghana)	✓	Removal of subsidy would increase their foreign earning from Nigeria, and also increase fuel availability in "home" countries
4	International development institutions (IMF and WB)	✓	Removal of subsidy would perhaps reduce local consumption but increase availability of products in the major countries of the global North
5	Major fuel importers: Mobil, NNPC Retail, Oando, Conoil, total, African petroleum, and MRS oil	X	Removal of subsidy would reduce their earnings
6	Federal government	✓	Removal of subsidy would increase disposable Fund to other sectors/projects
7	State government	✓	Removal of subsidy may increase shareable fund From the federation account
8	Civil servant sand corrupt elements in government agencies and oil industry	X	Removal of subsidy would reduce their earnings via rents, bribery, over-invoicing, theft or embezzlement
9	Distributors, transporters, licensed dealers of petroleum products	X	Removal of subsidy would reduce their payback period and increase financial risk
10	Civil society organisations, national labour congress, masses	X	Removal of subsidy would increase hardship for members, and they do not trust the government to use the fund that would be saved for the benefit of ordinary Nigerians. However, they are angered by the secrecy and the perceived corrupt practices in the subsidy implementation

Notes: ✓ – remove fuel subsidy; X – do not remove fuel subsidy

Source: Adapted with modification from CPPA (2011)

**Table III.**  
Stakeholders in Nigeria's  
oil sector and their  
positions on fuel subsidy

corridors of power that feed erroneous positive feedbacks into government systems, upon which government ignorantly react, just to retain their political appointments and privileges. Thus, in the second case, government will find it difficult to understand why the people protest against good policies like subsidy removal that is meant to save money for the state and consequently perceive protesters as few disgruntled elements and sponsored politicians. This is why federal government has always used security agencies and harassed determined protesters, assaulted citizens, maimed many, incarcerate mobilisers, witch-hunt supporters and killed many just to suppress the people's struggle and force the obnoxious and unpopular policies through.

The NNPC is also a key player in Nigeria's politics of fuel subsidy. Established in 1977 through the merger of the Nigerian National Oil Company (NNOC), Department of Petroleum Resources and the Ministry of Petroleum Resources and Energy, the main responsibility of NNPC was to oversee the interest of Nigeria in the newly acquired oil companies, formulate policies for implementation in the oil industry, monitor the activities of industry actors and refine petroleum product for local consumption (Nwokeji, 2007). Since then, the NNPC has grown to be one of the most powerful organisations in the country, working through its many holding companies in the areas of petroleum refining, marketing, petrochemical manufacturing, importation and distribution of crude product, licensing and sector-wide regulation. The NNPC has also become one of the most corrupt agencies of Government in Nigeria and among the least transparent (Gboyega *et al.*, 2011; Nwokeji, 2007). It is a strong conduit pipe for the siphoning of government funds and once anyone is appointed the group managing director of the corporation, he or she automatically becomes super rich. This is also why the leadership of NNPC constantly changes. NNPC wield huge power and influence in subsidy problem of Nigeria.

In the course of the development of the country's transformation to oil dependent nation, NNPC, being the manager of Nigeria's oil and gas resource, emerged as the centre of power contest and a source of patronage for interest groups especially politicians and IOC operating in and out of the country. It is a very symbolic institution for opaque and corrupt practices. Even while government changed hands between military and civilians at different times, NNPC was a relatively stable corporation in terms operations and structures. This added to the powers of NNPC overtime and made it a strong force in every oil-related politics that unfolded in the Nigerian state. Given the role of NNPC in the administration of subsidy funds, the corporation has become a major player in the fuel subsidy politics as it administers operations, funds, oil wells and other government oil-related portfolios.

The last internal actors in the subsidy scheme are the oil importers/marketers. What gave this group great prominence in the politics of fuel subsidy was the failure of NNPC and the government to resuscitate the ailing domestic refineries. Oil importers/marketers are middlemen who interface between the NNPC and the international oil market to procure refined fuel and then distribute the product to local consumers at government approved subsidised rate – as stipulated by the Petroleum Product Pricing Regulatory Agency (PPPRA). Those in this group own multi-billion Naira (multi-million dollar) business empires and oil wells with big stakes in the Nigerian economy. Some of them include the now popular “securitised-elite” which I. O. Albert (2012) recently deconstructed in his article titled “The securitized elite: a deconstruction of the ‘cabals’ in Nigerian political economy.” According to the Centre for Public Policy Alternatives (CPPA), close to 50 per cent of the entire monies from subsidy goes to the marketers/importers of oil (CPPA, 2011), majority of whom are members of the securitised-elites. They hold strong relationships with the politicians in government and many are actually fronts for political officeholders including serving ones. They are the direct beneficiaries of fuel subsidy corruption. Many do not import fuel yet collect subsidy while many import substandard fuel and collect subsidy.

They capitalise on the loopholes in NNPC and government systems to enrich themselves from subsidy. They also work in tandem with corrupt government and NNPC officials to benefit from subsidy unjustly. Unfortunately, because they are securitised they are untouchables; agents for powerful politicians and they are also often

kin of serving political officeholders. Even though the judiciary may not be totally corrupt, the political clouts of the marketers and their agents make them “unprosecutable.” When they are subjected to the judicial systems, they clog the system with frivolous adjournments, obnoxious objections and judgements or even corrupt judges through the wealth and influence they have amassed. Cases abound in Nigeria of such people who could not be prosecuted due to the combined effects of corrupt judiciary, lack of political will on the part of government, political-economic conspiracy in the nation and generally poor culture of anti-corruption in a society where corrupt people are celebrated in micro societies and encouraged to steal more from the state. This resonates the culture of the Nigerian wealth as a national cake from which everyone must take a slice *albeit* corruptly for his/her kin.

The external forces of IFI and IOC in the subsidy politics have been working towards the same goal in the last couple of decades: to ensure that government effectively remove all forms of subsidy from oil and deregulate the oil sector to make it competitive for foreign investors and amenable to international expectations/markets. Among the IFI, the influence of the International Monetary Fund (IMF) and the WB had been felt the most. Their struggle against fuel subsidy derives from a collective resolve to ensure that more developing countries liberalise and deregulate their economies. As a spill-over from the socio-economic provisions contained in SAP, IFI generally claimed that fuel subsidy was retrogressive and basically unhealthy for economic growth and national development. They claimed that subsidy on fuel was a waste of resources that, if retained, will wreck the Nigerian economy and cause environmental damages (CPPA, 2011) that are monumental.

A synopsis of social actors or stakeholders in the politics of subsidy removal, and their different positions on the subject, are listed in Table IV. It could be seen from the table that different positions are taken for different interests and it is only the people/masses/common people that rallied against subsidy removal due to its perceived negative effects on their immediate livelihoods and survival economics.

Countries	Fuel price per litre (₦)	Minimum wage (₦)
<i>OPEC</i>		
Venezuela	3.61	95,639
Kuwait	34.54	161,461
Saudi-Arabia	25.12	99,237
Iran	102.05	86,585
Qatar	34.54	101,250
UAE	70.18	103,112
Algeria <sup>a</sup>	63.55	55,937
Libya <sup>a</sup>	26.69	23,813
Iraq	59.66	25,813
Nigeria	141.00	18,000
<i>Non-OPEC</i>		
USA	157.00	197,296
UK	334.41	295,644
Oman	48.67	91,583

**Note:** <sup>a</sup>Oil-producing countries in Africa

**Source:** Adapted from *The Nation Newspaper* (Monday 6 January 2012, p. 40)

**Table IV.**  
Prices of fuel/litre and  
minimum wage in OPEC  
and non-OPEC countries

These are people already in poverty and on the threshold of hardship. The only private group that antagonised removal of subsidy are the marketers and this was for selfish reason to enable the continuation of their corrupt practices.

*Corruption in Nigerian oil sector and the 2012 anti-subsidy removal protest*

The main clog of Nigerian oil is impunity driven corruption driven. In fact, the case is so bad that corruption is only a manifestation of impunity in the sector as it pervades the country. This is in fact why oil has been more of a curse than blessing to Nigeria like many other natural resources endowed African and developing countries. We maintain in this article that the problem of Nigeria is not subsidy but pervasive corruption and impunity and this is more so in the oil sector. What the government has actually been subsidising is not the fuel but corruption through politicians' allies and cronies who siphoned national commonwealth through the conduit pipe of subsidy. Hence, to insist that corruption is endemic in Nigeria is to understate the reality of a phenomenon that has undermined the development potential of the nation for many decades. The situation is more than corruption but greed, avarice, selfishness and impunity. Since corruption is the most popular symptom, as shown in the 2012 edition of Transparency International's Global Corruption Perception Index (CPI), Nigeria ranked 134 out of 172 countries assessed and 32nd most corrupt nation, making the country one of the most corrupt nations on the planet earth. The culture of corruption is noticeable in almost all spheres of life in Nigeria, especially in the political and economic spheres where decisions affecting citizens' well-being are constructed and contested for corrupt and parochial reasons.

The oil sector has been at the centre of discussion on corruption in recent time. For many scholars, and social and political analysts, the Nigerian oil industry is almost synonymous with corruption. For instance, Nwokeji (2007) noted that corruption is one of the most persistent and ubiquitous feature of the national oil corporation (NNPC), and claimed that the loopholes within the corporation has over the years entrenched corrupt practices in the industry as a whole. Several reports on, and investigations into, the oil industry have shown that corruption in the sector is deep and destructive. Quoting the former Economic and Financial Crimes Commission (EFCC), Mallam Nu'hu Ribadu, in a 2008 article, Michael Watts mentioned that around \$100 billion of \$400 billion in revenues since 1970 have simply gone "missing" and that close to 70 per cent of oil revenue was either stolen or wasted in 2003 (Watts, 2008, p. 34). The Chairman of National Stakeholder Working Group (NSWG) of the Nigerian Extractive Industry Transparency Initiative (NEITI) revealed that the country lost \$9.8 billion or ₦ 1.3 trillion to under-assessment of, or underpayment from, oil companies (Mitee, 2012). Another \$2.9 billion was also reported as unaccounted for in NEITI's review of oil payments to the federal government from 1999 to 2008 (NEITI, 2008).

Similar high-level probes into the activities of actors in the oil industry also uncovered evidences of deep-seated corruption involving the NNPC and importers/marketers of petroleum products. In April 2012, the report of an investigation, commission by the lower house of the national assembly (house of representatives), into the operations of the oil industry and the management of subsidy financing was read on the floor of the house of representatives. The committee, led by Farouk Lawan, indicted notable oil marketers for mismanagement and financial malpractices. This committee's report has come to be known in Nigeria as the *Farouk Lawan Report*. It was reported that several oil

magnates procured foreign currencies worth trillions of Naira for fuel importation but never imported the said product. The committee alleged that the oil marketers also collected subsidy claims for petroleum products that never entered the country (Ering and Akpan, 2012; Vanguard Online, 2012; Nigerian Tribune Online, 2012). The oil cabal has however discredited the report and the chairman and the report is now history and the indicted are still free men and women yet to be prosecuted even when the evidences are damning and overwhelming. In fact, Farouk Lawan is also now being prosecuted having been indicted of corruption, bribery, aiding and abetting himself. He is also already being systematically destroyed politically for taken on an heavily corrupt yet powerful sector. The hunter is thus now being hunted all due to, and within, the vicious circle of corruption in the oil sector of the country.

In August 2012, the report of the executive-commissioned Petroleum Revenue Special Task Force (PRSTF) was submitted to the office of the Petroleum Minister. The Ribadu-led PRSTF, which was set-up following subsidy removal on fuel in 1 January 2012 and widespread demand for accountability, had the broad mandate of confirming:

[...] if existing systems, laws, processes and functions across the value chain [can] provide reasonable assurance that revenues from the Petroleum Industry are captured, complete, recorded intact, properly accounted for and that revenue due is demanded and collected (PRSTF, 2012).

This committee, like others before it, discovered that massive corruption-aiding procedures were rampant, that the federal government may have been underpaid by \$5 billion dollars, and also found that malpractices in granting licenses was prevalent. The committee's report has also come to be known as the *Ribadu Report*. Through the above, avenues for crude oil and project funds diversion, under-reporting of oil output, contract inflation, importation of substandard fuel and corruption persisted in the oil sector unchecked (Nwokeji, 2007). The Ribadu Report like the Lawn's is also being discredited and being dumped in the garbage bin. It is important to note that The Report came under fire as a key member of the committee spoke openly against the report and discredited in manners that suggested calculated attempts by some powerful interest groups to water down the significance of the report through scandals and blackmails of the committee and ultimately the report.

The prevailing reality of corruption in Nigerian oil sector has frustrated governance and democratic dividends to the masses in the country. The government is unable to perform her obligations to the citizens in the area of education, health, housing, securities and basic social services. Corruption within the number one sector of the country had inspired confusion in the minds of those in government, at least on questions relating to the economy and public welfare. But should the government be ever trapped in an "either [...] or" question in economic or welfare issues? While we respond to this in the negative, the Nigerian Government seems to respond in the affirmative when we look at it from the viewpoint of the fuel subsidy removal of 1 January 2012. Rather than embark on aggressive, badly needed institutional cleansing of the oil sector, the government elected to remove subsidy on fuel in an attempt to tackle corruption in the system. This is in a fashion that simply resonates:

[...] as a government; I cannot and never stop this corruption. I do not have the power and the political will. The corrupt people are too powerful and; maybe I am even one of them. So let me remove what they are stealing as subsidy so there will be nothing to steal again even if the masses will suffer.

The victims of this posture are the 70 per cent of the population currently living in desperation and poverty. Apparently, such action is an exhibition of irresponsibility in governance since responsible governance is a trait of those governments that are able to pursue and achieve both economic and welfare goals of the society and that are able to bring corrupt elements to justice regardless of wealth, influence and political leanings. It is this perceived and experienced government's irresponsibility towards the people and pervasive corruption in the country and the oil sector that led the people to protest against the subsidy removal of 1 January 2012.

The protest has been described as the greatest one in the economic history of the country as it was staged sustainably for days both in the country and in the Diaspora. In the course of preparing this article, we interviewed Nigerians who were significantly experienced in the oil and fuel subsidy matter in the country. We thus gathered both primary data (through observations and interviews) and secondary data for this article. After primary data analysis, it was discovered that people responded and reacted to the issue of fuel subsidy differently based on their experiences and positions in the country. On reaction to fuel subsidy removal, some people were provoked to react negatively to the policy of subsidy removal because of the relevance of fuel to most of the socio-economic activities engaged in by citizens. However, response pattern differs between government officials and general population. For instance, people with certain interest government did not necessarily condemn subsidy removal. For instance, a Special Adviser to government stated that:

Subsidy does not in any way at this time impact positively on the Nigerian economy. I think it is a good intention.

According to another political officeholder:

It is the independent marketers that are behind the oil subsidy problem (protest), do you know why? We are in public place I don't want to talk much about this situation. The majority of the people do not understand the politics. The government doesn't have any hand in this.

As seen from the above ethnographic summaries, the people in government do not see removal of fuel subsidy as a problem induced by the government but only unnecessarily problematised and considered troubling by people who do not understand the values of subsidy removal. According to a top government official, corruption and subsidy problems were not caused by the government but the cabals:

Nigerian billionaire, (name mentioned but withheld for ethical reasons), through his company, (a major oil marketing company, mentioned but withheld), is one of those behind the fuel problem being experienced in Nigeria. Mr X (name mentioned again but withheld) is not alone in this misdemeanor. Oil companies owned by other wealthy Nigerians were also found to be instigators of the fuel crisis (A top Government official).

The views of the general populace was however different from those of government officials. The public views were in fact in contradistinction to those of government officials:

The truth is that there was never an oil subsidy; there has never been an oil subsidy and today there is no oil subsidy in the pricing of petrol per litres in Nigeria (A woman interviewed).

This view represents the general view of the public and this generally was laced with anger against the government and served as the main drive of the popular anti-subsidy protest of 2012. As observed by a popular public analyst:

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Our governments, past and present have been telling us for decades that we the masses benefit from the subsidy; now we know we don't. So if the subsidy is removed, that should mean the cabal who had been benefiting from the subsidy for decades, will no longer be able to profit and rip Nigeria off, isn't it? That means the corrupt government officials who collaborate with the oil subsidy cabal to cheat Nigeria will no longer be able to anymore, isn't it? That should be the ideal and logical conclusion. But we know now, that it was all lies.

Participant observations during the subsidy protest/saga also demonstrate the anger of oil marketers and intention to sabotage the government's efforts at removing subsidy. Take a closer look at the discussion below as recorded during data collection (participant observation) for example:

Petrol attendants don't sell for anybody! (A marketer shouted).

Is it that there is no fuel? (A man (customer asked in frustration).

Where is the manager? (The customer asked in desperation).

Then, the marketer responded:

Not as if there is no fuel but it is our (private marketers' decision not to sell. We want to deal with the government. We buy fuel at N98:00 we transport it and other cost inclusive, the government wants us to sell at N97:00. You people (the masses) think that we the marketers are the one causing the problem. Our (marketers) association are out to arrest anybody (any filling station) selling fuel and the fine is N500,000.00 (Approximately USD \$3,165) (The marketer spoke with extreme anger and frustration).

As the subsidy saga rages, the masses must adjust to the new and emerging fuel regime. It is however important to capture their adjustment orientation. Nigerians are probably the most resilience people in the world, with strong ability to adapt to hardship. The masses bear the brunt of the removal of fuel subsidy and were quick to comment that:

Subsidy removal can only impose more hardship on the already seriously economically downtrodden masses. It will cripple further a seriously ill economy. It spooks a fragile financial system and sends shocks throughout a volatile industry. The removal of fuel subsidy at this time is a very bad decision. Life must however go on regardless (A Nigerian interviewed).

Thus, one analyst asked:

So who benefits from the subsidy? Nearly everybody does except the masses of Nigeria. The cabal of the profiteers have been exposed. A combination of a few corrupt oil thieves, privileged individuals, political appointees and elected ones who as major sponsors and backers of government, are milking the economy of this country dry. For instance, they give the Government (the officials of whom are in collaboration with the cabal) false invoices, which inflate the amount of crude they actually lifted by up to 1000% or more, e.g. they lift 30,000 barrels but claim 3 million barrels. And the Government pays, knowing this to be false. The cabal shares the illegal profit with the government and NNPC officials. The people/masses are thus the ultimate losers and they are yet powerless and voiceless in the short and long run [. . .].

The same analyst noted further that:

The subsidy scam recklessly rose from ₦ 261 billion in December 2006 to almost ₦ 3 trillion in December 2011. An oil official expanded the importers of petroleum products from less than 40 to over 140 importers. It became an all comers' game with all manner of fronts and the minimum conditions, like ownership of storage facility, were discarded (A fuel subsidy analyst).

Commenting on the same issue, someone suggested thus:

I think the president should go and resign. Is he not a learned person? He should know what others outside this country do when they have situation outside their control (A taxi driver).

*Fuel subsidy in Nigeria: to be or not to be? Concluding remarks*

In many countries of the world, governments provide subsidy for crude oil products, especially fossil fuel, diesel and kerosene, either explicitly or implicitly (WB, 2010). Targets of subsidy vary from country to country but on the whole, government subsidy on petroleum products in developing countries targets the consumers while most governments in developed countries prefer to channel subsidy through producers (United Nations Environment Programme (UNEP), 2003; WB, 2010). Although the exact amount going into subsidising these products is not known, subsidies to consumers and producers of petroleum can be very substantial[2], especially in countries where oil is state-owned and state-controlled (UNEP, 2003). In OECD[3] countries and transition economies in Asia, South America and Africa, subsidies are applied to improve social welfare and redistribute income to poor, while also aiming to protect domestic industries, and employment in them, and the environment. Senegal is a very good example of a country that adopted subsidy to stimulate local consumption of liquefied petroleum gas (LPG) as a measure for protecting the forest from firewood-related deforestation and for reducing pollution (UNEP, 2003).

However, the socio-economic and environmental justification of fuel subsidy has been subjected to criticisms. Those who argue for subsidy removal claim that subsidy compete for limited resources; promotes rent-seeking, commercial malpractice and non-economic consumption of energy; it destroys the environment, and; reduce industry efficiency (WB, 2010). Those who argue for subsidy removal maintained that the practice can only be justified if overall social and environmental benefits outweigh the economic cost. In fact, in most OECD countries where local consumption of fossil fuel is very high, subsidy has been reduced drastically as strategy to protect the environment and free the economy (UNEP, 2003). In Nigeria, the argument of those who opposed the continuation of fuel subsidy is not so different from the above. The government claimed that subsidy on fuel is out-of-tune with global best practices in the oil sector. Amongst other things, parties that want all subsidies on fuel removed contend that it will assist in eliminating corruption and profiteering in the oil industry, trigger investment in the oil sector, minimise borrowing and free-up resources that may be better invested in job creation, power generation, agriculture and infrastructural development (Ering and Akpan, 2012). The Federal Government of Nigeria, through her medium term fiscal framework (MTFF) and fiscal strategy paper (FSP), maintained that fuel subsidy was too expensive and too wasteful, stating that its removal can provide the government with about ₦ 1.3 trillion or \$8 billion. Sponsors of subsidy removal insisted that apart from the developmental projects government can undertake with such amount, the removal will save the nation from subsidising the rich who consume more fuel through their cars and power generating sets. The government also invoked the long-standing argument that cheap, subsidised fuel within the country is one of the factors promoting illegal cross-border trade in oil.

Unfortunately, pro-subsidy groups in Nigeria are of the view that the supporting evidences for removal cannot be sustained because the negative social and economic

consequences of cancelling subsidy far outweigh the cost for its continuance. First, they believe that removing subsidy will cause automatic increase in the price of fuel and other services that are directly or indirectly dependent on the commodity (Table IV). Not only will this hike result in inflation and cause serious macro-economic problems, it will effectively destroy local industries and worsen the poverty conditions of the Nigerian people – majority of who already live in abject poverty and previous experiences lend credence to this scepticism and public distrust in government. Second, supporters of subsidy argued that the government is not transparent enough in the management of the oil industry and that the actual free-able amount, and sharing formula of same, has not been revealed by the federal government (Ering and Akpan, 2012). Third, and most importantly, pro-subsidy advocates faulted government's position on the so-called global best practices, claiming that a marked difference exist between Nigeria and other oil-producing nations, and between Nigeria and OECD countries where most subsidies had been removed to promote freer economy and reduced the emission of greenhouse gases. On the one hand, per capital income in Nigeria is worse in comparison with other oil-producing countries of the world. As shown in Table IV, subsidy removal that will lead to high fuel prices appears unjustified given wide income gap between workers in Nigeria and those in other oil-producing nations.

On the other hand, OECD countries are avoiding the oil curse as they have relatively diversified economies unlike Nigeria that has maintained a mono-economy and huge dependence on oil for many decades without clear demonstration of capacity and intention to diversify. Also, the negative fallouts of subsidy removal is cushioned in these developed countries by excellent public transportation system whereas Nigeria's road, rail, air and water transport systems are in a state of disrepute and most of the players in transportation are private-owners who, in response to fuel price hike, increase prices at will without government interventions that are sustainable. Even when fuel price is lowered, cost of transportation remains high in Nigeria's poorly regulated public transport system; a reality that government has never been able to reliably check or control. Another common argument of government is that once deregulation of the oil sector is achieved, market forces will regulate prices and bring pump price of petrol down ultimately. It is however important to note that such theoretical assumption is dangerous in the Nigerian case. No price that goes up in Nigeria ever come down as Nigerian market systems are neither free nor perfect but ruled by primordial sentiments, cabal high jacking, monopolies and over politicization of even the most competitive economic issues. These are some of the issues that endanger the seemingly plausible government's anti-subsidy arguments. All of these provide the ground for resistance to subsidy removal among the larger population, most of who feel the government is self-serving and insincere.

Overall, Nigerians' preparedness for fuel subsidy removal was/is weak yet the government was/is hasty in removing subsidy without sufficient policies to cater for the aftermath in an already poor economy and fragile socio-political systems (WB, 2010). For instance, the Federal Government of Nigeria had insisted subsidy will not be removed until mid-2012 but went ahead to suddenly remove the subsidy in the first day of the year leaving many stranded and disempowered. Fuel subsidy is a very sensitive and problematic matter in Nigeria and this may remain so for a long time as Nigerians' infrastructural and socio-economic survival remains dependent on oil. For example, there is poor electricity supply in Nigeria and people have to depend on fuel to power their generating sets for both business and domestic activities. Also, public transport

system in the country is still very poor and every one depends on exorbitantly prized and poorly regulated private commercial busses for transporting goods and people.

Once fuel subsidy is removed, transport cost rises astronomically sometimes by 200 per cent, never to return to status quo and the ripple effects on consumer goods are always dangerous for the masses. Largely, an average Nigerian is not ready for subsidy removal and except Nigerian Government put serious and objective mechanisms in place that will convince the people of government's good intentions and capacity to cater for the negative effects of subsidy removals, government will always meet stiff oppositions as it attempts to remove fuel subsidy. This sort of reaction must be expected if transactions within the oil sector remain secret and managed with predatory intentions. A major mechanism that must be put in place is popular and unpoliticised anti-corruption mechanisms and immediate sanitization of the sector as well as networks that will be directed at monitoring objective interventions to institutionalize sustainability. Also, government must demonstrate transparency and accountability across sectors and spending including at the government house. Sufficient palliatives like public transport and dedicated social services for the really poor is important before subsidy is implemented. Until these are done, government's intention to successfully remove subsidy for development (RS4D) may be a mirage even as government is still poised at removing fuel subsidy!

#### Notes

1. Some of these laws include Territorial Waters Act, Exclusive Economic Zone Act, Land Use Act, Oil Pipelines Act, Petroleum Act, Minerals and Mining Act, and National Inland Waterways Act.
2. The International Energy Agency estimated that fuel subsidies to consumers in 37 countries, accounting for 95 per cent of global subsidised fuel consumption, reached \$557 billion in 2008. Quoting from Coady *et al.*'s study, WB (2010) noted that the amount of petroleum product subsidies could reach \$740 billion in 2010.
3. Organisation for Economic Cooperation and Development.

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