

TITLE PAGE

**The Domestic and International Relations of Nigeria's Ministry of
Petroleum Resources, 1971-2015**

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**Submitted by Ponsah Saleh to the University of Exeter as a thesis for the
degree of Doctor of Philosophy in Strategy and Security, October 2020.**

DECLARATION

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LIST OF ABBREVIATIONS/ACRONYMS

| | | |
|--|---|---------|
| Academic Staff Union of Universities | - | ASUU |
| Arab Bank and Agricultural Development in Africa | - | ABADA |
| Arab Petroleum Exporting Countries | - | OAPEC |
| British Petroleum | - | BP |
| Corporate Social Responsibility | - | CSR |
| Central Bank of Nigeria | - | CBN |
| Department of Petroleum Resources | - | DPR |
| Economic and Financial Crimes Commission | - | EFCC |
| Economic Community of West African States | - | ECOWAS |
| Federal Character Commission | - | FCC |
| Federal Executive Council | - | FEC |
| Second World African Festival of Arts and Culture | - | FESTAC |
| Financial Instructions | - | FI |
| General Orders | - | GO |
| Independent Petroleum Marketers Association of Nigeria | | IPMAN |
| International Energy Agency | - | IEA |
| International Labour Organization | - | ILO |
| International Monetary Fund | - | IMF |
| International Oil Company | - | IOC |
| Joint Operating Agreements | - | JOA |
| Joint Task Force | - | JTF |
| Liquefied Natural Gas | - | LNG |
| Major Oil Marketers Association of Nigeria | - | MOMAN |
| Movement for the Emancipation of the Niger Delta | - | MEND |
| National Association of Nigerian Students | - | NANS |
| National Oil Company | - | NOC |
| National Oil and Chemicals Marketing Company | - | NOLCHEM |
| National Petroleum Investment Management Services | - | NAPIMS |
| New Partnership for Africa's Development | - | NEPAD |

| | | |
|---|---|-----------|
| Niger Delta Development Commission | - | NNDC |
| Niger Delta Vigilante | - | NDV |
| Niger Delta People's Volunteer Force | - | NDPF |
| Nigerian National Oil Company | - | NNOC |
| Nigeria Institute for Policy and Strategic Studies | - | NIPSS |
| Nigerian National Petroleum Corporation | - | NNPC |
| Nigerian Extractive industry Transparency Initiative | - | NEITI |
| Nigeria Labour Congress | - | NLC |
| Nigeria Petroleum Refining Company | - | NPRC |
| Nigerian Union of Petroleum and Natural Gas Workers | | NUPENG |
| Oil and Gas Sectors Reform Committee | - | OGSRC |
| Oil and Gas Implementation Committee | - | OGIC |
| Organisation of Islamic Countries | - | OIC |
| Organisation of Petroleum Exporting Countries | - | OPEC |
| Organisation for Economic Co-operation and Development | - | OECD |
| Petroleum Advisory Board | - | PAB |
| Petroleum and Natural Gas Senior Staff Association of Nigeria | | PENGASSAN |
| Petroleum Equalisation Fund | - | PEF |
| Petroleum Intelligence Unit | - | PIU |
| Petroleum Industry Bill | - | PIB |
| Petroleum Product Pricing and Regulatory Agency | - | PPPRA |
| Petroleum Support Fund | - | PSF |
| Petroleum Trust Fund | - | PTF |
| Pipelines Product Marketing and Company | - | PPMC |
| Quota Allocation Board | - | QAB |
| Revenue Mobilization, Allocation and Fiscal Commission | | RMAFC |
| Shell Petroleum Development Company | - | SPDC |
| Subsidy Reinvestment and Empowerment Program | - | SUREP |
| Stakeholder Democracy Network | - | SDN |
| Structural Adjustment Programme | - | SAP |
| Trade Union Congress | - | TUC |

| | | |
|--------------------------------------|---|------|
| United African Company of Nigeria | - | UACN |
| United Nations Development Programme | - | UNDP |

ABSTRACT

As a major oil producing state, there exists in Nigeria a plethora of academic literature on a range of important subjects relating to the political economy of oil and its relationship with growth and development. Similarly, in terms of theorization, uncommon scholarly attention has been devoted to the ‘resource curse’ – a seemingly absurd situation in which resource-abundant states tend to register negative political and economic outcomes than those with less resources. Although some of the propositions of resource curse theorists, particularly the logic of the contradictory relationship between natural resources and ‘curse’ have been debated and challenged, the relevance of the theory continues to endure among academic and policy domains mainly due to widespread corruption in resource-abundant states. One major challenge that limits the usefulness of the existing literature on Nigeria’s oil relates to the concentration on the upstream sector of the oil industry. This situation has led to a situation where academic literature treats the Nigerian oil industry as a monolithic enterprise – a single or unified industry. Consequently, little or no attention has been given to the downstream sector that deals with refining, transportation and marketing of refined petrol. This is in spite of the overwhelming challenges of petrol shortages that have continued to inhibit socio-economic and political activities for most of the post-independence life of Nigeria. Therefore, this study aims to explain the paradox in which a country that has some of the largest oil reserves in the world continues to experience chronic and perennial shortages of petrol. The study notes the influence of forms of politics on the complex nexus that exists between and power and how this relationship has continued to engender thirsts for petrol within the domestic economy of Nigeria. The study argues that the governance system in place for the downstream sector has stifled growth and legitimized political interference by powerful elites across different political administrations. To advance this argument, I turn to the literature on resource curse that explained the effect of the ‘curse’ on ‘institutions’ to highlight how agencies in the downstream sector have been weakened by the dominant political culture in Nigeria. In the same manner, I employed the literature on resource curse that explained the effect of the ‘curse’ on public policies to account for the formation and implementation of subsidy policy in Nigeria’s downstream

sector that serves special interests. While the study established the rationale for the popularity of the policy, I posit that previous attempts to resist the removal of subsidy on petrol by certain stakeholders and the mass of the Nigerian people is misguided and counterproductive. The study contends that the activities of non-state actors such as petrol marketers is characterised by sharp practices that adds pressure on the system of distribution obtained in the downstream sector. Though the study is preoccupied with the study of the domestic challenges inhibiting distribution of petrol, I argue that since Nigeria is an exporter of crude oil and an importer of refined oil, it is subjected to the vagaries of international oil market, a factor that has no doubt contributed to the challenges of petrol shortages within its domestic economy. To explain how Nigeria got hooked in the international market, I traced the foundation of Nigeria's entanglement in international politics that is supported by oil wealth, something that has become a constant behaviour of Nigeria cutting across various administrations since the 1970s. The study concludes that entrenched interests of powerful elites in the downstream sector that has served as a conduit pipe for draining public funds has consistently opposed reforms, sometimes using fronts. The factors noted above combined to challenge the governance of Nigeria's downstream sector leading to persistent petrol shortages. In all, I employed a qualitative method of research where semi-structured interviews were used to generate empirical data which were subsequently triangulated with archival and secondary sources to validate the research findings.

Chapter One

General Introduction

1.1 Background to the Study

This study examines the challenges of governing Nigeria's downstream sector – a subdivision of the oil and gas industry that deals with “refining of petroleum crude oil and the storage and distribution of refined petrol.”¹ It also involves the “processing of raw natural gas as well as the marketing and transportation of products obtained from it.”² Broadly, the downstream sector deals with “petroleum businesses at the level beyond production level.”³ As in many other countries, business activities in Nigeria's downstream sector is mostly intertwined with activities in the midstream sector (service sector).⁴ Therefore, Nigeria's downstream sector covers strategic business activities in the oil industry and brings together a range of important players including refiners, blenders, suppliers, distributors, transporters, storage companies, re-sellers, traders, retail marketers (operators of filling stations), commercial marketers (those who supply to commercial consumers) and specialties marketers (dealers in special products like liquified petroleum gas, aviation fuel among other special products).⁵

Petroleum products are not only essential but are used by almost all classes of people including big and small businesses.⁶ Generally, transporters, industries and private citizens need petroleum products on an almost daily basis.⁷ Considering the importance of the downstream sector in general and the petroleum products in particular, it is expected that policymakers, bureaucrats, industry players and researchers should pay close attention to its governance.

¹ This information is gotten from the website of the Petroleum Services Association of Canada (PSAC). This is available at <http://www.psac.ca/business/industry-overview/> accessed on 15 June, 2018.

² UK Petroleum Industry Association (UKPIA), “The Economic Contribution of the UK Downstream Oil Sector” *Oxford Economics*, February 2019. P. 15

³ The website of the International Organization for Standardization (IOS) 20815. Available at https://en.wikipedia.org/wiki/International_Organization_for_Standardization accessed on 28 May 2018.

⁴ Khan, Sarah Ahmad. *Nigeria: The political economy of oil*. Oxford: Oxford University Press, 1994.

⁵ These players are the key actors in the downstream sector in Nigeria.

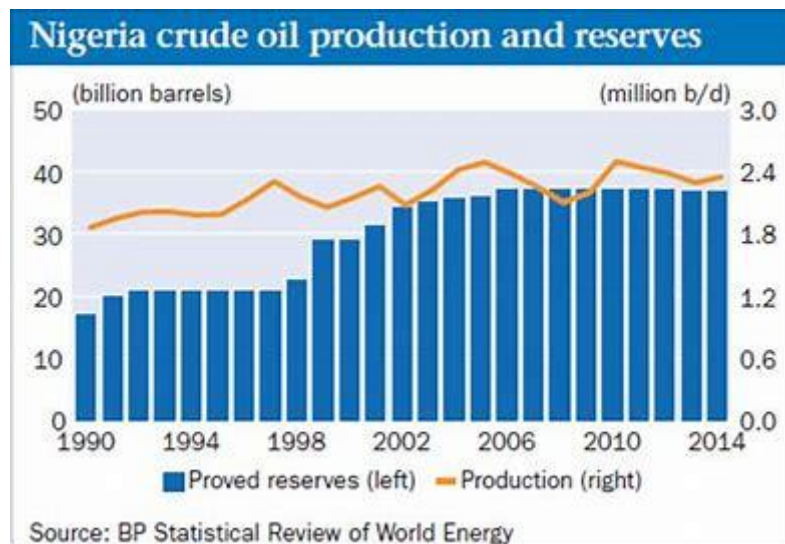
⁶ Bhattacharyya, Subhes C., and Andon Blake. "Domestic demand for petroleum products in MENA countries." *Energy Policy* 37, no. 4 (2009): 1552-1560.

⁷ Iwayemi, Akin, Adeola Adenikinju, and M. Adetunji Babatunde. "Estimating petroleum products demand elasticities in Nigeria: A multivariate cointegration approach." *Energy Economics* 32, no. 1 (2010): 73-85.

On the contrary, there is evident paucity of research and arguably lack of interest among the aforementioned stakeholders in understudying the workings of the downstream sector in Nigeria. If not for anything, the fact that Nigeria has large deposits of oil and gas should stimulate interest among researchers to study the different components of the oil industry.

Among African countries, Nigeria is indisputably the largest producer of oil⁸ and hosts the largest reserves of natural gas in Africa.⁹ At the global level, it is ranked tenth among producers of producers of petroleum fourth in terms of Liquefied Natural Gas (LNG) production in the world in 2015.¹⁰ In 2015, *Oil & Gas Journal* reckoned that Nigeria is host to about 37 billion barrels of proved oil reserves, second only to Libya.¹¹

Figure 1: Nigeria Crude Oil Production and Reserves



Though petroleum was discovered in commercial quantities in the country's Niger/Delta region in the second half of the 1950s, Nigeria joined the association of petroleum manufacturers, the Organisation of Petroleum Exporting Countries (OPEC) in 1971.¹² Membership of the cartel is important considering the fact that

⁸ Country Analysis Brief: Nigeria. US Energy Information Administration May 6, 2016.

⁹ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

¹⁰ BP, *Statistical Review of World Energy*, Excel workbook of historical data, 2015.

¹¹ *Oil & Gas Journal, Worldwide Look at Reserves and Production*, (January 1, 2015)

¹² Secretariat of the Organization of the Petroleum Exporting Countries, *Nigeria facts and figures*, accessed January 2018.

member states are enjoined to participate in all aspects of petroleum activities including production (upstream sector) and refining (downstream sector) and services (midstream sector).¹³

Nigeria's geological environment has blessed its southern belt, particularly the Niger/Delta region with the right of advantage over oil as nature entrusted the country's oil and gas to it – the host of oil wealth. Unfortunately, what ought to be a blessing has turned out to be *a curse in disguise* as the region has had to endure enormous environmental pollution sustained by corporate and state neglect. As a result of many decades of neglect, local groups striving for a bit of the oil wealth frequently raid the oil infrastructure,¹⁴ sometimes compelling the companies to opt for *force majeure*¹⁵ on crude supply. Concurrently, these groups' activities have led to the destruction of pipelines, imposing three consequences – environmental pollution, reduction in produced crude, and shortages in the supply of petrol.¹⁶ Our concern in this study is with the persistent crisis of petrol shortages since the 1970s.

Yet, since the 1970s, Nigeria relies on the proceeds of an oil economy for sustenance.¹⁷ In fact, it is not unusual to see observers referring to Nigeria as a monolithic economy after revenue from oil dwarfed returns from agriculture.¹⁸ Estimates from the International Monetary Fund (IMF) indicate that Nigeria's \$87 billion total earning from oil in 2014, represents about 58 percent of the country's annual revenue for the same year.¹⁹ Similarly, oil represents the major earner of Nigeria's foreign exchange, representing over 95 percent of the net exports for the year 2014.²⁰

Since the country to a great extent relies on oil revenue, any changes to oil price directly or indirectly affects its economy and well-being. IMF figures suggest that

¹³ Aluko, Mobolaji E. "Nigeria and her membership of OPEC." *Africa Economic Analysis* (2007).

¹⁴ IHS Energy, Strategic Horizons, "Nigeria: Heightened sabotage risk to test oil security and reform," (March 31, 2016).

¹⁵ A legal clause that allows a party to not satisfy contractual agreements because of circumstances beyond their control

¹⁶ United Nations Environment Program (UNEP), "Environmental Assessment of Ogoniland," (2011).

¹⁷ Iwayemi, Akin. "Nigeria's internal petroleum problems: perspectives and choices." *The Energy Journal* 5, no. 4 (1984).

¹⁸ Ross, Michael L. "Nigeria's oil sector and the poor." *Position Paper for DFID-Nigeria*, UCLA, Los Angeles (2003).

¹⁹ International Monetary Fund, *Nigeria*, IMF Country Report No. 15/84, (March 2015), pages 28-30

²⁰ International Monetary Fund, *Nigeria*, IMF Country Report No. 15/84, (March 2015), page 85

Nigeria made only \$52 billion from oil sales in 2015. If anything, such a figure is less than the previous year (2014) with about \$35 billion, an amount that has been attributed to the sharp fall in the price of oil at the international market.²¹ It is expected that the country's economic buffers such as the Excess Crude Account and the Sovereign Wealth Fund would be able to reduce the impact of sharp decline in the price of oil.²² Unfortunately, remittances to these strategic accounts have plummeted "from \$11 billion at the end of 2012 to \$2 billion at the end of 2014."²³ There is no guarantee that the \$34.25 billion foreign reserves would continue to grow if the price of oil persists.

In spite of the large stream of revenue being generated from oil, its influences over OPEC (having produced four Secretary-Generals of the body including the present one) affairs, and the geo-strategic advantage as the most dominant oil economy in Africa, Nigeria have been experiencing petrol shortages for the most part of its post-colonial era. Consequently, significant economic damage has been attributed to persistent shortages of petrol. Similarly, since the shortages mostly occur during festive seasons, it may have caused unaccountable damage to the tourism industry and general discomfort to the public. More than any other factor, its inability to resolve the challenges of ensuring regular supply of petrol within its domestic economy betrays its relative social standing as a major oil producer.

However, Nigeria's experience is a sharp reminder that the presence of oil resources is one thing and the ability of the people who own oil to exploit such to serve mankind is entirely another thing. In other words, the possession of natural resources does not mean that the people who possess such natural resources will automatically be able to maximise same. This implies that resources on their own are nothing unless human beings who possess it are able to organise and govern the exploitation of these resources for the good of mankind. Even human beings require organisation and a well thought process of governing them to realise their full potentials. Deducing from the above, this study is driven by a key puzzle; "why does an oil rich country like Nigeria experience petrol shortages?"

²¹ Ibid.

²² Bassey, A. Brown, Collins M. Alobari, M. O. Naenwi, F. A. Dimoji, and Lovina O. Onwuneme. "Excess crude account and sovereign wealth fund as strategic tools for sustainable development in Nigeria." *Journal of Economics and Sustainable Development* 5, no. 2 (2014): 57-61.

²³ International Monetary Fund, *Nigeria*, IMF Country Report No. 15/84, (March 2015), page 85.

To explain this puzzle, I conducted semi-structured interviews or loosely structured interviews with key stakeholders involved in Nigeria's oil industry. I identify four major areas that largely accounts for Nigeria's persistent *thirst*²⁴ for petrol. These are poor governance resulting from political interference in the governing of the downstream sector,²⁵ the menace of petrol subsidy,²⁶ sharp practices by non-state actors including petrol marketers and pipeline vandalizers,²⁷ and the volatile nature of oil prices and obvious lack of priority accorded to the downstream.²⁸

In essence, the result of decades of poor maintenance, the pipelines and refineries have not been performing sub-optimal capacity utilisation leading to perennial shortages in the supply of petrol. These infrastructures are delicate, and require prompt and adequate maintenance not only to resolve suspected problems but also to detect potential ones. Besides, the country's population has continued to grow at an alarming proportion with significant pressure on the existing and poorly maintained infrastructures.²⁹ With more people, the need to have access to petrol increases. The photograph below shows long a queue of intending buyers in a filling station in Abuja, Nigeria's seat of power.

²⁴ The full definition of this introduced concept that drives the explanation of petrol shortages in Nigeria is given at the end of the introduction.

²⁵ The challenge of lack effective and result oriented governing regime for the downstream sector and the penchant for political interference has been explained in Chapter Four.

²⁶ The implementation of a subsidy regime that has turned out to serve special interest is explained in Chapter Five.

²⁷ The culpability of non-state actors including petrol marketers (major and independent marketers alike) and the activities of pipeline vandalizers constitutes the subject of analysis in Chapter Six.

²⁸ Lack of priority on the side of the government and the volatility in the price of petrol at the international market forms the locus of discussion in Chapter Seven.

²⁹ As at 2015 marking the end of the study period, Nigeria's population was estimated to be over 180 million. Currently, the country's population is approximated to be about 200 million. In the 1970s when the refineries were built, Nigeria's population was below 70 million.

Photograph 1

A Petrol Filling Station in the Abuja, Nigeria's Capital City



Source: *Premium Times* January 21, 2018.

Following many years of experiencing petrol shortages, various Nigerian governments have attempted to reform the downstream sector with the hope to resolve the lingering challenges that continue to induce petrol shortages. For example, the transformation from Nigerian National Oil Company in 1976 was to among other things create a more effective and efficient National Oil Company (NOC).³⁰ More robustly, the attempt to restructure the NNPC during the IBB Junta was commendable but could not endure beyond his administration. Considering the flexibility with which government policy and programmes often change, especially with the change in leadership, most of the reform agendas had minimal impact on the precarious condition of the downstream sector in Nigeria.

Following from the thesis on the “paradox of plenty” which explains the contradiction in which resource-rich states tend to produce unimpressive

³⁰ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

economic and political outcomes, I introduced the concept of *paradox of oil thirst*³¹ to explain the paradoxical case of Nigeria that is arguably one of the most endowed oil-rich states but has continued to experience petrol shortages since the 1970s.

In order to make meaning of the thesis, it has been divided into eight chapters each dealing with a specific task but all builds towards the greater argument – why does an oil rich country like Nigeria experience petrol shortages? The following discuss the research problem, aim and objectives, justification and contributions to knowledge of the study.

1.2 Statement of Research Problem

By the end of 1950s, many African countries gained political independence from colonial authorities and with the exception of Southern African countries,³² the continent witnessed a significant transfer of power to African elites.³³ After the attainment of political independence, the responsibility for the coordination of socio-economic activities shifted to the leaders of the new nations.³⁴ In the case of Nigeria, shortly before the attainment of political independence in 1960, and after many decades of intensive exploratory activities in many parts within the Southern belt, Shell/D'Arcy eventually hit a large quantity of oil in 1956 at Oloibiri (in present day Bayelsa State), marking the beginning of an entirely new phase in the nearly five decades of oil exploration activities in the Nigerian area.³⁵ After production began in 1958, the country was producing an approximate 3000 barrels per day.³⁶ It was followed by twelve (12) new discoveries which convinced the explorers of the possibility of greater oil sources within the larger Nigerian

³¹ This concept refers to a situation where an oil-rich state continues to experience petrol shortages for a reasonable period of time. Specifically, this concept applies to Nigeria, a crude oil-exporting country that depends, to a large extent, on the international market for refined oil.

³² Most of Southern African states were still embroiled in the conundrum of racial segregation which has metamorphosed into the theatre of minority rule. For more, see Bauer, Gretchen, and Scott D. Taylor. *Politics in Southern Africa: state and society in transition*. Boulder, CO: Lynne Rienner Publishers, 2005.

³³ Hyam, Ronald. *Britain's declining empire: the road to decolonisation, 1918–1968*. Cambridge University Press, 2007.

³⁴ Jennings, Yves-Renee. "Building on the values of the past as a foundation for sustainable leadership in African countries." *Conflict Trends* 2007, no. 2 (2007): 38-43.

³⁵ Watts, Michael. "Resource curse? Governmentality, oil and power in the Niger Delta, Nigeria." *Geopolitics* 9, no. 1 (2004): 50-80.

³⁶ Udosen, Charles, A-IS Etok, and I. N. George. "Fifty years of oil exploration in Nigeria: The paradox of plenty." *Global Journal of Social Sciences* 8, no. 2 (2009).

area.³⁷ All necessary measures that would ensure quick and easy transportation of crude oil was put in place within the Port Harcourt axis which facilitated the earliest shipment of about “8,500 tons of crude to Rotterdam in March 1958.”³⁸

Though oil had been discovered and production commenced, the posture of the national economy in the first five years of post-independence Nigeria still reflected the colonial economic structure in which agricultural production remained an integral feature, particularly driven by demand from international markets (export-driven).³⁹ However, with increasing demand for local consumption of fuel as a result of a burgeoning population, socio-economic activities coupled with urbanisation, the Federal Government, Shell, British Petroleum (henceforth referred to as BP) and the regional governments (Northern, Western, and Eastern) in Nigeria’s First Republic (1960-1966) agreed and entered into a joint venture to establish a refinery in Port Harcourt to be operated by the BP.⁴⁰ Among other things, the term of the joint venture excluded the producers of crude oil (predominantly Shell-BP) from the payment of royalties as compensation for their obligation to supply the feed for the refinery at the technical production cost.⁴¹ Under this agreement, investors were allowed to make substantial gains, especially when a ‘subsidy’ was introduced to encourage stability in fuel supply.⁴²

However, the demand for massive mobility of weapons and logistics on both sides of the divide during Nigeria’s Civil War (1967-1970) meant that petrol became a strategic commodity.⁴³ Thus, increased demand created demand pressure on petrol. More so, that the only refinery was not functional during the war period.⁴⁴

³⁷ Steyn, Phia. "Oil exploration in colonial Nigeria, c. 1903–58." *The Journal of Imperial and Commonwealth History* 37, no. 2 (2009): 249-274.

³⁸ Steyn, Phia. "Oil exploration in colonial Nigeria, c. 1903–58." p. 270.

³⁹ Akpan, Nseabasi S. "From agriculture to petroleum oil production: What has changed about Nigeria’s rural development?" *International Journal of Developing Societies* 1, no. 3 (2012): 97-106.

⁴⁰ For more on Shell’s corporate dominance of Nigeria’s oil industry, see Frynas, Jędrzej George, Matthias P. Beck, and Kamel Mellahi. "Maintaining corporate dominance after decolonization: the ‘first mover advantages of Shell-BP in Nigeria." *Review of African Political Economy* 27, no. 85 (2000): 407-425.

⁴¹ Bozimo, Ayida. *An account of the Oil sales Tribunal*. Macmillan Nigeria, Ibadan, 1999.

⁴² Ogunsola, Olayinka I. "History of energy sources and their-utilization in Nigeria." *Energy sources* 12, no. 2 (1990): 181-198.

⁴³ Uche, Chibuike. "Oil, British interests and the Nigerian civil war." *The Journal of African History* 49, no. 1 (2008): 111-135.

⁴⁴ S. K. Panter-Brick, 'Biafra', *Institute of Commonwealth Studies Collected Seminar Papers*, 19 (1976), 31–3 ('Collected Papers on the Politics of Separatism').

Therefore, increasing demand with corresponding decrease in supply led to severe petrol shortages stretching throughout the war period.⁴⁵

The post-civil war years had witnessed a momentous transition from agricultural to an oil-dependent economy.⁴⁶ In fact, since the early 1970s, oil has assumed a dominant single economic commodity in the development agenda of the Nigerian state and forms the locus on which Nigeria's relationship with the outside world is based.⁴⁷ Nonetheless, in many occasions during the 1970s, particularly in the second part of the 1970s, petrol shortages became a common feature of domestic socio-economic life of the state with negative repercussions on economic growth and development.⁴⁸ Even the 'pragmatic'⁴⁹ regimes of General Mohammed Murtala/Obasanjo with all its nationalistic development plans geared toward encouraging the growth of local actors known as 'independent marketers' and self-sufficiency, economic activities in 1976 and 1977 were immeasurably affected by petrol shortages, popularly known in Nigeria as 'fuel scarcity.'⁵⁰ Still, the 'liberal policies'⁵¹ that characterized the administration of President Shehu Shagari in the short-lived Second Republic (1979-1983) could not also resolve the challenge in the downstream (refining of petroleum products) sector of Nigeria's oil industry and petrol shortages grounded economic activities for months in 1983.⁵²

Similarly, though many foundations for massive infrastructural development were started during the 'disciplined regime'⁵³ of General Muhammadu Buhari/Idiagbon

⁴⁵ For a detailed account of the oil factor in Nigeria's Civil War, see Heerten, Lasse, and A. Dirk Moses. "The Nigeria-Biafra war: postcolonial conflict and the question of genocide." In *Postcolonial Conflict and the Question of Genocide*, pp. 15-56. Routledge, 2017.

⁴⁶ Joseph, Richard A. "Class, state, and prebendal politics in Nigeria." *Journal of Commonwealth & Comparative Politics* 21, no. 3 (1983): 21-38.

⁴⁷ Shaw, Timothy M. "The state of Nigeria: Oil crises, power bases and foreign policy." *Canadian Journal of African Studies/La Revue canadienne des études africaines* 18, no. 2 (1984): 393-405.

⁴⁸ Guyer, Jane I., and LaRay Denzer. "Prebendalism and the people: The price of petrol at the pump." In *Democracy and Prebendalism in Nigeria*, pp. 53-77. Palgrave Macmillan, New York, 2013.

⁴⁹ Ezirim, Gerald Ekenedirichukwu. "Fifty years of Nigeria's foreign policy: A critical review." *African Political Science Review* 10, no. 1 (2011): 2-4.

⁵⁰ Freund, Bill. "Oil boom and crisis in contemporary Nigeria." *Review of African Political Economy* 5, no. 13 (1978): 91-100.

⁵¹ Falola, Toyin, and Julius Omozuwanbo Ihonvbere. *The Rise and Fall of Nigeria's Second Republic: 1979-1984*. Zed books, 1985.

⁵² Akpoghme, Osi S., and Dele Badejo. "Petroleum product scarcity: a review of the supply and distribution of petroleum products in Nigeria." *OPEC review* 30, no. 1 (2006): 27-40.

⁵³ Agbaje, Adigun, and Jinmi Adisa. "Political education and public policy in Nigeria: the war against indiscipline (WAI)." *Journal of Commonwealth & Comparative Politics* 26, no. 1 (1988): 22-37.

in 1984 to mid-1985, the regime was overthrown within a short time and some of the aggressive projects were discontinued.⁵⁴ The continued reoccurrence of petrol shortages had discouraged potential foreign investors as captured by the *Daily Times* newspaper of Tuesday, March 7, 1983.⁵⁵ Afterwards, petrol shortages continue to resurface with catastrophic consequences on the daily lives of Nigerians. Touring the path of neo-liberal reform package of the Washington Consensus from the mid-1980s down to the first three (3) years of the 1990s, General Ibrahim Babangida's regime could not surmount the challenge posed by persistent petrol shortages.⁵⁶ This was against the backdrop of the government's restructuring programme within the downstream sector. Furthermore, the problem of petrol shortages assumed a momentous challenge during the anti-Western regime of General Sani Abacha which came to power in the 1990s. This challenge was even more considering the ideological posture of the regime against capitalism. Under General Sani Abacha, the *Adams Aret Commission of Inquiry* was instituted to study and recommend ways through which the problem associated with fuel scarcity can be curbed.⁵⁷ Since then, Nigeria would hardly witness stability of supply of this important petroleum product for up to five months without experiencing severe scarcity with negative consequences on the national economy and damaging repercussions on the image of the country.⁵⁸

Furthermore, with the return to democratic transition in 1999, many had thought that the challenges associated with petrol shortages which has become a perennial problem in Nigeria would have been resolved considering that democratic apparatus opens up the system to greater scrutiny and accountability which are necessary ingredients of efficient public management and better economic performance. On the contrary, sixteen years into the democratic dispensation (Nigeria's Fourth Republic) the challenge of fuel scarcity continues to linger with enormous negative implications on the movement of goods and

⁵⁴ Olukoshi, Adebayo, and Tajudeen Abdulraheem. "Nigeria, crisis management under the Buhari administration." (1985): 95-101.

⁵⁵ Adelabu, J. O. "Scary Investment Climate" *Daily Times*, 7 March, 1983. P. 1 and 7.

⁵⁶ Akov, Emmanuel Terkimbi. "Fuel subsidy corruption and the illusions of economic reconstruction in Nigeria." *Academic Journal of Interdisciplinary Studies* 4, no. 1 (2015): 395-395.

⁵⁷ Report of the Adams Aret Commission of Inquiry of September 1993. File No 1127, National Archives Kaduna, P. 1-2.

⁵⁸ Rice, Xan. "Nigerian president yields on fuel subsidy," available at <<https://www.ft.com/content/9592e0cc-4020-11e1-9bce-00144feab49a>> accessed 11th November, 2017.

services. It has become a national embarrassment that a country such as Nigeria that has earned an estimated sum of about US \$400 billion in oil revenue since the 1970s still cannot guarantee constant supply of petrol within its domain.⁵⁹ Regardless of the forms of government or the economic system in place, petrol shortages continue to manifest themselves in Nigeria.

This thesis is an attempt to examine this important puzzle: why does an oil rich country like Nigeria experience petrol shortages? Using mostly archival material, interviews, primary and secondary data sources this study attempt to explain the challenges that have inhibited stable and uninterrupted supply of petrol in Nigeria by considering four major issues ranging from governmental agencies, actors, policies and the character of the international market across different regimes/administrations from 1971-2015.

1.3 Research Questions

To explore this puzzle, this thesis seeks to answer a series of sub-questions:

- I. How do government agencies govern the downstream sector and how has this engendered scarcity of petroleum products in Nigeria?
- II. What is the impact of the implementation of the subsidy regime on the availability of petroleum products in Nigeria?
- III. How have the activities of independent marketers culminated in the scarcity of petroleum products and why has the Nigerian system tolerated them?
- IV. How has petrol price volatility at the international market contributed to petrol scarcity in Nigeria?
- V. What are the recommendations in the governance apparatus within the downstream sector and how can this end the perennial shortages of petrol in Nigeria?

⁵⁹ Osaghae, Eghosa E. "Resource curse or resource blessing: the case of the Niger Delta 'oil republic' in Nigeria." *Commonwealth & Comparative Politics* 53, no. 2 (2015): 109-129. P. 109.

1.4 Aim and Objectives of the Study

1.4.1 Aim of the Study

The aim of the study is to explain the paradox in which a country that has some of the largest oil reserves in the world continues to experience chronic and perennial shortages of petrol. This study develops the hypothesis that a dense nexus of government agencies, marketers, subsidy policy, the character of the international market, and lack of priority have acted to constrain adequate supply of petrol, and more broadly, this has had a deleterious impact on Nigeria's economic performance. Drawing on extensive interviews, archival research, and primary data sources, its primary original contribution to knowledge is both on augmentation of scant research on Nigeria's downstream sector and how this relates to the nature and challenges of oil governance in Nigeria.

1.4.2 Objectives of the Study

The specific objectives of the study are as follows:

- I. To explore the nature of governance of local agencies in the downstream sector and its impact on the availability of petrol in Nigeria.
- II. To assess the implementation of subsidy policy in the downstream sector and its effect on the availability of petrol in Nigeria.
- III. To examine the activities of the independent marketers in the downstream sector and its impact on the availability of petrol in Nigeria.
- IV. To examine the challenge posed by the volatile price of petrol at the international market and how it contributes to petrol shortages in Nigeria.
- V. To offer recommendations and implementation strategies based on the empirical realities that the study unearthed with a view to improve the performance of Nigeria's downstream sector.

1.5 Research Propositions

The fundamental proposition of the study is that the perennial scarcity of petroleum product in Nigeria since the 1970s can be explained through an exploration of four main issue areas namely; government agencies (in the downstream sector), policy (subsidy policy), actors (marketers – major and independent marketers), and international capitalist system (volatility in the price of petrol at the international market).

Drawing from the above assumption, the following propositions are made:

- i. The forms of oil governance in Nigeria's downstream sector create conditions for inevitable shortages in the supply of petroleum products.
- ii. The implementation of petroleum subsidy policy in Nigeria serves special interests and engenders continuous shortages of petrol.
- iii. The activities of both the major and independent marketers in Nigeria's downstream sector are characterised by sharp practices which in turn create conditions for perpetual shortages of petrol.
- iv. The reliance on the international market for petrol has exposed Nigeria to the vagaries of an international market system characterised by volatility.
- v. Reforms in the system of governance, subsidy policy, activities of marketers, and reliance on the international market can resolve the challenge of perennial shortages of petrol in Nigeria.

1.6 Justification of the Study

Undeniably, there is a vast body of literature that exists on the Nigerian oil industry stretching up to the early years of British colonisation. The attention of early scholarly studies focussed on the politics of oil exploration during the colonial era. Some of the scholars in these categories include Cally C. O. Njeze, John M. Carland, and Phia Steyn.⁶⁰ For understandable reasons, when oil was discovered in commercial quantities in the late 1950s and production commences in the same period, increased attention has been given to the study of the political economy of oil in Nigeria leading to the production of masterly works including Nzimiro's "The Political and Social Implications of Multinational Corporations in Nigeria" and Joseph's "Affluence and underdevelopment: the Nigerian experience."⁶¹

⁶⁰ These scholars nearly exhausted the colonial adventurous search and governance of exploratory activities in colonial Nigeria. Their works include Njeze, Cally CO. "Oil Concessions and Land Acquisition in Nigeria." PhD diss., University of Cambridge, 1978; Carland, John M. *The colonial office and Nigeria, 1898-1914*. Hoover press, 1985; and Steyn, Phia. "Oil exploration in colonial Nigeria, c. 1903–58." *The Journal of Imperial and Commonwealth History* 37, no. 2 (2009): 249-274.

⁶¹ Ikenna Nzimiro, "The Political and Social Implications of Multi-National Corporations in Nigeria", in Carl Widstrand (ed.), *Multinational Firms in Africa*, Uppsala 1975; and Joseph, Richard A. "Affluence and underdevelopment: the Nigerian experience." *The Journal of modern African studies* 16, no. 2 (1978): 221-239.

Interestingly, greater attention was recorded in the period of oil boom of the 1970s coupled with Nigeria's expanding role in African international relations.⁶² In the 1980s, studies by Brian Pinto, Timothy M. Shaw, and Peter O. Olayiwola sought to understand the effect of the global recession and oil glut on resource dependent states like Nigeria.⁶³ In the 1990s, inspired by the collection of Richard M. Auty's works on resource curse thesis – a seemingly absurd situation where resource abundant states tend to record unimpressive economic and political outcomes, many researchers began to study Nigeria as a country that provides the clearest manifestation of resource curse.⁶⁴ On the link between natural resources and conflict, works by Jędrzej George Frynas, Eghosa Osaghae, Cyril Obi and Kenneth Omeje are undoubtedly reference materials for students concerned with the development in Niger Delta.⁶⁵

In fact, only a few sectors of a country's life can attract the kind of attention that Nigeria's oil industry has drawn culminating in the publication of a bibliographical

⁶² For an extensive coverage of the oil boom and its effect on Nigeria's international relations, see Ihonvbere, Julius Omozuanbo, and Timothy M. Shaw. *Towards a Political Economy of Nigeria: Petroleum and Politics at the (semi)-periphery*. Gower Pub Co, 1988; Shaw, Timothy M. "The state of Nigeria: Oil crises, power bases and foreign policy." *Canadian Journal of African Studies/La Revue canadienne des études africaines* 18, no. 2 (1984): 393-405; and Falola, Toyin, and Julius Omozuanbo Ihonvbere. *The Rise and Fall of Nigeria's Second Republic: 1979-1984*. Zed books, 1985.

⁶³ Pinto, Brian. "Nigeria during and after the oil boom: A policy comparison with Indonesia." *The World Bank Economic Review* 1, no. 3 (1987): 419-445; Shaw, Timothy M. "Nigeria restrained: Foreign policy under changing political and petroleum regimes." *The Annals of the American Academy of Political and Social Science* 489, no. 1 (1987): 40-50; and Olayiwola, Peter O. *Petroleum and Structural change in a Developing Country: the Case of Nigeria*. New York: Praeger, 1987.

⁶⁴ For details on Richard M. Auty's works, see Auty, Richard M. *Resource-based industrialization: Sowing the oil in eight developing countries*. Oxford: Clarendon Press, 1990; and Auty, Richard M. "Natural resource endowment, the state and development strategy." *Journal of International Development: The Journal of the Development Studies Association* 9, no. 4 (1997): 651-663. For a clearer study of how Nigeria is manifesting symptoms of resource curse, see Watts, Michael. "Resource curse? Governmentality, oil and power in the Niger Delta, Nigeria." *Geopolitics* 9, no. 1 (2004): 50-80. Inspired by Auty's works, scholars like Cyril Obi while focusing on Nigeria, analysed the manifestation of resource curse thesis. For details, see Obi, Cyril I. "The petroleum industry: A paradox or (sp) oiler of development?" *Journal of Contemporary African Studies* 28, no. 4 (2010): 443-457.

⁶⁵ Frynas, Jędrzej George. *Oil in Nigeria: conflict and litigation between oil companies and village communities*. Vol. 1. LIT Verlag Münster, 2000; Frynas, Jędrzej George. "The oil industry in Nigeria: conflict between oil companies and local people." In *Transnational Corporations and Human Rights*, pp. 99-114. Palgrave Macmillan, London, 2003; Osaghae, Eghosa E. "The Ogoni uprising: oil politics, minority agitation and the future of the Nigerian state." *African affairs* 94, no. 376 (1995): 325-344; Osaghae, Eghosa E., Augustine Ovuoronye Ikelegbe, Omobolaji O. Olarinmoye, and Stephen I. Okhomina. *Youth Militias, Self Determination, and Resource Control Struggles in the Niger-delta Region of Nigeria*. Dakar: Council for the Development of Social Science Research in Africa, 2011; and Omeje, Kenneth. "Oil conflict in Nigeria: Contending issues and perspectives of the local Niger Delta people." *New Political Economy* 10, no. 3 (2005): 321-334, Omeje, Kenneth. *High stakes and stakeholders: Oil conflict and security in Nigeria*. Routledge, 2017,

guide to help interested researchers on Nigerian oil industry entitled a *bibliographical reconnaissance* by Ann Genova and Toyin Falola.⁶⁶ Obviously, these various studies cut across the entire spectrum of social sciences and have enriched our knowledge of the evolution and development of the governance of Nigeria's oil industry and how the forms of politics of the country affects oil operations at large. Notwithstanding, the extant literature and the heightened awareness on the subject of Nigerian oil industry, the available literature is deficient in two observable areas – scope and methodology.

Firstly, the scope of available literature is limited to the study of the upstream sector of the Nigerian oil industry. Generally, activities in the oil industry are categorised into three main parts – upstream, midstream and downstream. The upstream sector concerns the “exploration and production of oil,”⁶⁷ the midstream sector essentially deals with the technical services such as transportation and storage of oil and the downstream sector involves the “refining of crude oil as well as marketing and distribution.”⁶⁸ Most of the available literature on Nigeria's oil industry explored the upstream and midstream sectors such as works on issues relating to the revenue accrued from oil production and its management have been extensively studied. In fact, it has attracted the attention of not only students of politics but even of other disciplines like management and geography that critique the implication of oil exploration in the Niger Delta region and also experts in law, who evaluates the challenge of corporate social responsibility between the International Oil Companies (IOCs) and hosts communities. However, there is a marked paucity of scholarly works on the downstream sector of Nigeria's oil industry and this serves as a clear motivation to investigate an essential area that continues to evoke unpleasant conditions in the lives of many Nigerians and even non-Nigerians who do business in Nigeria.

Similarly, studies that utilised the theory of resource curse to study the Nigerian oil industry most often are not conscious of the inherent organisational divisions within the oil industry (upstream, midstream and downstream). Therefore, the Nigerian oil industry is invariably treated as a single monolithic subject, drawing

⁶⁶ Genova, Ann, and Toyin Falola. "Oil in Nigeria: A bibliographical reconnaissance." *History in Africa* 30 (2003): 133-156.

⁶⁷ Nordås, Hildegunn Kyvik, Eirik Vatne, and Per Heum. "The upstream petroleum industry and local industrial development: a comparative study." (2003).

⁶⁸ Ibanga, Ifiok. "The economics of privatizing and deregulating the Nigerian downstream oil sector." *Valore International* (2005): 1.

attention to the most obvious aspects of exploration, production and management of oil revenue. This has created a situation where the downstream sector which has direct effect on human life (regardless of class) and on which every member of the Nigerian society depends, remains under-researched. This study seeks to augment existing works on the resource curse thesis by providing empirical explanation to support/refute the features of resource curse in Nigeria's downstream sector.

Aside from the above, the existing literature on the Nigerian oil industry is methodologically limited as the vast majority of studies which are made tend to rely, almost exclusively on secondary sources. The logic that informs the choice of secondary sources is in an over-reliance on reports of international bodies. For example, Michael Watts, Richard Auty, Roland Hodler among others largely rely on secondary studies on the Nigerian oil industry with little evidence through interaction with industry players and archival sources to augment the gap in the literature concluded on what Rosser critically describes as "inconclusive evidence."⁶⁹ To augment our understanding, this study is based on interviews conducted by the researcher involving the local actors within the Nigerian oil industry.

1.7 Theoretical Orientation and Argument

The study identified three major theoretical perspectives related to the subject of investigation. However, only one is adopted as the theoretical framework suitable for the study. Since the first major oil shocks of the 1970s, scholars have been preoccupied with research on the effect of natural resources on oil producing countries.⁷⁰ Even though the thrust of the available literature differs in relative terms, these literatures can be categorised into three but related theoretical approaches – Dutch disease, rentier state, and institutions/conflict models. All the approaches observed negative outcomes in the economic, political and social life of countries that are rich in natural resources. The views of the three related models within the resource curse theory are extensively reviewed in the chapter two on literature review but brief explanation is provided below.

⁶⁹ Rosser, Andrew. *The political economy of the resource curse: A literature survey*. P. 3.

⁷⁰ Gylfason, Thorvaldur. "Natural resources, education, and economic development." *European economic review* 45, no. 4-6 (2001): 847-859.

The idea that birthed academic studies on the resource curse thesis can be traced to the pioneer work of Singer, Prebisch, and Nankani among others in the 1950s.⁷¹ But these early works were lacking in depth until the 1970s when Mahdavy's study on the state of Iran as a classic example of a rentier state provided a clearer link/explanation on the curse of natural resources.⁷² Later, scholars like Giacomo Luciani and Hazem Beblawi helped to popularise the theory by arguing that rentier states are essentially characterised by "dependence on revenue from economic rents."⁷³ In essence, this theory argues that dependence on rents that forms an integral feature of rentier states produced two related negative outcomes – economic inefficiency and hindered development.⁷⁴ In estimating the political cost of the dependence on rents, this school of thought argues that rents support and stabilise authoritarian regimes and provide incentives for corruption leading to poor economic performance.⁷⁵ In a similar manner, scholars including Auty and Sachs argue that natural resource-rich states tend to experience economic regression instead of growth and associated challenges such as corruption, failure of institutions and high degree of volatility to the international market environment.⁷⁶

Taking into consideration the research puzzle which seeks to explain why an oil rich country like Nigeria experiences petrol shortages, I analysed the inefficiency in the governance of the downstream sector as a consequence of resource curse. Using empirical data to augment the secondary sources, and building on the perspective of Martin Becky who studied the impact of the oil dependence on economic and institutional inefficiency, I argue that Nigeria's inability to develop

⁷¹ Singer, Hans W. "The distribution of gains between investing and borrowing countries." In *The Strategy of International Development*, pp. 43-57. Palgrave Macmillan, London, 1950; Prebisch, Raúl. "The latin american common market." *New York* (1959); and Nankani, Gobind T. *Development problems of mineral exporting countries: a background study for" World development report"*, 1979. World Bank, 1979.

⁷² Mahdavy, Hossein, "The patterns and problems of economic development in rentier states: the case of Iran", in *Studies in the Economic History of the Middle East*, ed. M. A. Cook. Oxford University Press, 1970.

⁷³ Luciani, Giacomo, and Hazem Beblawi, eds. *The Rentier State*. Croom Helm, 1987.

⁷⁴ Beck, Martin. "The reindeer State approach and the problem of deviating cases", *Journal of International Relations* (2007): 43-70.

⁷⁵ For the political effect of rents dependence by resource-rich states, see Mahdavy, Hussein, "The patterns and problems of economic development in rentier states", 1971. Pp. 428-467; Ross, Michael L. "Does oil hinder democracy?" *World politics* 53, no. 3 (2001): 325-361.

⁷⁶ Auty, Richard M. *Resource-based industrialization: Sowing the oil in eight developing countries*. 1990; Sachs, Jeffrey D., and Andrew M. Warner. "The curse of natural resources." *European economic review* 45, no. 4-6 (2001): 827-838.

infrastructures within the downstream sector to guarantee constant supply of petrol to its population are essentially the negative outcomes of resource curse. Similarly, I utilised the position of Hossein Mahdavy and also that of Michael Ross to argue that Nigeria's three decades of military-authoritarian rule, during which corruption and mal-governance became intrinsic, where the consequences of dependence on oil rents and can be explained within the theoretic contention of rentier state model, a sub-theory of the resource curse thesis. Also, I utilised the position of scholars on rentier state to contradict the position of the dependency school and to posit that dependence on external markets for both rents and supply of refined petrol makes Nigeria susceptible to the inherent crisis of volatility in the price of petrol on international markets.

On the other hand, I relied on the postulations of resource curse theorists including Mehlum⁷⁷ and Alayli⁷⁸ to explain the inefficiency of agencies and the policy of petroleum subsidy in the Nigerian downstream sector resulting in corruption that serve the interest of powerful elites while worsening the supply gap of petrol in Nigeria. Lastly, using the institutions/conflict model of Hamilton et al., and Kenneth Omeje, I posits that the oil-the lack of integration of local communities into the position of stakeholders has given rise to oil conflicts leading to the vandalization of oil pipelines which partly accounts for the shortages experienced, especially when the agitation by Niger Delta youths took a militant posture after the killing of Ken Saro and the eight others by the Abacha regime.

However, all the arguments rely on the empirical data from the field to buttress the position of existing literature on the resource curse. As would be seen in the section on methodology, empirical data was generated through semi-structured interviews with stakeholders in Nigeria's oil industry. The following section discussed the methods of data collection and analysis

1.8 Scope of the Research

As explained in the introduction above, this thesis attempts to explain the inability of an oil producing state to supply petrol to its domestic economy, a problem

⁷⁷ Mehlum, Havlor Kalle Moene and Ragnar Torvik, "Institutions and the Resource

⁷⁸ Alayli, Mohammed Ali. "Resource rich countries and weak institutions: The resource curse effect." *Retrieved December 8 (2005): 2008.*

associated with the downstream sector. The focus is on Nigeria's downstream sector as a case study. To this end, the governance of agencies in the downstream sector, the role of non-state actors (petrol marketers, Niger Delta militants and pipeline vandalizers), subsidy policy, and the adverse effect of oil price volatility at the international market as well as lack of priority to the sector constitutes the focus of analysis.

In terms of periodization, the specified time frame for this study is between 1971 to 2015. Historians including Grinin⁷⁹ and Blackbourn⁸⁰ argued that in order to produce a coherent account of human societies, there is a need for researchers to consider what he termed as "structure" – "dividing the past into distinct eras."⁸¹ This may have informed the labelling of certain periods such as the Dark Ages or the Age of Reason. While this has helped students of history to understand the inherent differences as well as similarities in the teaching and researching of the past, the labelling has also led to the treatment of certain periods with a sense of 'superiority or inferiority' over other periods because of their perceived importance.⁸² But as Stearns further argues, periodization remains an important "conceptual tool that makes change over time a manageable topic, and therefore history teaching feasible."⁸³

Based on the justification provided above, it would be difficult to understand contemporary Nigerian politics and history if it is studied as a whole without a deliberate attempt to create historical eras that are constructed around major historical events. Following from here, this study identifies the year 1971 as the period that Nigeria began to participate actively in the affairs of the oil industry, a period that is marked by the establishment of Nigeria National Oil Company (NNOC) the first government agency saddled with the role of overseeing the oil

⁷⁹ Grinin, Leonid E. "Production revolutions and periodization of history: A comparative and theoretic-mathematical approach." *Social Evolution & History* 6, no. 2 (2007): 75-120.

⁸⁰ Blackbourn, David. "'The horologe of time': Periodization in history." *PMLA* 127, no. 2 (2012): 301-307.

⁸¹ Bentley, Jerry H. "Cross-cultural interaction and periodization in world history." *The American Historical Review* 101, no. 3 (1996): 749-770.

⁸² Stearns, Peter N. "Periodization in world history teaching: Identifying the big changes." *The History Teacher* 20, no. 4 (1987): 561-580.

⁸³ *Ibid.*, p. 561

sector.⁸⁴ On the other hand, 2015 is chosen because of its political significance – a year in which Nigeria’s opposition party ‘won’ an election over the incumbent party leading to a change of government.⁸⁵ Ali Mazrui regarded the significance of this kind of event – where opposition wins over the incumbent party, as a major milestone in the development of democratic governance in Africa.⁸⁶

While the time period for the study is clearly stated, Henretta notes that historical studies have the tendency to overlap.⁸⁷ This implies that there are certain explanations that may stretch over to periods not covered by this study. In specific terms, this study made reference to periods before 1971 in the introductory notes of some of the chapters. However, this does not in any way invalidate the choice of periodization.

1.9 Methodology: Brief Introduction

Like almost all academic inquiries, this study has a defined procedure that was used in accomplishing it. So as to achieve this goal, a whole chapter is dedicated to the explanation of the method that was used in generating data and how the data was analysed. Therefore, chapter three of this study is devoted to the explanation of the systematic means through which data was generated and evaluated.

1.10 Contributions to Knowledge

Fundamentally, this study contributes to existing knowledge in three distinct areas – the scope of coverage on the one hand, methodological angles on the other hand, and in between are other forms of contributions that cannot be placed on either of the sides. This has been explained below in detail.

As noted in the section on justification of the study, there exists dozens of researches on the theme of Nigeria’s oil industry. These publications have no doubt expanded our understanding, not only of Nigeria’s oil industry but also our knowledge of the nature of the Nigerian society. However, most publications on

⁸⁴ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007. P. 15

⁸⁵ This allows us to study events before the immediate present.

⁸⁶ Mazrui, Ali A. "Decaying parts of Africa need benign colonization." *Debating the African Condition: Ali Mazrui and His Critics*. Vol. 2, *Governance and Leadership* (2004): 339-341.

⁸⁷ Henretta, James A. "Social history as lived and written." *The American Historical Review* 84, no. 5 (1979): 1293-1322.

Nigeria's oil industry have almost exclusively focussed on the upstream sector – exploration and production of crude oil. Unfortunately, most of the publications have treated the Nigerian oil industry as a single indivisible entity that is organised and operated as a monolithic system.

Recognising this inadequacy, this study brings to light the important yet little-studied downstream sector of Nigeria's oil industry. Though a handful of articles may exist explaining an element of the challenges, no other work, at least to our knowledge, has focussed exclusively on examining the challenges of petrol shortages in a more elaborate way as the present study. It illuminates the sector that has for whatever reason, remained largely unattractive to scholars. By filling up this identified gap, the study has thrown an open invitation to scholars and policy drivers to look in the direction of the downstream sector and also challenged scholars to begin to probe further into related themes as have been suggested in chapter eight of this thesis. But this is not all.

On the other hand, this study has generated significant empirical data through the employment of qualitative interviews with relevant stakeholders within the Nigerian downstream sector. It is my conviction that an exploratory study of the governance system in place in Nigeria's downstream sector can hardly be understood without engaging the actors – active and passive alike.⁸⁸ Thus empirically generated data, validated through triangulation techniques supplements the scarce materials on Nigeria's downstream sector. In no small measure, the empirical data would serve as a shoulder on which future researchers can stand on to advance the boundaries of what is known in Nigeria's downstream sector. Essentially, the generated data looks at the internal wrangling among stakeholders devoid of external pressure. The focus on the internal dynamics is significant considering that most of the literature on Nigeria's downstream sector have for understandable reasons focused on the external actors such as multinational corporations and Western governments with interest in Nigeria's oil and gas sector. This will enrich the debate on the role of domestic

⁸⁸ Active actors are the set stakeholders who make decisions and implement such decisions. Therefore, policymakers and executioners fall within this category. On the other hand, passive actors can be retailers or commercial petrol marketers who do not make decisions or implement them but are significant in understand the fuller extent of government policy and the success of implementation. These group of actors can also be the consumers of petrol.

agency in influencing outcomes (negative and positive outcomes) and clarify development discourse which has over the years emphasised the perceived role of the external actors as a determinant force on African development. It is from this unique angle that the thesis' contribution to knowledge can be appreciated.

Other contributions can be derived from the theoretical angle. As noted in chapter two, this study relies on the dominant position of resource curse theory to explain the contradiction where petrol thirst continues to persist in the domain of a major oil producer. While acknowledging some of the inherent limitations of the resource curse, I argue that no theoretical stand captures this essential paradox as much as resource curse thesis. It is my conviction that the generated data helps to substantiate the existence of symptoms of resource curse in Nigeria's downstream sector. In other words, the postulators of the theory of resource curse can find ready empirical data to drive their position from my study of the governance of Nigeria's downstream sector. It is my conviction that the various topical issues that form the empirical chapters (4, 5, 6 and 7) can be used to extend the manifestation of resource curse in Nigeria's downstream sector. Therefore, the thesis has contributed in three defined areas as noted in the beginning of this section. It is within these three angles that the contributions of the thesis can be explained.

1.11 Organisation of the Study

Chapter one of this study covers the general introduction and presents the puzzle of the research. It discusses the general aim of the thesis as well as the underlying objectives underpinning the research. It explains the justification for the study and states the reason why the research on the downstream sector is important. This chapter also outlined the major contributions of the thesis to the body of existing knowledge.

In chapter two, the thesis identified and reviewed three main theoretical frameworks of analysis including modernization, dependency and resource curse theories. It would be difficult to engage in any serious historical, political and economic research on any African society without reflecting on these dominant theoretical frameworks. Besides, Nigeria has been ruled most of its post-colonial era by the military. Therefore, it would be difficult to explain developments in the

period of military rule without engaging in debates on soldiers as agents of modernization. However, the inadequacy of the modernisation and dependency schools informed the adoption of the resource curse thesis to guide the flow of analysis.

The third chapter basically explains the methodology of data collection and analysis of generated data. Here, explanation of the rationale for the choice of qualitative empirical-historical methodology is given. Also, the chapter covers such interesting themes like the epistemological and ontological orientation of the research.

While the first three chapters cover the preliminary aspect of the research, the fourth, fifth, sixth and seventh chapters cover the empirical analysis of the research. To begin with, chapter four explains the system of governance in place in Nigeria's downstream sector. It argues that the system of governance allows the deployment of naked power that constraints the growth of the sector. To this end, the technology of power needs to be altered to abrogate the present reality where political interference is perceived as the legitimate means of control of the downstream sector. Following from here, I argue that private sector involvement must be at the centre of any proactive reform.

In chapter five, I explained the role of policy in sustaining petrol thirst within Nigeria's downstream sector. I submit that the subsidy policy that has been in place since the early 1970s has only served special interests. It encourages smuggling of petrol into neighbouring states for higher gains and promotes dirty deals at the Nigerian ports as well as kills local refineries. I argue that removal of the petrol subsidy is non-negotiable but must be done with caution as the people have been brainwashed to believe that it is the only way they can benefit from the nation's oil wealth.

In chapter six, the study looks at the role of private actors such as operators of petrol filling stations and commercial retailers. It also covers the activities of pipeline vandalizers and militant activities in the Niger/Delta region – the host of Nigeria's oil resources. The chapter notes that marketers of petroleum products

engaged in sharp practices of different kinds including adjustments of fuel pumps and smuggling of petrol as well as hoarding of petrol to create artificial scarcity.

Chapter seven looks at two main factors that have contributed to petrol shortages in Nigeria. The first has to do with lack of will on the side of the political class to prioritise the growth and development of the downstream sector. Under this first section, I examined the search for extra-territorial relevance through numerous diplomatic adventures that have cost the country huge fortunes that would have been dedicated to the development of the sector. Secondly, I examined the effect of oil price volatility in the international market and how this has impacted on the supply of petrol in Nigeria's domestic economy.

The final chapter (eight) draws the conclusion from previous chapters and makes recommendations as well as outlined implementation strategies that can be used to effect reform in the downstream sector. The chapter reiterated the major contributions of the study to knowledge and outlined areas for further research.

Chapter Two

Theoretical Framework

2.1 Introduction

In this chapter, I reviewed three dominant theories that have been employed in the studies of most subjects in African social sciences and humanities – meta theories. These theories include modernization, dependency and resource curse theories. Ordinarily, one would assume that since the study dwells more on the domestic challenges of Nigeria, the choice of theoretical framework should be on some domestic level theories. But as I argue below, these theories represent the foundation of African social sciences and humanities – they formed the foundation on which to understand African states. In spite of the focus of these theories on the nature and structure of the global capitalist system, they form the basis of our review because of two related reasons. Firstly, modernization and dependency theories are reviewed because I am examining theories that examine the political economy of African states. It is thus important to start the review from a macro-level perspective to a micro-level view. While the modernization and dependency schools of thought would form the macro-level perspectives, the resource curse theory looks at the domestic contradictions in a resource abundant state like Nigeria. From this unique angle, one can appreciate the system and forces at play in Africa.

Similarly, in spite of their limitations, Matunhu argues that the dependency and modernisation theories, for example remain the most influential views in the study of states in the Global South.⁸⁹ Perhaps one can argue that other theories have emerged to challenge Matunhu's position but again, the theory on resource curse is directly related to the crux of the present study. As noted by Mawere, more than any rationale, the usefulness of modernisation and dependency theories can be derived from the historical link between colonized countries like Nigeria and the international capitalist system.⁹⁰ On the other hand, Robinson et al. argues that most research seeking to explain the paradoxical situations where oil producing states tend to produce unexpected outcomes would find resource

⁸⁹ Matunhu, Jephias. "A critique of modernization and dependency theories in Africa: Critical assessment." (2011).

⁹⁰ Mawere, Munyaradzi. *Theorising development in Africa: Towards building an African framework of development*. Langaa RPCIG, 2017.

course thesis most useful.⁹¹ This review identifies the position, limits and relationship of the theories with the theme of the study. However, out of the three theories reviewed, the study adopts the resource curse hypothesis to guide the analysis of the research puzzle which seeks to explain why an oil rich country like Nigeria experiences petrol shortages. To enable the flow of the existing literature, the chapter is further divided into three subthemes namely; 2.2 modernisation theory, 2.3 dependency theory, and 2.4 resource curse theory. In addition, each of the three sub themes is further subdivided into other subtitles for greater comprehension.

2.2 Modernisation Theory

The 1950s witnessed the rise of various intellectual inquiry which seeks to explain the causes of social progress and the necessary conditions for societal development in general.⁹² Among many of such attempts, the modernisation school of thought acquired significant space in the social sciences.⁹³ Derived from the works of Max Weber, the theory claimed that social progress can only be attained through the transition from traditional orientation toward a modern system of practice, defined as “advanced and new.”⁹⁴ In its variant on social dualism developed by economist Boeke Julius Herman, developing societies are treated as having two parts - modern and traditional. The modern part according to Boeke, can progress to modernity through interaction with the external industrial capitalist societies of Western Europe and America.⁹⁵ On the contrary, the traditional part of developing societies would remain undeveloped without such interaction with the outside world.⁹⁶ However, as prescribed by Rostow and Kennedy, the traditional societies of what they regarded as the *Third World* can

⁹¹ Robinson, James A., Ragnar Torvik, and Thierry Verdier. "Political foundations of the resource curse." *Journal of development Economics* 79, no. 2 (2006): 447-468.

⁹² Lindblom, Charles E. "Political Science in the 1940s and 1950s." *Daedalus* 126, no. 1 (1997): 225-252.

⁹³ Webster, Andrew. "Modernisation Theory." In *Introduction to the Sociology of Development*, pp. 41-64. Palgrave, London, 1990.

⁹⁴ Holub, Robert. "Modernism, modernity, modernisation." *The Cambridge history of literary criticism* 9 (1989): 277-287. p. 280.

⁹⁵ Boeke, Julius Herman. *Economics and economic policy of dual societies, as exemplified by Indonesia*. International Secretariat, Institute of Pacific Relations, 1953.

⁹⁶ Boeke, Julius Herman. *Economics and economic policy of dual societies, as exemplified by Indonesia*. p. 3.

have the benefit of modernisation if it allows for the rapid injection of “capital, institutions and values.”⁹⁷

Inspired by the dual society thesis, Parsons further argues that the emergence of new forms of technology supported by the desire to improve on the traditional means of state organisation compels state managers and their subjects to advance toward modernisation.⁹⁸ However, this paradigm came under severe attacks in the 1970s when thinkers of the dependency school like Andre Gunder Frank and Walter Rodney and theorists of the *world system* thesis like Immanuel Wallerstein and Karl Polanyi raised questions challenging the dependability of the modernisation thesis.⁹⁹ Critics have argued that the precondition for modernisation described by its proponents licensed the annihilation of autochthonous forms of civilisations as a pathway to the enthronement of Western values and institutions.¹⁰⁰ Drawing from the simple meaning of modern which signifies “present times or current circumstance”, Dunn argued, existing societies qualify as having the outward trappings of ‘modern’ society.¹⁰¹

Again, the framework of the modernisation school has also been accused of promoting a narrow view of modernisation because of its limited focus on Western society as the standard through which ‘modernity’ is measured.¹⁰² Consequently, scholars like Stephanie Neuman and John Brohman charged modernists thinkers of promoting the cultural superiority of Europeans known in social science discourse as “eurocentrism.”¹⁰³ This accusation stems from the historical bias of

⁹⁷ Rostow, Walt Whitman and Michael Kennedy. *Theorists of economic growth from David Hume to the present: with a perspective on the next century*. Oxford University Press on Demand, 1992. p. 3.

⁹⁸ Parsons, Talcott. *Talcott Parsons on institutions and social evolution: selected writings*. University of Chicago Press, 1985.

⁹⁹ For works on the dependency school, see Frank, Andre Gunder. "The development of underdevelopment." In *Promise of development*, pp. 111-123. Routledge, 2018, and Rodney, Walter. "How Europe Underdeveloped Africa: Bogle-L'Ouverture Publications." (1973). But to understand the world system theory and the critic of modernisation theory, see Wallerstein, Immanuel. *The capitalist world-economy*. Vol. 2. Cambridge University Press, 1979. Block, Fred, and Margaret Somers. "Beyond the economic fallacy: The holistic social science of Karl Polanyi." *Vision and method in historical sociology* (1984): 47-84.

¹⁰⁰ Matunhu, Jephias. "A critique of modernization and dependency theories in Africa: Critical assessment." *African Journal of History and Culture* Vol. 3(5), pp. 65-72, (2011).

¹⁰¹ Dunn, Thomas M. "The Failings of Liberal Modernisation Theory." *E-International Relations*. From < [www. E-ir. info/2013/6/26/the-failings-of-liberal-modernisation-theory/](http://www.E-ir.info/2013/6/26/the-failings-of-liberal-modernisation-theory/)>(Retrieved on 20 January 2014) (2013).

¹⁰² Mouzelis, Nicos. "Modernization, under development, uneven development: prospects for a theory of third world formations." *The Journal of Peasant Studies* 7, no. 3 (1980): 353-374.

¹⁰³ Neuman, Stephanie G., ed. *International relations theory and the Third World*. Basingstoke: Macmillan, 1998. Also, see Brohman, John. "Universalism, Eurocentrism, and ideological bias in

tracing modernisation to epochal events in Europe such as the Industrial Revolution and the French Revolution, all of which began in Europe. Closely, critics with anthropological orientations like Herb termed Thompson's views on modernisation theory as being ethnocentric for its particular reference to Western values.¹⁰⁴ Following from the attempt by scholars of politics to conflate modernisation with other terminologies of the larger social sciences like development and democratisation,¹⁰⁵ Tipps contended that it is bound to lose its precise meaning and unlike most social phenomena, it is problematic to debunk.¹⁰⁶ Similarly, an empirical examination of the theory revealed its penchant for neglecting international structural effects that act to constraining/determining or enabling social change in the developing societies.¹⁰⁷

As has been pointed out in the beginning of this review, there are many versions of the modernisation school and this work is not interested in reviewing the whole framework of the theory of modernisation. This is because the subject of our inquiry relates to institutions and systems, and thus constitutes a small element in the discourse on social progress and modernisation in general. Therefore, in relation to the subject of our inquiry which focuses on explaining persistent shortages in the supply of petrol in an oil-rich country like Nigeria, the central doctrine of the modernisation school may not be related but element of the theory, particularly its sub-theory which perceived the military institution in developing societies as "agents of modernisation"¹⁰⁸ would require further attention. Again, the review of this aspect of the larger theory would enable an understanding of the role of the military and system in Nigeria's downstream sector with a view to ascertain their response to the issue under consideration. This is particularly important considering the extensive length of military rule in Nigeria. Therefore, the following sub-theme focussed essentially on reviewing existing literature on

development studies: from modernisation to neoliberalism." *Third World Quarterly* 16, no. 1 (1995): 121-140.

¹⁰⁴ Thompson, Herb. "Culture and economic development: modernisation to globalisation." *Theory & Science* 2, no. 2 (2001).

¹⁰⁵ Sakwa, Richard. "Modernisation, neo-modernisation, and comparative democratisation in Russia." *East European Politics* 28, no. 1 (2012): 43-57.

¹⁰⁶ Tipps, Dean C. "Modernization theory and the comparative study of national societies: A critical perspective." *Comparative studies in society and history* 15, no. 2 (1973): 199-226.

¹⁰⁷ Brown, William. "Africa and international relations: a comment on IR theory, anarchy and statehood." *Review of International Studies* 32, no. 1 (2006): 119-143.

¹⁰⁸ Mazrui, Ali A. "Soldiers as traditionalizers: Military rule and the re-Africanization of Africa." *World Politics* 28, no. 2 (1976): 246-272.

the sub-theory of 'soldiers as modernisers' inspired by the general theory of modernisation.

2.2.1 Soldiers as Modernisers

The theoretical influence of the modernisation school inspired a diverse range of sub-theories spread across the entire spectrum of social sciences in the 1960s.¹⁰⁹ One of the sub-theories which is an offshoot of the modernisation school is the view that sees "soldiers as modernisers."¹¹⁰ The views of this sub-theory first appeared in Johnson's edited *Role of the Military in Underdeveloped Countries* published in 1962.¹¹¹ In that work, the authors, including but not limited to Edward Shills and Lucian W. Pye argued that the nature of training of the armed forces which involves rational calculation, effectiveness in the use of modern weaponry (technology), the experience of coordinating technical violence," and what Bayo further referred to as the capacity for "rational decision" qualifies it (the military institutions) as the "*avant-garde* of science and technology in developing societies."¹¹² Even before the 1970s, Huntington already maintained the position that the military mind is scientifically oriented and socially disciplined; "military and civilian writers generally seem to agree that military mind is disciplined, rigid, logical, scientific..."¹¹³ It is within this purview that Pye concludes that the military organisation, more than any other institution in the developing societies, possessed unmatched capacity for modernisation.¹¹⁴

This perspective which situated the military as the leading organisation in the agenda of modernising developing societies was employed as the guiding principle of many studies on the role of military in African societies especially during the heydays of military intervention in African politics. To this end, Ernest E. Levefer unreservedly posits:

¹⁰⁹ Valenzuela, Arturo. "A note on the military and social science theory." *Third World Quarterly* 7, no. 1 (1985): 132-143.

¹¹⁰ There are a lot of published works on the sub-theory of 'soldiers as modernisers.' However, the position of early thinkers such as Edward Shills, Lucian W. Pye, and Guy J. Paucher provide a firm guide.

¹¹¹ Johnson, John Asher. *Role of the Military in Underdeveloped Countries*. Princeton University Press, 1962.

¹¹² Bayo Adekson, J. "On the Theory of Modernising Soldier: A Critique." *Current Research on Peace and Violence* (1978): 28-40.

¹¹³ Huntington, Samuel P. *The soldier and the state*. Harvard University Press, 1981.

¹¹⁴ Pye, W. Lucian. "Armies in the Process of Political Modernization," in Johnson, John Asher ed. *Role of the Military in Underdeveloped Countries*. Vol. 2343. Princeton University Press, 1962.

“The African armies tend to be the most detribalised, westernised, modernised, integrated, and cohesive institutions in their respective states. The army is usually the most disciplined agency in the state. It often enjoys a greater sense of national identity than other institutions. In technical skills, including the capacity to coerce and to communicate, the army is the most effective agency in the country...A more vivid symbol of sovereignty than the flag, the constitution or the parliament, the army often evokes popular sentiment than a political leader.”¹¹⁵

Some scholars even went as far as to advance a class argument in support of the theory of armed forces as agents of modernisation. In this category are Shills, Janowitz, and Johnson who maintained that the military elements are recruited from among middle-class populations who have the mental orientation of modern values. To this end, Janowitz submitted that most of the middle-class and lower-middle class populations in these countries are raised and nurtured in the urban towns and cities within the peripheral states with a good blend of modernity and great sense of urban mentality.¹¹⁶ Though the literature on recruitment of the armed forces noted the tendency for ethnic biases in the recruitment of armed forces, the factor of class distinction has not appeared strongly in the case of Nigeria. The point that the recruitment of the Nigerian armed forces were more often than not influenced by ethnic cleavages, it challenges the organisational prowess put forward by Luckham.¹¹⁷ Dummar however, inserted Janowitz’s perspective when he averred that preferences were giving to the nominated candidates of the members of the aristocracy during the *Nigerianization*

¹¹⁵ Lefever, E. W. *Spear and Spectre: Army, Police and Politics in Tropical Africa*, Washington, DC: Brookings Inst (1970).

¹¹⁶ Janowitz, Morris. *The military in the political development of new nations: an essay in comparative analysis*. Chicago: University of Chicago Press, 1964.

¹¹⁷ Luckham, Robin. "The Nigerian Military." PhD diss., University Press, 1971.

(transition from colonial to Nigerian armed forces) of the armed forces preparatory to political independence.¹¹⁸

However, diverging views on the modernizing role of the armed forces have extensively been echoed. In many instances, these often-contradictory views expressly questioned previous attempts to conflate modernization and political development as one indivisible concept. For example, Samuel P. Huntington led the debate over the inherent variation between the two contradictory concepts providing definitional boundaries that have continued to provide useful guides to scholarship. Derived from Huntingtonian views of modernization, Ali Mazrui defines modernization as the “complex process of social and economic change generated by the growth of new towns and cities, the spread of mass education, the extension of mass communication, and the process of industrialisation.”¹¹⁹ Conversely but still following on Huntington, Mazrui argued that political development is “a process by which a society acquires an institutional capability to handle the political and social pressures which are generated by the process of modernization.”¹²⁰

However, there are opposing views that challenged the assumption of the modernizing role of the armed forces in developing countries. The central notion of these opposing persuasions did not recognise any meaningful deviation from civilian attitudes and treats the military institution as a unit within the general confine of government. In this equation, Claude E. Welch made an extravagant assertion:

“It is clear that the armed forces have not fulfilled the predictions of some scientists, put forward during the early 1960’s, that their organisation, modernity and nationalism would make them the leaders of the modernization process in their countries. On the other hand, their performance as rulers in this regard has possibly not been

¹¹⁸ Dummar, Fredrick C. *The History of the Nigerian Army and the Implications for the Future of Nigeria*. ARMY COMMAND AND GENERAL STAFF COLL FORT LEAVENWORTH KS, 2002.

¹¹⁹ Huntington, Samuel P. "The change to change: Modernization, development, and politics." *Comparative politics* 3, no. 3 (1971): 283-322.

¹²⁰ Mazrui, Ali A. "Soldiers as traditionalizers: Military rule and the re-Africanization of Africa." *World Politics* 28, no. 2 (1976): 246-272.

much worse than that with which might have been achieved by the available alternatives.”¹²¹

Far away from the African shores, many authors who made initial predictions without firm familiarity with the African socio-economic environment began to reverse their postulations. But even before Welch, Lee had doubted the view that African armed forces would provide a more effective form or alternative administration to their civilian counterparts.

“There is little evidence to indicate that African armies are better instruments of ‘modernization’ than their civil servant counterparts. Indeed, all the organizations of the State appear to face a common threat of problems.”¹²²

2.2.2 The Nigerian Military and Oil Sector

The following review will focus on ascertaining the degree to which the armed forces have served as agents of modernization in Nigeria’s oil sector. This is purposely chosen because of the long years of military rule in Nigeria stretching longer than democratic rule. This will enable the understanding of the ‘unique’ role of the armed forces in Nigeria’s post-colonial history, especially the post-Civil War years when the country began to gain from oil exports as a result of the oil boom of the 1970s. Except elsewhere, empirical findings have not identified Nigeria’s military regimes as playing unique roles within the economic front leading to massive industrialisation. However, there is a massive pool of academic resources which based on nationalistic design imbued with realist conservatism, apportioned a ‘giant’ status to the Nigerian state in the heydays of military rule and the era of oil boom – the 1970s. The leading figures of this realist view are Bolaji Akinyemi and Olajide Aluko who focussed on forms and not the structure, argued that Nigeria under the military elites in the 1970s has emerged as a powerful member of the international system and exhibited the

¹²¹ Welch, Claude Emerson, and Arthur K. Smith. *Military role and rule: Perspectives on civil-military relations*. Brooks/Cole, 1974.

¹²² Lee, John Michael. *African armies and civil order*. Vol. 13. Chatto & Windus, 1969. p. 184.

clearest example of “development.”¹²³ These scholars including Ogunbadejo, Kirk-Greene and Rimmer posits that Nigeria emerged from the ruins of war to a “Newly Influential” member of the international community.¹²⁴ Based on his earlier proposition of Nigeria’s manifest destiny described as *Pax Nigeriana*, Akinyemi contended that Nigeria’s radical posture regarding its support for liberation in Angola and South Africa in the 1970s was made possible by the proactive skills of the armed forces who were in power.¹²⁵ These scholars argued that the sense of military organisation supported by the oil boom saw Nigeria leading other frontline states to play a pivotal role in continental Africa.¹²⁶ Akinyemi noted how “Nigeria’s military machine” subordinated the remaining vestiges of colonial enterprise in Africa as exemplified in its hard stand against Portugal in Angola and minority regimes in Zimbabwe and South Africa.¹²⁷

No doubt, Nigeria’s influence increased in the 1970s partly as a result of increased price of oil in the international market which also enabled the military regimes of Murtala/Obasanjo’s government to play a more forceful role in its foreign policy, argues Mayall.¹²⁸ This point was echoed again by Herskovits when she noted that:

“Oil has invigorated what was once called 'Africa's sleeping giant'. It permitted Nigeria to finance its civil war and thus strengthened the country's international independence. Oil made possible an unparalleled post-war recovery.”¹²⁹

However, one can argue that the radical posture of Nigeria in the 1970s was a factor of its gains from the sales of oil at the international market rather than the perceived modernising role of the armed forces. But even within this realist

¹²³ Akinyemi, A. Bolaji. *Nigeria and the world: readings in Nigerian foreign policy*. Nigerian Institute of International Affairs, 1978.

¹²⁴ Ogunbadejo, Oye. "Nigeria's Foreign Policy under Military Rule 1966–79." *International Journal* 35, no. 4 (1980): 748-765.

¹²⁵ Akinyemi, A. Bolaji. *Nigeria and the world: readings in Nigerian foreign policy*. Nigerian Institute of International Affairs, 1978.

¹²⁶ Akinyemi, Bolaji A. 1979. "Mohammed/Obasanjo foreign policy." In *Nigerian Government and Politics under Military Rule, 1966-1979* edited by Oyeleye Oyediran, 150-168. London: Macmillan.

¹²⁷ Akinyemi, Bolaji A. 1979. "Mohammed/Obasanjo foreign policy." In *Nigerian Government and Politics under Military Rule, 1966-1979* edited by Oyeleye Oyediran, 150-168. London: Macmillan.

¹²⁸ Mayall, James. "Oil and Nigerian foreign policy." *African Affairs* 75, no. 300 (1976): 317-330.

¹²⁹ Herskovits, Jean 'Dateline Nigeria: a black power', in *Foreign Policy* (Washington), 29, Winter 1977-78, p. 17

projection of a powerful Nigeria within the range of newly industrialising economies, Peter Evans maintained that Nigeria's role within the range of middle powers remained vague considering that oil, a commodity whose price is prone to fluctuation at the international market, remains the basic "qualification for its semi-peripheral status."¹³⁰ In an unambiguous rejection of the realist assumption, Segun Osoba, a vocal critic of this view observed:

"This ideology, initially inspired by the departing colonial authorities and later dressed up in academic respectability by Western and some Nigerian scholars, became the colossal myth used to gloss over all the ugly contradictions in Nigeria's domestic and foreign policies."¹³¹

Yet, Joseph Garba noted that Nigeria demonstrated the middle-power status in regard to liberation movements and expended millions of US dollars and this is aside the large sum of money expended in pursuit of diplomatic entourage.¹³²

Following massive gains in oil revenue, Ihonvbere et al. made the point that Nigeria's military elites were driven by the *illusions of power* (emphasis in the original) which in the words of Shaw was "wrongly estimated."¹³³ Shaw opined that its international image did not translate into modernisation at its domestic front as the state was still at its embryonic stage lacking basic amenities and often crippled by petrol shortages.¹³⁴ While the pursuit of foreign policy is necessary for the survival of a state, new states as Nigeria needed to invest in domestic infrastructure, science and industrialisation, argues Shaw and Aluko.¹³⁵ In another work, Shaw elaborately questioned the capacity of the military elements

¹³⁰ Evans, Peter B. *Dependent development: The alliance of multinational, state, and local capital in Brazil*. Princeton University Press, 2018.

¹³¹ Osoba, Segun. "The economic foundations of Nigeria's foreign policy during the First Republic, 1960–1965." *Topics on Nigerian Economic and Social History*. edited by IA Akinjogbin and SO Osoba (1980): 208-233. p. 209.

¹³² Garba, Joseph Nanven. *Diplomatic soldiering: the conduct of Nigerian foreign policy, 1975-1979*. Spectrum Books Ltd, 1991.

¹³³ Ihonvbere, Julius Omozuanvbo, and Timothy M. Shaw. *Illusions of power: Nigeria in transition*. Africa World Press, 1998.

¹³⁴ Shaw, Timothy M. "Nigeria restrained: Foreign policy under changing political and petroleum regimes." *The Annals of the American Academy of Political and Social Science* 489, no. 1 (1987): 40-50.

¹³⁵ Shaw, Timothy M., and Olajide Aluko. *Nigerian Foreign Policy: alternative perceptions and projections*. Springer, 1983.

when he averred that “the priority of the military regimes was clearly misplaced.”¹³⁶ With millions of US dollars accrued from oil, Ihonvbere et al. observed that the state continued to expand “beyond its reach” and there was little effort made to save the proceeds accrued from oil toward the development of critical infrastructure in the oil sector.¹³⁷ Yet, in the midst of the oil boom, the local economy was recurrently hurt by severe shortages in the supply of petrol, described by Freund as reaching a “crisis” proportion in the later part of the 1970s.¹³⁸

Shaw and Fasehun explained that the military instead of playing the role of a modernising agent in Nigeria, constrained the growth of a local bourgeoisie class, engendering perpetual dependence on the international market for basic commodities including petrol.¹³⁹ The International Labour Office (ILO) made the point more extravagantly clear when it argues that while Nigeria’s international influence witnessed exponential growth, its domestic economy remained pedestrian, unable to meet the basic needs of its people and its expenditure has not “made much impact on the conditions of the majority of its population.”¹⁴⁰ But in seeking to explain the dwindling fortunes of the domestic economy against the booming international price for oil in the 1970s, Nzimiro preferred to blame the active role of multinational corporations, reinforcing the view that blame unfavourable international economic climate for the inability of Nigeria’s ruling military class to provide basic resources such as petrol for its local population.¹⁴¹

From the review of empirical literature on the modernizing role of the military, it has increasingly become clear that the Nigerian military, since independence have not met the predictions of scholarly positions on the perceived role of the

¹³⁶ Shaw, Timothy M. "Nigeria restrained: Foreign policy under changing political and petroleum regimes." *The Annals of the American Academy of Political and Social Science* 489, no. 1 (1987): 40-50.

¹³⁷ Ihonvbere, Julius Omozuanvbo, and Timothy M. Shaw. *Towards a Political Economy of Nigeria: Petroleum and Politics at the (semi)-periphery*. Gower Pub Co, 1988.

¹³⁸ Freund, Bill. "Oil boom and crisis in contemporary Nigeria." *Review of African Political Economy* 5, no. 13 (1978): 91-100.

¹³⁹ Shaw, Timothy M., and Orobola Fasehun. "Nigeria in the World System: alternative approaches, explanations, and projections." *The Journal of Modern African Studies* 18, no. 4 (1980): 551-573

¹⁴⁰ International Labour Office. *First things First: meeting the basic needs of the people of Nigeria*. Addis Ababa: Jobs and Skills Programme for Africa. 1981.

¹⁴¹ Ikenna Nzimiro, "The Political and Social Implications of Multi-National Corporations in Nigeria", in Carl Widstrand (ed.), *Multinational Firms in Africa*, Uppsala 1975, p. 210.

military in developing societies. Instead of modernization as opined by military scholars like Johnson, Coleman, Huntington, Pye among others, Osoba argued that the military institutions killed the progressive agenda in Nigeria and misappropriated national wealth leading to the institutionalisation of corruption.¹⁴²

Added to the structural explanation made by ILO, one would be forced to question the position of earlier literature on the modernising role of the military in relation to its inability to invest the gains of many years of oil revenue in infrastructures in Nigeria. This would bring to question the position of military scholars such as Edward Shills and Lucian W. Pye who portrayed the armed forces as disciplined, scientific, and rational and based on which they concluded that it will be a force for modernization in developing countries. Against the view that the armed forces are rational calculators, the Nigerian experience demonstrated that it has shown less agency in taking rational decisions such as in mitigating against the interest of international capitalism as observed by Nzimiro. Again, the glaring show of indiscipline in the management of state resources exhibited by the military elements who siphoned the larger chunk of revenue accrued from oil as documented in Osoba's "corruption in Nigeria: historical perspectives" further contradicted the thesis on "soldiers as modernisers." Similarly, Shills' contention that the armed forces in developing countries demonstrate "rational calculation of interest," and possessed the capacity to minimise loss and maximize gains, has been challenged by the continues inability to respond to persistent shortages of petrol within its domestic front in Nigeria for more the nearly thirty years of its stint in power.

Though the theory attempted to explain the military intervention in African politics, it does not possess the theoretical ingredient to study the paradoxical case where a country like Nigeria, with an abundance of oil and gas, yet continues to experience shortages in the supply of petrol to its population. However, the theory tries to explain the expanding role of Nigeria foreign policy during the era of military rule. Notwithstanding, our concern is not with the explanation of Nigeria's foreign policy but with the domestic angle and how agencies of government, actors and policies have shaped our understanding of the crisis of petrol shortages. As can be seen from the above explanations of the limitations of the

¹⁴² Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386.

theoretical strength of the thesis on 'soldiers as modernisers', the framework can help us to understand some of the local discontent and inherent friction between the different groups in the Nigerian armed forces as represented by M. J. Dent's work on the "relation between the army and the political process."¹⁴³ But it is certainly inadequate to aid the explanation of the structure that creates the unavailability of petrol on the streets of Nigeria, a major oil producer. As the critical voices against the modernising role of the military have shown, there was nothing spectacular about the role of the military regarding modernisation leading Mazrui to conclude that instead of becoming modernisers, the armed forces, in most of Africa, were indeed "traditionalists."¹⁴⁴

2.3 Dependency Theory

Approaches to development issues and the whole framework of progress in societies around the world in the 1950s and early 1960s focussed mainly on the concept of successive stages of growth in which the progress in society was seen as a series of sequential stages through which all countries must pass through as advanced by the modernisation paradigm reviewed above.¹⁴⁵ Dissatisfied with the modernisation theory, scholars including Raul Prebisch and Hans Singer formulated a new model which argued that the conditions of the underdeveloped societies of the world in which Africa was the capital, was a result of unfavourable terms of trade that favours developed societies at the detriment of underdeveloped ones.¹⁴⁶ The Prebisch-Singer thesis as it was initially known was later expanded upon by the aggressive inputs of Marxist oriented scholars such as Paul A. Baran and Andre Gunder Frank, and proponents of structuralism, represented by Prebisch and Celso Furtado. The central thesis of this model is that the conditions of underdevelopment of "peripheral" states is created by the process of the development of capitalism leading to their integration into the world capitalist system. According to Frank, the mechanism of colonisation which resulted in the integration of even the remotest angles of the periphery into the

¹⁴³ M. J. Dent, "The Military and Politics: A Study of the Relation between the Army and the Political Process in Nigeria," in Robert Melson and Howard Wolpe, eds., *Nigeria: Modernization and the Politics of Communalism* (East Lansing: Michigan State University Press 1971), 373. 16 Ibid)5 43-4

¹⁴⁴ Mazrui, Ali A. "Soldiers as traditionalizers: Military rule and the re-Africanization of Africa." *World Politics* 28, no. 2 (1976): 246-272.

¹⁴⁵ Rostow, Walt Whitman, and Walt W. Rostow. *The stages of economic growth: A non-communist manifesto*. Cambridge university press, 1990.

¹⁴⁶ Toye, John FJ, and Richard Toye. "The origins and interpretation of the Prebisch-Singer thesis." *History of political Economy* 35, no. 3 (2003): 437-467.

global capitalist network birthed underdevelopment. This process of integration, Frank argues, involves:

“...a whole chain of constellations of metropolis and satellites [or “peripheries”] relates all parts of the whole system from its metropolitan centre in Europe or the United States to the farthest outpost in the Latin American countryside.”¹⁴⁷

It is also the primary position of the dependency school that the lack of technology and associated challenges of nationhood inhibiting the development of poor states are the same conditions that have created wealth in the “centre” (Europe and America). Following this line of thought, Frank argues that “economic development and underdevelopment are the opposite faces of the same coin.”¹⁴⁸ It is important to note that the dependency theory sees development in terms of international and domestic power relationships. As a result, the effort toward development of the periphery has been frustrated by the same forces of Western imperialism.¹⁴⁹ As a result of structural exploitation of the peripheral regions of the world, Frank et al. avers that it has been “condemned to underdevelopment.”¹⁵⁰

This perspective gained greater currency in Africa as it was popularised by Ghana’s independence leader and nationalist, Kwame Nkrumah.¹⁵¹ In his widely cited work *Neo-Colonialism: The Last Stage of Imperialism*, the radical leader upturned his initial contention that Africans should “Seek ye first the political kingdom and all things shall be added unto you”.¹⁵² Instead he argued that there was a new form of colonialism which seeks, among many things, to exercise

¹⁴⁷ Frank, Andre Gunder. *Latin America: underdevelopment or revolution: essays on the development of underdevelopment and the immediate enemy*. Vol. 165. NYU Press, 1969.

¹⁴⁸ Frank, Andre Gunder. *Capitalism and underdevelopment in Latin America*. Vol. 93. NYU Press, 1967.

¹⁴⁹ Headrick, Daniel R. *Power over peoples: Technology, environments, and Western imperialism, 1400 to the present*. Vol. 41. Princeton University Press, 2012.

¹⁵⁰ Frank, Andre Gunder, Barry Gills, and Barry K. Gills, eds. *The world system: five hundred years or five thousand?*. Psychology Press, 1996.

¹⁵¹ Kwame Nkrumah was a renown Pan-Africanist leader shaped by Leninism, a branch of Marxism that was applied in Communist Russia under V. I. Lenin.

¹⁵² He used the maxim to organise the struggle for independence of Ghana but would later realise that political independence without its economic component was a mere sham. as neo-colonialism

control over the newly independent states from outside their territory but not necessarily by their former colonisers. In his words:

“The essence of neo-colonialism is that the State which is subject to it is, in theory, independent and has all the outward trappings of international sovereignty. In reality, its economic system and thus its political policy is directed from outside.”¹⁵³

Built on this perception, Walter Rodney organised one of the most popular theses on Africa’s engagement with the Western world entitled *How Europe Underdeveloped Africa* which chronicled the various stages in which Africa appears to have been exploited throughout modern history. The writer advanced the position that Africa’s human and material resources have over the years been completely exploited from slave-trade to legitimate trade through to the period of colonialism.¹⁵⁴

However, critics including Thomas F. O'Brien and Tony Smith observed that the central orthodoxy of the theory is simplistic and biasedly constructed to exonerate the ruling African elites from their failure to generate development after independence.¹⁵⁵ Specifically, O'Brien argued that by denying or underemphasising the factor of African initiative in the development process, this also undermines the most rewarding period of African history.¹⁵⁶ On his part, Smith noted that the theory is biasedly framed to justify the failures of African ruling elites who are participants in both colonial and post-colonial transactions leading to (under)development.¹⁵⁷ In essence, Namkoong argued that a genuine political and economic development in post-colonial Africa must be based on perceptions and actions of political actors as they attempt to bring order and meaning into situations where power is exercised, and resources are allocated.¹⁵⁸

¹⁵³ Nkrumah, Kwame. *Neo-Colonialism: The Last Stage of Imperialism*. New York: International (1966). p. 9.

¹⁵⁴ Rodney, Walter. *How Europe Underdeveloped Africa*. London, 1972.

¹⁵⁵ O'Brien, Thomas F. "Dependency revisited." *Business History Review* 59, no. 4 (1985): 663-669.

¹⁵⁶ O'Brien, Thomas F. "Dependency revisited." p. 667.

¹⁵⁷ Smith, Tony. "The logic of dependency theory revisited." *International organization* 35, no. 4 (1981): 755-761.

¹⁵⁸ Namkoong, Young. "Dependency theory: concepts, classifications, and criticisms." *International Area Review* 2, no. 1 (1999): 121-150.

Such an exercise involves a rational calculation of interest, since the individual's behaviour in any given situation is, in large measure, is influenced and shaped by his perception of the situation, from which emerges same calculations of gains and losses and hence an attempt to minimise loss and maximize gains.

Other critics observed the contradictions with the suggestions proffered by the dependency theorists. Leading this school, Ernesto Laclau argues that dependency thesis is obsessed with structural relations between the metropolises and satellites leading to a misunderstanding of capitalism. To Laclau, the shift in focus toward the nature of markets by the dependency theorists like Frank and Cardoso has limited their appreciation of the modes of production, which more than any other factor defines capitalism.¹⁵⁹ Based on the position above, Peter Bauer and Martin Wolf criticised the view that the implementation of economic protectionism would result in strengthening the economic muscles of dependent economies paving way for development.¹⁶⁰ To this end, Allen maintained that Latin American economies that adopted protectionist economic principles experienced severe economic isolations leading to failed expectations and produced negative outcomes.¹⁶¹ In a more convincing criticism of the dependency school, Johnson argues that the emphasis on external determinism makes it prone to commit "serious methodological error and to mistake the specificity of national or regional phenomena."¹⁶² Again, Johnson argues that the theory has dwelled too much on "economics and lack of emphasis on sociology" of the underdeveloped societies of the world.¹⁶³ Gabriel Palma added his voice to the limits of dependency in the following words:

"I have criticized those who fail to understand the specificity of the historical process of the penetration of capitalism into Latin America, and only condemn its negative aspects,

¹⁵⁹ Laclau, Ernesto. *Politics and Ideology in Marxist Theory New Left Books*. p. 12.

¹⁶⁰ Bauer, Péter Tamás. *Dissent on development*. Harvard University Press, 1976; Wolf, Martin. *Adjustment Policies and Problems in Developed Countries: A Study of the Problems Created By, and Policies Toward, the Imports of Manufactures from Developing Countries*. Vol. 349. World Bank, 1979.

¹⁶¹ Allen, Robert C. *Global economic history: a very short introduction*. Vol. 282. Oxford University Press, 2011.

¹⁶² Johnson, Dale L. "Economism and determinism in dependency theory." *Latin American Perspectives* 8, no. 3-4 (1981): 108-117.

¹⁶³ Johnson, Dale L. "Economism and determinism in dependency theory." p. 112.

complementing their analysis with a series of stagnationist theses, in an attempt to build a formal theory of underdevelopment.”¹⁶⁴

2.3.1 Nigeria and the International Capitalist Structure

Having seen the limits of dependency school, we will now try to narrow the review to the specific case of Nigeria in order to see the extent to which the theory can help in the study of persistent scarcity of petrol products in an oil rich country like Nigeria. Under this focus however, we noted that the literature does not relate in specific terms to the domestic governance of Nigeria’s downstream sector but it relates to the explanation of the volatile posture of the international capitalist market to which Nigeria depends for the sale of crude oil and also the supply of petrol.

The fundamental position of the dependency school that is relevant to the subject of this study relates with the attribution of challenges of national development on the international structure of capitalism, specifically in relation to the volatile nature of the international market for refined petroleum products and also the “particular relationships and struggles between social classes and groups at the international and as well as at the local level.”¹⁶⁵ Contrary to Frank’s exiguous explanation of the role of agencies in the whole drama of national development, Cardoso and Faletto deepen the discourse on the role of local or domestic forces in the continuation or opposition to imperialist exploitation in post-colonial settings. To Cardoso and Faletto, dependency produces two observable features.¹⁶⁶ The first case of dependency is a situation in which national governments exercise strong control or agency over issues of national development, particularly security (economic security in the case of this study). The second case of dependency relates to what Cardoso and Faletto termed as “enclave situation.”¹⁶⁷ Under the second scenario, external forces exercise

¹⁶⁴ Palma, Gabriel. "Dependency: a formal theory of underdevelopment or a methodology for the analysis of concrete situations of underdevelopment?" *World development* 6, no. 7-8 (1978): 881-924.

¹⁶⁵ *Ibid.*, p. 173.

¹⁶⁶ Cardoso, Fernando Henrique, and Enzo Faletto. *Dependency and development in Latin America (Dependencia y desarrollo en América Latina, engl.)*. Univ of California Press, 1979.

¹⁶⁷ *Ibid.*, pp. 17-18.

unequal dominance and the local state does not possess active agency.¹⁶⁸ Clearly, the responsibility to provide petrol to Nigeria's economy is purely a domestic factor but it can be constrained by the volatile character of the international market for oil as has been studied by Olomola & Adejumo, and Iwayemi et al.¹⁶⁹ However, the emergence of any pattern of dependency identified by Cardoso and Faletto is determined by the kind of "alliances among and between" domestic and external forces, argues Cardoso and Faletto.¹⁷⁰ Ilan Kapoor noted that the interaction among and between local and external forces also include:

"groups and ideologies (labour, peasantry, national or collaborating bourgeoisie, state bureaucracy, landed/traditional oligarchies, the army, ethnic groups, nationalism, populism, multinational corporations, international financial systems, foreign states, etc."¹⁷¹

Inspired by earlier versions of dependency theory, Samir Amīn took the debate to another level altogether. He argued that the accidental emergence of Western capitalism from a feudalist origin – "a particularly backward form of the tributary mode of production that characterised all early civilisations",¹⁷² lay the foundation of unequal development in the global system (in favour of the West). Therefore, the vantage position of early capitalist societies explains the growth of unequal development within the international system. Consolidating this position, Walter Rodney and Andre Gunder Frank, in separate theses, posited that with the emergence of capital, Europe took the lead in reaching out to the world through the development of sea power capability which fueled the consequent conquest and colonisation of Africa.¹⁷³ Though this has remained a subject of debate, there has been no better explanation to the emergence of the more powerful societies

¹⁶⁸ Kapoor, Ilan. "Capitalism, culture, agency: dependency versus postcolonial theory." *Third World Quarterly* 23, no. 4 (2002): 647-664.

¹⁶⁹ Olomola, P. A., & Adejumo, A. V. (2006). Oil price shock and macroeconomic activities in Nigeria. *International Research Journal of Finance and Economics*, 3(1), 28-34; Also consult Iwayemi, Akin, and Babajide Fowowe. "Impact of oil price shocks on selected macroeconomic variables in Nigeria." *Energy policy* 39, no. 2 (2011): 603-612.

¹⁷⁰ Kapoor, Ilan. "Capitalism, culture, agency: dependency versus postcolonial theory." *Third World Quarterly* 23, no. 4 (2002): 647-664.

¹⁷¹ *Ibid.*, p. 651.

¹⁷² Amīn, Samīr. *Imperialism and unequal development*. New York: Monthly Review Press, 1977.

¹⁷³ Frank, Andre Gunder. "The development of underdevelopment." *The sustainable urban development reader* (2004): 38-41.

of the global North. Yet, this cannot explain, sufficiently, the contemporary challenges of persistent shortages of petrol in an oil producing economy, considering that power has long been handed over to Nigerian elites, who themselves have continued unabated, the raking of various national resources without justification.¹⁷⁴

Influenced by earlier underdevelopment scholars, Claude Ake maintained that Africa's crisis of development can be understood from its historic and prolonged engagements, particularly with the West. Consequently, this has been responsible for Africa's persistent crisis of "underdevelopment".¹⁷⁵ In a more specific sense, the author contended that most Africa's effort towards development have continuously failed to materialise because the various development plans originated from outside, designed and programmed by Western-controlled institutions. He referred to this as "exogenous development plans".¹⁷⁶ In a separate but related work, Ake argued that the quest by Western powers to pressure African states to build democratic structures may not be successful. In other words, the forceful "exportation of neoliberal democracy" which characterised the post-Cold War Order would encounter resistance from what he termed as "endogenous development agenda".¹⁷⁷ He maintained that African states must design an "African-type democracy"¹⁷⁸ which would accommodate the unique posture of African socio-political system if at all, democracy was to succeed. The crux of his argument is that the Western powers who are the promoters of democratisation on the African continent tend to create a suitable environment for capitalist's investment with the significant aim of continuous exploitation of the abundant resources of the continent, including petroleum resources.

In spite of the criticism mounted on some of the literature against the overemphasis on external factors in the progress of developing societies, many scholarly researchers remained convinced that the external posture of international capitalism is at the core of the challenges of industrialisation within the underdeveloped societies. Focussing on the Structural Adjustment

¹⁷⁴ Smith, Daniel Jordan. *A culture of corruption: Everyday deception and popular discontent in Nigeria*. Princeton University Press, 2008.

¹⁷⁵ Ake, Claude. *Democracy and development in Africa*. Brookings institution press, 2001.

¹⁷⁶ Ake, Claude. *Democracy and development in Africa*. p.16.

¹⁷⁷ Ake, Claude. "Rethinking African Democracy." *Journal of democracy* 2.1 (1991): 32-44.

¹⁷⁸ Ake, Claude. "Rethinking African Democracy". P. 38.

Programme (SAP) initiated by international financial institutions, some commentators opined that the adjustment programme discouraged the growth of infant industries in many sectors of the Nigerian economy, particular Noorbakhash and Alberto Paloni argued that it killed infant industries, since they could no longer compete with the advanced technology of multinational companies that seized the opportunity and penetrated the heart of the Nigerian market with superior quality.¹⁷⁹ This was made possible, according to Lawrence Obokoh through the policy of trade liberalisation which mandates the re-opening of hitherto closed borders as one of the first steps of the adjustment programme.¹⁸⁰ Accordingly, the porous borders arrested the growth and expansion of small and medium scale enterprises leading to their technical elimination, argues Biersteker.¹⁸¹ Meagher further claimed that the programme was indeed the back door towards globalisation in which the advanced economies allocated peripheral roles to local actors like Nigeria. In other words, the capitalist economies initiated the programme and apportioned marginal roles of supplying primary commodities in the extractive and agricultural sectors to the African states.¹⁸² Truly, the programme de-emphasised industrialisation in favour of concentration in the production of primary commodities which sustained the international division of labour in which countries like Nigeria remained suppliers of primary commodities like crude oil while depending on the imports of processed goods like refined oil from the international market.

2.3.2 Multinational Corporations and Underdevelopment

According to Spero, multinational corporations referred to any “firm with foreign subsidiaries which extend the production and marketing of the firm beyond the boundaries of any one country.”¹⁸³ This perspective is quite simple and excludes important characteristics of the company. Therefore, further explanation is

¹⁷⁹ The adjustment project opened the borders for international trade and rendered the Nigerian market a dumping ground of foreign goods. This was captured by Noorbakhash, F., and Alberto Paloni. "The de-industrialisation hypothesis, structural adjustment programmes and the sub-Saharan dimension." 2000). *Industrial Development and Policy in Africa: Issues of De-industrialisation and Development Strategy* (2000): 107-136.

¹⁸⁰ Obokoh, Lawrence Ogechukwu. "Small and medium sized enterprises development under trade liberalisation: A survey of Nigerian experience." *International Journal of Business and Management* 3.12 (2009): 92.

¹⁸¹ Biersteker, Thomas J. *Multinationals, the state and control of the Nigerian economy*. Vol. 498. Princeton University Press, 2014.

¹⁸² Meagher, Kate. "A back door to globalisation? Structural adjustment, globalisation & transborder trade in West Africa." *Review of African Political Economy* 30.95 (2003): 57-75.

¹⁸³ Gilpin, R. *U.S. Power and Multinational Corporation: The Political Economy of Foreign Direct Investment*. New York: Basic Books, 1975. p. 9.

necessary in order to understand the driving motivation of the MNCs and to also comprehend some of its operational attributes. On his part, Gilpin elaborated further when he referred to multinational corporations as:

“a company that invests in other countries for a variety of reasons, to have access to a foreign market, to secure foreign sources of supply, or to have the benefit of lower-cost production or lower taxes.”¹⁸⁴

Even at that, the essential attribute of multinational corporations regarding “ownership and management” of the corporations that is consciously preserved for indigenes, not of the host countries but of the originating countries, usually metropolitan headquarters of capitalist economies has not been expressly defined. With little exception to this general rule, the oil multinationals in Nigeria acquire these characteristics.

One of the earliest critics of multinational corporations operating in Nigeria’s oil sector can be traced to Nzimiro’s “The Political and Social Implications of Multinational Corporations in Nigeria” which was a contribution in Carl Widstrand’s edited work entitled *Multinational Firms in Africa* in which he examined the rise of comprador class who romances with corporations such as Shell BP and Mobil (today’s Exxon-Mobil). He asserts thus:

“...where foreign multinational corporations invade a country, and where this invasion is accepted by a ruling class that is predisposed to the capitalist ideology of the bourgeoisie who control these corporations, such a country faces political and economic insecurity... the national interest is subsumed under foreign interest.”¹⁸⁵

The view expressed by Nzimiro above is similar to the new forms of imperialism studied by Cardoso and Faletto. Other critics of multinational corporations such as Onimode, Balogh and Edozien who perceived their growing presence as a

¹⁸⁴ SPERO, J. E. *The Politics of International Economic Relations*. New York: St. Martin Press. 1977. p. 89.

¹⁸⁵ 1 Ikenna Nzimiro, “The Political and Social Implications of Multi-National Corporations in Nigeria,” in Carl Widstrand (ed.), *Multinational Firms in Africa*. Uppsala, 1975. p. 210.

threat to the vision of African development in general and Nigeria in particular, claimed that the multinationals were meant to institutionalise the economic re-colonisation of Nigeria.¹⁸⁶ To This end, this school of thought argued that multinational corporations have maintained the colonial orientation of agents of external exploitation that seek to control the economy of Nigeria in ways similar to the crude behaviour of what Onimode qualifies as “monopoly sharks.”¹⁸⁷

Frynas et al. deepened the discourse by focussing on the desperation to “maintain corporate dominance” by Shell-BP by tracing its business history to the 1930s.¹⁸⁸ Onimode further stated that “colossal multinational enterprises”¹⁸⁹ are the basic unit through which monopoly capital exercises their imperial control over the so-called liberated territories like Nigeria. As contended by Balogh, in order to maintain their grip over resourceful local economies within the peripheries, the imperial centres instituted one or all of the following, “foreign investment, export-import trade, and foreign aid.”¹⁹⁰ Based on this logic, Biersteker argued that the adjustment programme widened the Nigerian space for easier penetration of the multinational corporations through the policy of free trade.¹⁹¹

But as noted earlier, the Nigerian state and its ruling elites, especially in the eve of the adjustment programme, cannot be isolated from the chaos that ensued, after all, they negotiated the terms of the adjustment programme and in the case of the Babangida regime, acted against such terms (when it annulled the outcome of the presidential election that was judged as “free and fair”).¹⁹² The challenge posed by the multinational corporations is further compounded by their record of

¹⁸⁶ Wells, Louis T. "Multinationals and the developing countries." *Journal of International Business Studies* 29, no. 1 (1998): 101-114.

¹⁸⁷ Onimode, Bade. "Imperialism and Multinational Corporations: A Case Study of Nigeria." *Journal of Black Studies* 9.2 (1978):

¹⁸⁸ Frynas, Jędrzej George, Matthias P. Beck, and Kamel Mellahi. "Maintaining corporate dominance after decolonization: the 'first mover advantage' of Shell-BP in Nigeria." *Review of African Political Economy* 27, no. 85 (2000): 407-425.

¹⁸⁹ Onimode, Bade. "Imperialism and Multinational Corporations: A Case Study of Nigeria." *Journal of Black Studies* 9.2 (1978): 207-232; Edozien, E. G. "Linkages, direct foreign investment and Nigeria's economic development." *The Nigerian journal of economic and social studies* 10.2 (1968): 191-204.

¹⁹⁰ Balogh, Thomas. "The Mechanism of Neo-Imperialism." *Oxford Bulletin of Economics and Statistics* 24.3 (1962): 331-362.

¹⁹¹ Biersteker, Thomas J. *Multinationals, the State and Control of the Nigerian Economy*. Princeton University Press, 2014.

¹⁹² The regime aborted the democratisation project which is the political aspect of the adjustment programme.

tax evasion studied by Otusanya,¹⁹³ and violations of the terms of corporate social responsibilities within oil producing states like the case in the Niger/Delta region documented by Gabriel Eweje.¹⁹⁴ From another perspective, Omeje has documented how multinationals in conjunction with the Nigerian state have been culpable in the deprivation of the host communities of the Niger/Delta leading to the proliferation of violent conflicts.¹⁹⁵ The central theme of this school of thought, like others earlier analysed, is that Nigeria's domestic challenges including the persistence of petrol shortages can be traced to its engagement with Western powers through the coordination of multilateral institutions like the case under discourse. This perspective is mostly true considering the contradictory role of the multinationals in brewing conflicts resulting in underdevelopment of a resource-rich region.

While scholars that seek to link the corporate social responsibility regime in Nigeria to the violence in Nigeria's Niger Delta region such as Frynas, Zalik, Obi among others, have been able to establish the link between violent protest and reduction in oil production, little has been done to research the implication of oil induced conflicts on petrol shortages in Nigeria's downstream sector.¹⁹⁶ Again, the literature has not been able to explain the extent to which violent protest in the Niger Delta undermines the refining and distribution of petrol in Nigeria.

In summary, though the general view of the dependency theory has found appreciation in the literature on development in general, the focus of the present work does not cover the entire framework of development. In specific terms, it is concerned with explaining how an oil-rich country like Nigeria has not been able to guarantee the supply of petrol to its citizens. However, the system of petro-

¹⁹³ Otusanya, Olatunde Julius. "The role of multinational companies in tax evasion and tax avoidance: The case of Nigeria." *Critical Perspectives on Accounting* 22.3 (2011): 316-332.

¹⁹⁴ Eweje, Gabriel. "Environmental costs and responsibilities resulting from oil exploitation in developing countries: The case of the Niger Delta of Nigeria." *Journal of Business Ethics* 69.1 (2006): 27-56.

¹⁹⁵ This scholar has written extensively on the conflicts and general state of insecurity in the Niger/Delta among which are Omeje, Kenneth. "The state, conflict & evolving politics in the Niger Delta, Nigeria." *Review of African Political Economy* 31, no. 101 (2004): 425-440; Omeje, Kenneth. "Oil conflict and accumulation politics in Nigeria." (2006); Omeje, Kenneth C. *High stakes and stakeholders: Oil conflict and security in Nigeria*. Ashgate Publishing, Ltd., 2006.

¹⁹⁶ For details on the relationship between violence and production of oil in Nigeria, see Frynas, Jedrzej George. "Corporate and state responses to anti-oil protests in the Niger Delta." *African Affairs* 100, no. 398 (2001): 27-54; Zalik, Anna. "The Niger Delta: 'petro violence' and 'partnership development'." *Review of African Political Economy* 31, no. 101 (2004): 401-424; Obi, Cyril I. "Oil extraction, dispossession, resistance, and conflict in Nigeria's oil-rich Niger Delta." *Canadian Journal of Development Studies*, no. 1-2 (2010): 219-236.

business cannot be insulated from the volatile posture of the international capitalist system considering the fact that Nigeria relies to a large extent on the international market for the supply of petrol. However, the volatility that characterised the price of oil at the international market appears to have been profusely covered in the literature on resource curse than the theoretical framework of the dependency thesis. But in general sense, the theoretical relevance of the dependency school is very limited in explaining the domestic contradictions which together combine to produce the challenge of petrol shortages in Nigeria. As has been observed in the criticism offered by Palma on the deficiency of the dependency school, it is essentially preoccupied with the analysis of the international structure of power relations.¹⁹⁷ If at all, it has little to offer to a research that is essentially focussed on the explanation of the relevance of systems and institutions in the supply of petrol in Nigeria.

Joseph Garba disagreed with most of the writers who seek to externalise the challenges of Nigeria's development and offered a radical position to what one can refer to as the "blame-game in Nigerian historical literature".¹⁹⁸ Limiting the scope of his analysis to Nigeria, the author posits that it was becoming "too stale" to hold unto the historic narrative that Nigeria's challenges of development is a factor of colonial past.¹⁹⁹ In order to demonstrate this radical posture, he submitted that his generation (himself inclusive, being one of the major insiders in many successful military coups in Nigeria), was responsible for the poor state of development of the Nigerian state. The humble confession of a political hitman or a "Nigerian coup plotter"²⁰⁰ as the *New York Times* would later refer to him, opened the windows to ventilate the obsession with age-long historical focus which dominated previous narratives.²⁰¹

¹⁹⁷ Palma, Gabriel. "Dependency: a formal theory of underdevelopment or a methodology for the analysis of concrete situations of underdevelopment?"

¹⁹⁸Literatures that are excessively obsessed with historicity constitute the basis of the categorisation of 'blame-game in Nigerian Historical literatures.' While the researcher acknowledged the place of history in the development of states, too much historicity without appreciation of the changes that have taken place.

¹⁹⁹Garba, Joseph Nanven. *Fractured history: Elite shifts and policy changes in Nigeria*. Sungai, 1995.

²⁰⁰ Lewis, Paul, 'Joseph Garba, 58, a Nigerian Coup Plotter and, Later, a Diplomat.' *The York Times*, June 5, 2002.

²⁰¹Yet not many people took the work seriously and the political class did not listen to the self-confessed stories of one of Nigeria's best military strategist who later become Nigeria's Permanent Representative to the United Nations and First African President of a United Nations General Assembly Meeting.

A noticeable challenge that characterised most of the literature on the role of the multinationals has to do with the fact that Nigeria's downstream sector is not entirely left in the hands of the MNCs. In fact, it is mainly dominated by the active presence of private local actors and state agencies. Under this scenario, pushing the blame for the failure of Nigeria's downstream sector that is not within the exclusive preserve of outside forces is illogical and erroneous.

In conclusion, powerful states throughout history have almost always sought to extend its clutch over weaker ones and it is not entirely new for any state, small, medium or big to develop or structure its domestic and foreign policy mechanism toward gaining from its engagements with other states or beyond its borders. Therefore, it is the responsibility of independent states to develop frameworks that will ensure significant improvement on their relationships (or even severe such relationships that may have proven to be unbeneficial) with the outside world. Again, since the nature of international politics is the protection of national interest, it is incumbent on states to map out strategies that will ensure it maximises the benefit of such engagements. Therefore, the idea of continuous reference to Africa's long years of exploitation by outside powers as the reason for its continuous lack of development reduces the dignity of Africa and queries its ingenuity. Also, it affirms the conviction of some Eurocentric scholars such as Robinson & Gallagher, and Joseph Schumpeter who justified colonial enterprises on evangelical and civilizational motive and that Africa lacked the necessary technology of power to navigate its future and deliver good governance to its people.²⁰²

2.4 Resource Curse Theory

Classical economists like Adam Smith and David Ricardo contended that natural resources can provide the basis on which resource-rich states can navigate the path to economic growth.²⁰³ This position was based on the observation that such resources as gold and silver would help to boost their capacity for international trade leading to greater earnings and therefore, increase economic growth. Even

²⁰² There are scholars, mostly of Western extraction who justified imperialism in Africa. For example, works like Schumpeter, Joseph A. *Imperialism and Social Classes: Two Essays*. Vol. 4. Ludwig von Mises Institute, 1955; and Robinson, Ronald Edward, and John Gallagher. *Africa and the Victorians: The official mind of imperialism*. Vol. 131. Macmillan, 1966 all perceived imperialism as a civilizational adventure embarked upon to open Africa to the outside world.

²⁰³ Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*, Methuen, 1950; Ricardo, David. *The Works and Correspondence of David Ricardo: Volume 10, Biographical Miscellany*. Vol. 10. Cambridge university press, 1973.

modernisation theorists like Jacob Viner and W. W. Rostow gave credence to this view by asserting that resource abundance would support the push for economic growth.²⁰⁴ This classic belief in the capacity of natural resources to drive economic growth however, have been challenged by theorists who provided empirical evidence that contradicted the position of 18th and 19th century scholars. To this end, a significant number of scholarly researches including Corden and Neary have questioned the validity of the view that resource-abundance is a propelling force for economic growth and instead, they argued that the abundance of natural resources has almost always generated negative outcomes.²⁰⁵

Though the debate has its roots back in the 1950s and early 1960s with Singer, Prebisch, and Nankani, some of the early dissenting opinions about the contribution of natural resources to economic growth²⁰⁶ were less-explicit on the definitive framework until the 1990s when Richard Auty coined the term *resource curse* to designate the inability of states that are rich in mineral resources but have poor records of progress.²⁰⁷ As illustrated in *the resource curse thesis*, countries with high volume of mineral resources have often produced a paradox; “the country may be rich but the people remain poor.”²⁰⁸ In a related work, the author unequivocally submitted; “since the 1960s, the resource-poor countries have outperformed the resource-rich countries compared by a considerable margin.”²⁰⁹

Sustaining the perspective, Jeffrey Sachs and Andrew Warner corroborated the above position when they provide “paradoxical evidence” using statistics with

²⁰⁴ Viner, Jacob. "America's aims and the progress of underdeveloped countries." *The Progress of Underdeveloped Areas* (1952): 175-202. Rostow, Walt W. *The stages of growth: A non-communist manifesto*. Cambridge: Cambridge University Press, 1960.

²⁰⁵ Corden, W. Max, and J. Peter Neary. "Booming sector and de-industrialisation in a small open economy." *The economic journal* 92, no. 368 (1982): 825-848; Corden, Warner Max. "Booming sector and Dutch disease economics: survey and consolidation." *oxford economic Papers* 36, no. 3 (1984): 359-380.

²⁰⁶ Singer, Hans W. "The distribution of gains between borrowing and investing countries." *American Economic Review* 40, no. 2 (1950): 473-485; Prebisch, Raúl. *The Latin American common market*. New York, 1959.

²⁰⁷ Auty, Richard M. "Sustaining development in resource economies: the resource curse thesis." *London and New York: Routledge* (1993).

²⁰⁸ Satti, Saqlain Latif, Abdul Farooq, Nanthakumar Loganathan, and Muhammad Shahbaz. "Empirical evidence on the resource curse hypothesis in oil abundant economy." *Economic Modelling* 42 (2014): 421-429.

²⁰⁹ Auty, Richard M. 2001. "The Political Economy of Resource-Driven Growth." *European Economic Review* 45: 839–946. p. 840.

strong empirical evaluation and concluded in the following way; “the curse of natural resources is a demonstrable empirical fact”.²¹⁰ Alan Gelb limited the scope of his own analysis to “oil windfalls” but maintained that it produces negative results.²¹¹ In another work, Richard Auty, and Alyson Warhurst shared the view that economies of states with abundance of natural resources such as oil, diamond and other resources tend to affect less impressive economic outlooks, engender bad governance, and unremarkable development outcomes compared to states with lesser natural resources.²¹² Additionally, other detailed studies on the same theme culminated into the conclusion that resources which ought to be a blessing has instead turned to a curse, influencing the wide reference of the concept of resource curse. In all, three different but related views can be deciphered in the body of existing literature on the unfortunate performance of natural resources on economic growth of producing states. Therefore, the following review will cover these three strands of explanations namely; Dutch disease hypothesis, rentier state thinking and institutions/conflict paradigms.

2.4.1 Dutch Disease Model

Primarily, the proponents of the concept of “Dutch disease” made similar attempts to answer the age-long debate about why states with abundant natural resources such as Nigeria, Libya, Angola, Sudan and Algeria have unimaginable challenges of development. Though the concept was first coined by *The Economist* when the Editorial Board of the magazine beamed its searchlight on the growing sharp decline in the Netherland’s manufacturing sector which was linked to the discovery of large quantity of natural gas fields in the late 1950s, it became a significant economic concept during the recession years of the 1980s. As explained by *The Economist*, instead of adding value as a result of evident diversification, the Dutch economy experienced sudden decline in the manufacturing and agricultural sector.²¹³ Inspired by this early observation, Corden developed an economic model that was employed to diagnose symptoms of the Dutch disease. He categorised the economy into two major sub-units

²¹⁰ Sachs, Jeffrey D., and Andrew M. Warner. "The big push, natural resource booms and growth." *Journal of development economics* 59.1 (1999): 43-76.

²¹¹ Gelb, Alan H. *Oil windfalls: Blessing or curse?*. Oxford University Press, 1988.

²¹² Auty, Richard, and Alyson Warhurst. "Sustainable development in mineral exporting economies." *Resources Policy* 19.1 (1993): 14-29.

²¹³ *The Economist* "The Dutch Disease", November 26, 1977. pp. 82–83.

namely; non-tradable sector (otherwise known as service sector) and two tradable sectors (booming and lagging sectors).²¹⁴ As presented, the booming sector normally concentrates in the extraction of mineral resources while the lagging sector comprises the manufacturing and agricultural sector. As advanced by the author, the economy would suffer from two major observable challenges; shift in labour to the booming sector or “direct deindustrialisation” and the effect on spending would result into what he termed as “indirect deindustrialisation”.²¹⁵

Though the above sounds logical, can we argue that Nigeria has been infected with the Dutch disease? Olusi and Olagunju specifically argue that Nigeria has been infected with the Dutch disease since the 1970s when the oil boom had a negative impact on the country’s agricultural fortune.²¹⁶ Specifically, the authors argued that after Nigeria’s Civil War, the focus of the economy was shifted to oil, given rise to the sharp decline witnessed in first, the agricultural sector and later, the manufacturing sector.²¹⁷ Truly, it can be argued that Nigeria’s failure to sustain the development of other sectors of the economy during the era of oil boom is a factor of Dutch disease as suggested by Struthers, and Collier, or even “debt overhang” as shown by Budina et al.²¹⁸ Nonetheless, no attempt has been made to drive the argument to include the explanation of the inherent contradictions within the downstream sector of Nigeria economy where scarcity of petroleum products have often grounded economic growth with negative consequences on daily living.

Furthermore, Otaha diagnosed symptoms of the Dutch diseases showing how the other sources of primary production like agriculture were relegated when the government shifted attention to oil production starting in the 1970s.²¹⁹ No doubt,

²¹⁴ Corden, Warner Max. "Booming sector and Dutch disease economics: survey and consolidation." *oxford economic Papers* 36.3 (1984): 359-380.

²¹⁵ The two effects (direct and indirect deindustrialisation) of Dutch diseases, affects the growth of the industrial unit of the economy because the concentration of the policy makers would be drifted toward the production of mineral resources.

²¹⁶ Olusi, J. O., and M. A. Olagunju. "The Primary Sectors of the economy and the Dutch disease in Nigeria." *The Pakistan Development Review* (2005): 159-175.

²¹⁷ Indices suggest that the Nigeria abandoned the agricultural sector in favour of the mining sector which had quick sources of money even though it has no benefit of employment.

²¹⁸ Struthers, John J. "Nigerian oil and exchange rates: Indicators of 'Dutch disease'." *Development and Change* 21, no. 2 (1990): 309-341; Collier, Paul. "Macroeconomic effects of oil on poverty in Nigeria." *IDS Bulletin* 18, no. 1 (1987): 55-60; and Budina, Nina, Gaobo Pang, and Sweder Van Wijnbergen. *Nigeria's growth record: Dutch disease or debt overhang?* No. 4256. The World Bank, 2007.

²¹⁹ Otaha, Jacob Imo. "Dutch disease and Nigeria oil economy." *African Research Review* 6.1 (2012): 82-90. In is interesting to know that Jacob has been my colleague with the University of Jos in Central Nigeria.

this opinion was shared by Ebrahim-Zadeh that economies with abundant natural resources tend to pay less attention toward developing other sectors such as agriculture and industrial sectors.²²⁰ While this presents a relevant subject to the present study, the authors have not provided sufficient explanation for the perennial shortages in the distribution of petrol that characterised Nigeria's experience since the 1970s even when it concentrated on oil in the aftermath of the oil boom. Almost all the writers pay little or no attention to the downstream sector of oil producing economies. Thus, the paradoxical situation in which a major oil producing economy like Nigeria continues to experience scarcity of petrol with serious implication to economic growth requires serious probing through empirical investigation.

On the other hand, Nina Budina et al. rejected the overt generalisation that characterised literature on the Dutch disease syndrome. To them, there are peculiar instances where the Dutch disease may not necessarily be the causal factor in the negative drive toward *deindustrialisation*.²²¹ Following from the above position, they conclude that though Nigeria's oil boom has not resulted in an impressive economic outlook, considering its inability to provide basic services to its growing population, the reasons cannot be located within the general framework of the Dutch disease syndrome. Therefore, the general trend which characterised studies in some of the mineral-rich countries may differ depending on the nature of domestic challenges in the countries in question.

Again, Michael Ross contradicted the positions of the proponents of what is now termed as the "paradox of plenty" by raising some useful questions. Firstly, the debate, though capturing the reality in some states that are "blessed" by natural resources, Ross averred that "this evidence is by no means conclusive".²²² Secondly, the available studies focussed only on the prevailing circumstances within the socio-economic environment without paying equivalent attention to the external political environment in shaping development outcomes in resource abundant countries. Thirdly, the call by the proponents of the thesis on the

²²⁰ Ebrahim-Zadeh, Christine. "Dutch Disease: Too much wealth managed unwisely." *Finance & Development* 40.1 (2003): 50-50.

²²¹ Budina, Nina, Gaobo Pang, and Sweder Van Wijnbergen. *Nigeria's growth record: Dutch disease or debt overhang?* No. 4256. The World Bank, 2007; Cerralo, J. "Do oil price shocks matter? Evidence from some European countries." *Energy Economics*: 2005. 137-154.

²²² Ross, Michael L. "The political economy of the resource curse." *World politics* 51.2 (1999): 297-322. P. 302

“paradox of the plenty” for resource-rich states to shift their focus on natural resources implies that the thesis does not possess coherent value.²²³ Additionally, Gavin Wright, and Jesse Czelusta advanced the position that previous thinkers misunderstood the causes of poor economic performances in mineral rich economies. They argued that it is nonsensical to claim that mere presence of resources has been responsible for poor economic performance in mineral-rich countries. On the basis of the preceding observations, they contended that “investment in minerals-related knowledge”²²⁴ should be emphasised rather than to consider the total abandonment of mineral endowment to avoid potential effect of economic retrogression associated with mineral-rich states. In the section below, I looked at the second version of explanation on the theme of resource curse.

2.4.2 Rentier State Model

The second strand of explanation on resource curse looks at the character of the international market for natural resources and based its argument on the implication of volatility in the international market price for natural resources on economic growth. Like in most social science discourse, scholars are divided on the effect of oil price volatility on economic growth with Gounder and Bartleet, and Adelman making the case that it has the tendency to impact economic growth causing unnecessary adjustment in the national economy of countries that depend on it.²²⁵ Further to this view, Olsen and Flo noted that oil price volatility accounts for higher inflation rate leading to unemployment and attendant underperformance.²²⁶ Osije maintained the position that oil producing states are susceptible to volatility in the commodity price because such commodities are

²²³ Though most of the proponents of the thesis do not out rightly called for the abandonment of natural resources, the body language of their writings suggest so. This further raises the question as to why propound a theory that does not have practicable solutions to the issues under consideration.

²²⁴ Wright, Gavin, and Jesse Czelusta. "Why economies slow: the myth of the resource curse." *Challenge* 47.2 (2004): 6-38.

²²⁵ Gounder, Rukmani, and Matthew Bartleet. "Oil price shocks and economic growth: Evidence for New Zealand, 1989-2006." In *New Zealand Association of Economist Annual Conference, Christ Church, and 27th-29th June: <http://docs.google.com/viewer>*. 2007. Adelman, A. Determinants of growth and development of the Australian economy. *Australian journal of Economics*, 14(3): 19-21,28,34,42.

²²⁶ Olsen, H., and F. Flo. "Oil price variation effects on economic growth prospects of norway." *Scandinavian Research Journal* 10(2), (1992): 21-25; Olomola, Philip A. "Oil price shock and aggregate economic activity in Nigeria." *African Economic and Business Review* 4, no. 2 (2006): 40-45.

dictated by market trends.²²⁷ Focussing on Nigeria's economy in the late 1980s, Mork established the connection between oil price volatility and economic growth and the state functionality.²²⁸ Away from the focus on Nigeria, a study by Loungani found corresponding outcomes in Russia, another oil dependent economy.²²⁹ Deepening the explanation on the relationship between oil price volatility and economic performance in Nigeria, Agbo and Okoli observed that depending on the level of volatility, it has a serious impact on unemployment.²³⁰

Drawing from the position of literature above, Nigeria appears to be at the cross road of both extremes as it is both an exporter of crude and an importer of refined oil. It is within this understanding that I will adopt this theory in explaining the impact of capitalist market structure on the petrol scarcity in Nigeria. Based on the works of scholars including Torvik, Acemoglu, Baland and Francois, this school of thought argues that the rentier economy is created within the international capitalist system. In a more related study, Davis and Tilton anchored their explanation on the volatile posture of the international market for natural resources which they claimed accounts for "pro-cyclical fluctuations in government revenues."²³¹ In some situations, Humphrey et al. argues that price volatility can affect "efficiency in public and private investments."²³² No doubt, it is easy to appreciate the challenge imposed by the structure of the international capitalist market with attendant volatility especially in a country like Nigeria that depends on the international market for the supply of refined oil.

However, this perspective is inadequate to account for the totality of the factors of the perennial shortages in the supply of petrol within the domestic front. Other factors that are located within the domestic angle such as functionality of institutions cannot be comprehensively explained using the rentier state model. This is because this view neglects the domestic contradictions and based its

²²⁷ Osije, E. "The Nigerian economy and its growth prospects." *National Economic Journal of Nigeria* 7, no. 3 (1983): 33-39.

²²⁸ Mork, Knut Anton. "Oil and the macroeconomy when prices go up and down: an extension of Hamilton's results." *Journal of political Economy* 97, no. 3 (1989): 740-744.

²²⁹ Loungani, B. "Oil price variation and its economic effect on Russia in post-soviet era." *Russian Economic Review Journal* 16(2) (1996): 60-63.

²³⁰ Agbo, Humphrey N., and Rowland Chukwuma Okoli. "Nigerian Rentier Character and the Problem of Graduate Unemployment." *International Journal of Research in Arts and Social Sciences* 9, no. 2: 26-38.

²³¹ Davis, Graham A., and John E. Tilton. "The resource curse." In *Natural resources forum*, vol. 29, no. 3, pp. 233-242. Oxford, UK: Blackwell Publishing, Ltd., 2005.

²³² Humphreys, Macartan, Jeffrey Sachs, and Joseph E. Stiglitz. *Escaping the resource curse*. New York, 2007.

argument on the unfavourable external environment. Nonetheless, the rentier state model can be suitable for the explanation of the international dimension of the challenge of petrol shortages mainly in situations where a resource-rich state relies on the export of natural resources for most of its earnings and depends on the same international market for refined products, like Nigeria.

As has been advanced by Frankel, Van der Ploeg, and Aghion, extreme volatility in the international market for oil for example rather than Dutch Disease is usually behind the “disappointing non-oil growth record.”²³³ Focussing on the upstream sector of Nigeria’s oil industry, Oriakhi and Osaze observed that the country’s exchange rate plummeted when its monolithic economy relied on foreign currency as the only source of sustenance.²³⁴ While the fundamental proposition of the rentier model appears to explain the circumstances, the challenge however, is to provide empirical evidence that will link the theory to the menace of petrol scarcity in Nigeria. It is within this limitation that the present study is based.

2.4.3 Institutions and Conflict Model

This school of thought can be gleaned from the works of Atkinson and Hamilton, Terry Karl, and Michael Ross who posits that natural resources such as oil have a negative effect on the viability of institutions in resource-rich countries. Atkinson and Hamilton maintained that the result of years of misguided policies and poor savings may have produced the “perennial stagnation in the non-oil economy.”²³⁵ On his part, in two related studies, Auty argues that countries with what he referred to as “point resources”²³⁶ such as oil fields are incline to produce a system of government controlled by powerful elites, labelled by Bulte et al. as “factional and predatory oligarchic polities.”²³⁷ Expanding the scope of the debate, Ricky Lam, and Leonard Wantchekon argued that political implication of resource curse occurs when the ruling class in an oil dependent economy

²³³ What about the disappointing outcomes in other sectors of the economy and politics?

²³⁴ Oriakhi, D. E., and Iyoha Daniel Osaze. "Oil price volatility and its consequences on the growth of the Nigerian economy: An examination (1970-2010)." *Asian economic and financial review* 3, no. 5 (2013): 683.

²³⁵ Atkinson, Giles, and Kirk Hamilton. "Savings, growth and the resource curse hypothesis." *World development* 31, no. 11 (2003): 1793-1807.

²³⁶ Auty, Richard M., ed. *Resource abundance and economic development*. Oxford University Press, 2001; Auty, Richard M. "The political economy of resource-driven growth." *European economic review* 45, no. 4-6 (2001): 839-846.

²³⁷ Bulte, Erwin H., Richard Damania, and Robert T. Deacon. "Resource intensity, institutions, and development." *World development* 33, no. 7 (2005): 1029-1044.

consolidate their stint in power during periods of boom. That is to say, “resource booms lead to the consolidation of the power of the elites”²³⁸ in a rentier economy. However, if eventually the revenue accruing from mineral resources declines, with negative impact on the followership, it would result in popular uprising against the dominant ruling class. This means that if the economy is in good shape, the followership shows less concern about the leadership. This scenario captures the Nigerian experience where the military continue to intervene in politics with little protest from the general citizenry.

Both Karl and Ross posit that elites in resource-rich countries that depend on the sale of oil also “promote narrow sectional interests.”²³⁹ This goes to say that resource-rich countries tend to have poor policies, and as a result, such countries are bound to be affected by rentier effects. In most instances, it is the result of poor policies that inhibit the transformation to industrial societies, argues Mehlum et al.²⁴⁰ This view explains the situation in Nigeria, where according to Okpanachi and Andrews the subsidy policy that was initiated since the era of military rule continues not only to inhibit the development of local capacities in the refining of petrol for local consumption but also frustrate the transition to industrialisation.²⁴¹

Further to the position above, existing literature including Leite and Weidmann have provided empirical evidence linking politics and institutions with economic performance.²⁴² Though Leite and Weidmann did not establish the direct impact of oil wealth on the economic performance, they find that resources not excluding oil, can have indirect effect by increasing the level of corruption in resource-dependent countries.²⁴³ Hall and Jones provided a more perspicuous position when they argued that resource wealth has implications on a state’s social infrastructure and can arguably incentivise corruption.²⁴⁴ In many situations,

²³⁸ Lam, Ricky, and Leonard Wantchekon. "Political dutch disease." *Unpublished Paper 2* (2002).

²³⁹ Bulte, Erwin H., Richard Damania, and Robert T. Deacon. "Resource intensity, institutions, and development." p. 1031.

²⁴⁰ Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

²⁴¹ Okpanachi, Eyene, and Nathan Andrews. "Preventing the oil “resource curse” in Ghana: Lessons from Nigeria." *World Futures* 68, no. 6 (2012): 430-450.

²⁴² Leite, Carlos, and Jens Weidmann. "Does mother nature corrupt? Natural resources, corruption, and economic growth." *Governance, corruption, and economic performance* (2002): 159-196.

²⁴³ Leite, Carlos, and Jens Weidmann. "Does mother nature corrupt? Natural resources, corruption, and economic growth." p. 162.

²⁴⁴ Hall, Robert E., and Charles I. Jones. "Why do some countries produce so much more output per worker than others?." *The quarterly journal of economics* 114, no. 1 (1999): 83-116.

proponents of this school like Humphrey et al. argue that the ruling elites in resource-rich countries have the tendency to disproportionately apportion large chunks of the national budget to the military while neglecting essential social sectors leading to poor governance of the neglected sectors. Consequently, dependence on oil rents can often lead to “inefficiency in public and private investments” producing what they termed as “democracy deficit.”²⁴⁵ As if this was all, Vicente studied some oil-rich states and concluded that “oil corrupts” and it is the underlying cause of poor economic development.²⁴⁶

The position that resource wealth provide incentives to corruption and in the process affects the efficiency of public and private service is fundamentally related to the present study especially when one considers the arguments of Gillies, Shaxson, Watts among others noted the rising culture of corruption in Nigeria linked to oil wealth and how it has affected the performance of both public and private sectors.²⁴⁷ This study argues that oil-induced corruption, more than any factor, explains the situation where Nigeria continues to experience shortages in the supply of petrol since the 1970s.

Elaborating on the scope of the debate, De Soysa argues that most violent conflicts in developing states are actually engineered by the presence of natural resources such as diamonds, gold, bauxites, oil and so forth.²⁴⁸ Similarly, Le Billon, and Michael Klare though separately, advanced the view that violent conflicts represents a dominant feature of mineral-rich states and that the persistent occurrence of violent conflicts has been proven to be counter-productive to the development of a state, especially when such a state has no strong democratic structures and viable economy.²⁴⁹ In other words, developing states with the abundance of mineral resources are prone to violent conflicts.²⁵⁰

²⁴⁵ Humphreys, Macartan, Jeffrey Sachs, and Joseph E. Stiglitz. *Escaping the resource curse*. New York, 2007.

²⁴⁶ Vicente, Pedro C. "Does oil corrupt? Evidence from a natural experiment in West Africa." *Journal of Development Economics* 92.1 (2010): 28-38.

²⁴⁷ Gillies, Alexandra. "Reforming corruption out of Nigerian oil? Part two: Progress and prospects." *U4 Brief* (2009); Shaxson, Nicholas. "Oil, corruption and the resource curse." *International Affairs* 83, no. 6 (2007): 1123-1140; Watts, Michael. "Resource curse? Governmentality, oil and power in the Niger Delta, Nigeria." *Geopolitics* 9, no. 1 (2004): 50-80.

²⁴⁸ De Soysa, Indra. "Natural Resources and Civil War: Shrinking Pie or Honey Pot." *41st Annual Convention of the International Studies Association, Los Angeles, CA*. 2000.

²⁴⁹ Klare, Michael (2001) *Resource Wars: the new landscape of global conflict*. New York: Metropolitan Books.

²⁵⁰ Le Billon, Philippe. "The political ecology of war: natural resources and armed conflicts." *Political geography* 20.5 (2001): 561-584.

Literatures such as those of Smith, and Bannon and Collier maintained this position noting the inherent relationship between abundance of mineral resources and the prevalence of violent conflicts.²⁵¹ In summary, the above cited literature gave an economic explanation through the employment of quantum statistics to illustrate the notion that the causes of violent conflicts in developing countries cannot be separated from “low income, slow growth and dependence upon primary commodity exports.”²⁵² Recently, Ross further argued that “countries that are rich in petroleum have less democracy, less economic stability, and more frequent civil wars than countries without oil”.²⁵³ We will draw on this view to argue that oil-induced conflicts in the Nigeria/Delta partly explains the problem of shortages as pipelines vandalism noted by Anifowose et al., Onuoha, and Wilson accounts for some specific instances of shortages.²⁵⁴

However, leftist oriented academics like Obi objected to the view which linked oil to violent conflicts while isolating the structure of international capitalism from the equation. To him, previous models only maintained the tune of “hegemonic discourse” with the aim “to obfuscate the reality of the fundamental.”²⁵⁵ The root of the conflicts that is prevalent in mineral-rich states, as observed by Obi, cannot be understood except one looks at the deliberate “subordination of the continent and its resources to transnational processes with elites embedded in globalised capitalist relations”.²⁵⁶ This position is limited considering the domestic contradictions within the Nigerian state that has more than any external force constrained Nigeria’s economic performance in general and public and private investments in Nigeria’s downstream sector in Particular.

²⁵¹ Smith, Daniel Jordan. "New Release: Oil, Blood and Money: Culture and Power in Nigeria." *Anthropological Quarterly* 78, no. 3 (2005): 725-740; Bannon, Ian, and Paul Collier. *Natural resources and violent conflict: Options and actions*. Washington, DC: World Bank, 2003.

²⁵² Collier, Paul. "Bottom billion." *The Wiley-Blackwell Encyclopaedia of Globalization* (2007).

²⁵³ Ross, Michael L. *The oil curse: how petroleum wealth shapes the development of nations*. Princeton University Press, 2012.

²⁵⁴ Anifowose, Babatunde, Damian M. Lawler, Dan Van der Horst, and Lee Chapman. "Attacks on oil transport pipelines in Nigeria: A quantitative exploration and possible explanation of observed patterns." *Applied Geography* 32, no. 2 (2012): 636-651; Onuoha, Freedom C. "Oil pipeline sabotage in Nigeria: Dimensions, actors and implications for national security." *African Security Studies* 17, no. 3 (2008): 99-115; Wilson, Goddey. "The Nigerian state and oil theft in the Niger Delta region of Nigeria." *Journal of Sustainable Development in Africa* 16, no. 1 (2014): 69-81.

²⁵⁵ Obi, Cyril. "Oil as the 'curse' of conflict in Africa: peering through the smoke and mirrors." *Review of African Political Economy* 37.126 (2010): 483-495.

²⁵⁶ This implies that the problem is with the suppression which capitalism infuse that results to poor development outcomes.

Lastly, it would be difficult to understand the reasons why an oil-rich country like Nigeria continues to experience, albeit often, the problem of shortages of petrol without considering the position of existing literature that has explained the consequence of an economy that depends on oil for sustenance. Like all economic goods, oil as a natural resource has been proven beyond doubt to produce some negative outcomes on an economy. It is within this theoretical framework that the study of perennial shortages of petrol in Nigeria can be explained. This would help to fill the existing gap where little or no attempt has been made to draw on the resource curse theory to explain the contradiction within Nigeria's downstream sector. Using the resource curse theory, this study would argue that the case in Nigeria represents a paradox where a major oil producing economy is thirsty of petrol.

In conclusion, the problem of petrol shortages that has been a domestic contradiction in Nigeria can be explained using the theoretical framework of the resource curse thesis. This is because of the inadequacy of the modernisation and dependency schools to cover all the challenges inhibiting regular supply of petrol in an oil dependent economy. In terms of the modernisation school, the Nigerian military though professed to be modernising agents turns out to be "traditionalizers," as argued by Mazrui.²⁵⁷ As contended by Bayo, the term modernization was only used by the military as a mechanism to have access to political power.²⁵⁸ Though efforts were made in terms of development of infrastructures in the oil sector, during the military era, it was a means to consolidate power.²⁵⁹ To Agbibo et al., the military actually laid the foundation for the destruction of the Nigerian state.²⁶⁰ On the other hand, the dependency school though made a more serious attempt to explain the causes of underdevelopment in Africa and developing societies in general, its obsession with international structure at the detriment of domestic contradictions limits its usefulness. Besides, the theory's economic determinism makes it difficult to study sociological challenges constraining or inhibiting the availability of petrol in

²⁵⁷ Mazrui, Ali A. "Soldiers as traditionalizers: Military rule and the re-Africanization of Africa." *World Politics* 28, no. 2 (1976): 246-272.

²⁵⁸ Bayo Adekun, J. "On the Theory of Modernising Soldier: A Critique." *Current Research on Peace and Violence* (1978): 28-40.

²⁵⁹ Luckham, Robin. *The Nigerian Military a Sociological Analysis of Authority & Revolt 1960-1967*. Vol. 4. CUP Archive, 1971.

²⁶⁰ Agbibo, Daniel Egiegba. "The Corruption-Underdevelopment Nexus in Africa: Which Way Nigeria?" *The Journal of Social, Political, and Economic Studies* 35, no. 4 (2010): 474.

an oil producing economy like Nigeria. But the resource curse thesis that combines both the capitalist character of volatility of the price of oil in the international market and the negative repercussion that comes with dependency on oil resources, fits into the quest to explain the puzzle; why does an oil rich country like Nigeria experience petroleum product shortages?

Chapter Three

Methodology

3.1 Introduction

As noted in the first chapter of this study, the primary aim of this study is to explain the paradox in which a country that has some of the largest oil reserves in the world continues to experience chronic and perennial shortages of petrol. This chapter set forth the methodology used in undertaking the research to fulfil the above stated aim and related objectives. To achieve the objective of explaining the methodology of the study, the chapter is further divided into four parts. To start this chapter, I explained the three dominant research philosophies. From the available research philosophies, I explained why the interpretivism suits this research. This is important considering the fact that the methodology of a research is mostly influenced by the research philosophy. Secondly, I explained the choice of qualitative research methodology and rationalized its adoption. I explained from scholarly perspectives how empirically generated data through in-depth interviews can provide invaluable insight into the system of governing the downstream sector in Nigeria. Thirdly, how the generated data was analysed through triangulation is explained. The use of archival and secondary sources to validate the information gathered through interviews is explained. Lastly, the employment of ethics and how it was obtained forms the last part of this chapter.

3.2 The Philosophical Framework of the Research

In order to explore and understand research design, there is a need to reflect on the research philosophy from two major angles, namely, epistemological and ontological directions. At the very basic level, epistemology is concerned with the manner in which a researcher obtains knowledge. As stated by Matthews and Ross “epistemology is the theory of knowledge and how we know things.”²⁶¹ While the position of Matthews and Ross is explicit and require no further explanation, Bryman’s subtly notes that submits that epistemology deals with

“...the question of what is (or should be) regarded as acceptable knowledge in a discipline. A particularly central issue in this

²⁶¹ Matthews, Bob, and Liz Ross. *Research methods*. Pearson Higher Ed, 2014.

context is the question of whether the social world can and should be studied according to the same principles, procedures, and ethos as the natural sciences."²⁶²

Deducing from the position above, there is no ambiguity about epistemology being concerned with the subject of what is considered to be known or ought to be known or basically what constitutes knowledge. This implies that a researchers' worldview is an essential aspect of epistemology, argues Marsh and Furlong.²⁶³ Therefore, the manner in which a researcher establishes or figures out actual or objective occurrences within a given society.

On the other hand, Smith and Mark notes that ontology deals with "the science of what is, of the kinds and structures of objects, properties, events, processes and relations in every area of reality,"²⁶⁴ In brief, Bryman argues that ontology relates with the intrinsic nature of what is known.²⁶⁵ Although epistemology is concerned with the mechanism of obtaining knowledge and ontology is focussed on the essential features of what is known, the two do not necessarily exclude or preclude each other. On this note, Russel emphasised the possibility that a researcher's ontological stance can give insight into his or her epistemological bearing. However, the fact that the epistemological and ontological views of a researcher may align does not automatically mean that one determines the other.

3.3 Paradigm of Social Research

Researchers are concerned with the philosophical foundation of the subject being investigated because in almost all scenarios, it influences both the question that the researcher sets out to answer and the manner in which they are framed. Besides, the philosophical foundation has a way of influencing the mechanism through which the research is carried out and the manner in which conclusions are reached.²⁶⁶ There is no gainsaying that a researcher's interpretative posture on what he or she *knows* is intrinsically related to the set of tools that are deployed

²⁶² Bryman, Alan. *Social research methods*. Oxford university press, 2016. p.

²⁶³ Marsh, David, and Paul Furlong. "A skin not a sweater: Ontology and epistemology in political science." *Theory and methods in political science* 2 (2002): 17-41. P. 19

²⁶⁴ Smith, Barry, and David M. Mark. "Do mountains exist? Towards an ontology of landforms." *Environment and Planning B: Planning and Design* 30, no. 3 (2003): 411-427. P. 413

²⁶⁵ Bryman, A. (2001). *Social Research Methods*. Oxford: Oxford University Press. P.

²⁶⁶ Marsh, Connie, Kelvyn Richards, and Paul Smith. "Autonomous learners and the learning society: Systematic perspectives on the practice of teaching in higher education." *Educational Philosophy and Theory* 33, no. 3-4 (2001): 381-395.

to conduct the research. The effectiveness of a research method, at least when looking at it from a philosophical view, is mostly determined by the epistemological element.²⁶⁷ As such, it is a clear mistake to assume that some methods are imbued with the capacity for self-evaluation, argues Hughes and Garrett.²⁶⁸ More than any other factor, it becomes necessary to pay close attention to social science philosophy. The importance of social science philosophy has been emphasised by Trigg as that which "...cannot be an optional activity, indulged in by those reluctant to get on with the real empirical work. It is the indispensable starting-point for all social science."²⁶⁹

Emphasizing the importance of epistemology, Marsh and Furlong outlined three strands of epistemological views that are dominant in social science including interpretivism, critical realism and neo-positivism.²⁷⁰ Of the three epistemological views, interpretivism and positivism can be said to be mutually incompatible while critical realism is situated somewhere between the other two extremes or categories. In the following, the three epistemological components, including their ontologies and my choice of a critical realist epistemology are briefly explained.

3.3.1 Positivism

This relates to the use of scientific approach in the study to the study of all phenomena – be it scientific or social.²⁷¹ This epistemological view argues that social phenomenon can also benefit from the use of scientific approaches that are employed in the study of natural science.²⁷² Bryman notes that the quest by social scientists to apply positivism that is widely associated with the natural sciences helps to legitimise imitation, something that is urged to be discouraged by researchers of all disciplines.²⁷³ Over time, there is an observable growth in the influence that this approach has on social sciences. However, Hasan argued

²⁶⁷ Roots, Epistemological. "Making connections: The relationship between epistemology and research methods." *Australian Community Psychologist* 19, no. 1 (2007).

²⁶⁸ Hughes, Marie Adele, and Dennis E. Garrett. "Intercoder reliability estimation approaches in marketing: A generalizability theory framework for quantitative data." *Journal of marketing research* 27, no. 2 (1990): 185-195.

²⁶⁹ Trigg, Roger. *Philosophy matters: An introduction to philosophy*. Wiley-Blackwell, 2001. P. 252

²⁷⁰ Marsh, David, and Paul Furlong. "A skin not a sweater: Ontology and epistemology in political science." *Theory and methods in political science* 2 (2002): 17-41.

²⁷¹ Ayer, Alfred Jules. *Logical positivism*. Simon and Schuster, 1959.

²⁷² Bryman, Alan, and Saul Becker. "Qualitative research." (2012): 274-278.

²⁷³ Lee, Richard E., and Immanuel Wallerstein. "Structures of knowledge." *The Blackwell Companion to Sociology* (2000): 227-35.

that its influence is waning with the passage of time.²⁷⁴ Positivism is said to be related to objectivist ontology which claims that “moral truths, exist independently of human knowledge or perception of them.”²⁷⁵ As a result, it has been proven to be helpful in revealing the causal factors associated with research in an objective manner never thought possible.²⁷⁶

To the positivists, valid knowledge can only be gained through inductive methods – systematic ways of research which emphasise “the inference of general laws from particular instances.”²⁷⁷ Following from this line of reasoning, methods involving direct observation is prioritised. It is based on this background that positivists scholars established the variation between empirical and normative research – the scientists embracing the former while the latter is perceived as a tool associated with researchers in humanity.²⁷⁸ Thus, a theory to a positivist is essentially an instrument for producing hypotheses that can best be tested through direct observation by the researcher.

3.3.2 Critical Realism

Critical realism is considered to be relatively new compared to both positivism and interpretivism schools of thought.²⁷⁹ It is equally regarded as a combination of the extreme positions of the interpretivists and positivists assumptions.²⁸⁰ Below are some of the basic underlying assumptions of this school.

One of the most widely cited positions of the critical realist view relates to how it perceives the world as existing “independently of our knowledge of it.”²⁸¹ According to critical realists, this material world can only be known through what they term as “consciousness.”²⁸² Furthermore, it is the assumption of critical realism that human understanding of the social world is prone to error or

²⁷⁴ Hasan, Md Nazmul. "Positivism: to what extent does it aid our understanding of the contemporary social world?" *Quality & Quantity* 50, no. 1 (2016): 317-325.

²⁷⁵ Benslimane, Djamel, Ahmed Arara, Gilles Falquet, Zakaria Maamar, Philippe Thiran, and Faiez Gargouri. "Contextual ontologies." In *International Conference on Advances in Information Systems*, pp. 168-176. Springer, Berlin, Heidelberg, 2006.

²⁷⁶ Marsh, David, and Martin J. Smith. "There is more than one way to do political science: on different ways to study policy networks." *Political studies* 49, no. 3 (2001): 528-541.

²⁷⁷ Ketokivi, Mikko, and Saku Mantere. "Two strategies for inductive reasoning in organizational research." *Academy of management review* 35, no. 2 (2010): 315-333.

²⁷⁸ Marsh and Furlong, 2002:20

²⁷⁹ Cruickshank, Justin, ed. *Critical realism: The difference it makes*. Routledge, 2003.

²⁸⁰ Scott, David. "Critical realism and empirical research methods in education." *Journal of philosophy of education* 39, no. 4 (2005): 633-646.

²⁸¹ Sayer, A. *Method in social science*. London: Routledge, 1984. P. 2

²⁸² Miller, Kent D. "Agent-based modeling and organization studies: A critical realist perspective." *Organization Studies* 36, no. 2 (2015): 175-196.

flawed.²⁸³ To this school, our knowledge of the social world is also burdened with theories preventing us from having an undiluted view of it.²⁸⁴ Following from this line of thought, Groff posits that “concepts of truth and falsity fail to provide a coherent view of the relationship between knowledge and its object.”²⁸⁵ However, it argues that what is known or knowledge of the world can be verified using empirical data.²⁸⁶

Additionally, critical realism maintains that within the material world, social phenomena including “actions, texts and institutions are concept dependent.”²⁸⁷ That is to say, the researcher must not be keen on “explaining the production and material effects but to merely understand, read or interpret what they stand for.”²⁸⁸ Even though it is the conviction of the critical realists that social phenomena requires interpretations not devoid of the biases of the researcher, they still insist that the phenomena exists regardless of the researcher’s interpretive role.²⁸⁹

While there are underlying structural effects at play in almost all human institutions, I do not believe that such structural effects act on their own. Certainly, this school negates the depth that is required of the researcher to generate empirical data within specific contexts. The entire body of critical realism are sceptical of empirical reality and stressed its perceived limits. Like Bhaskar argues, “there are ‘structures’ and ‘mechanisms’ which exist beyond empirical reality and which are not knowable.”²⁹⁰ Considering the fact that my research is focussed on empirically sourced data, critical realism cannot fit into the exact equation. The following looks at the viability of the interpretive school.

3.3.3 Interpretivism

Contrary to positivism that emphasised the supremacy of scientific approach in conducting research, interpretivism is a philosophical position that caution

²⁸³ Sayer, R. Andrew. *Method in social science: A realist approach*. Psychology Press, 1992.

²⁸⁴ Archer, Margaret, Roy Bhaskar, Andrew Collier, Tony Lawson, and Alan Norrie, eds. *Critical realism: Essential readings*. Routledge, 2013.

²⁸⁵ Groff, Ruth. "The truth of the matter: Roy Bhaskar's critical realism and the concept of alethic truth." *Philosophy of the Social Sciences* 30, no. 3 (2000): 407-435.

²⁸⁶ Danermark, Berth, Mats Ekström, and Jan Ch Karlsson. *Explaining society: Critical realism in the social sciences*. Routledge, 2019.

²⁸⁷ Brown, Andrew, Gary Slater, and David A. Spencer. "Driven to abstraction? Critical realism and the search for the 'inner connection' of social phenomena." *Cambridge Journal of Economics* 26, no. 6 (2002): 773-788.

²⁸⁸ *Ibid.*, p. 775

²⁸⁹ Sayer, Andrew. *Realism and social science*. Sage, 1999.

²⁹⁰ Bhaskar, Roy, A. Collier, T. Lawson, and A. Norrie. "Critical realism." In *Proceedings of the Standing Conference on Realism and Human Sciences, Bristol, UK*, vol. 4. 1998.

against the use of scientific method in studying social phenomenon. To this school of thought, restricting social researchers to employ the scientific approach in the study of the social world may not guarantee positive outcomes because of their inherent differences. This branch of thought argues that the “nature of people’s character and participation in both social and cultural life”²⁹¹ should be the most significant thing that the researcher should be concerned with. “It is not the actions that alarms or disturbs man, but it is their opinions and fancies about actions,”²⁹² argues Epictetus. While it can be traced to the philosophical orientations of hermeneutics and phenomenology, much of the contemporary expansion of the school is ascribed to Max Weber.²⁹³

This school of thought emphasises the factor behind human actions as perceived by the researcher. It focuses on the behaviour and motivation of the actors involved in any social action.²⁹⁴ The cultural element of this school was studied by Boas who observed that “cultures can be comprehended by studying people’s ideas, thinking, and the meanings that are important to them.”²⁹⁵ This school of thought is reputable for engaging in the detail study of human behaviour through social interaction within specific contexts. As a result of its search for details, it has been associated with qualitative methods, argues Matthews and Ross.²⁹⁶ What follows is the suitability of interpretivism in an exploratory study of the governance of Nigeria’s downstream that involves extensive depth and context specific.

3.4 Methodological and Theoretical Implications of My Research

Philosophy

The aim of this study is to explain the paradox in which a country that is adjudged to have large deposits of oil and gas resources but at the same time experiencing perennial shortages of petrol. What is the theoretical and methodological implication of my research philosophy? It is expected that the theory and method

²⁹¹ Chowdhury, Muhammad Faisal. "Interpretivism in aiding our understanding of the contemporary social world." *Open Journal of Philosophy* 2014 (2014). P. 433

²⁹² Estrada, Allan Arturo González. "The Phenomenal-Intentional Nature of Happiness: A contemporary Approach to Epictetus and Stoicism." *Siwó'Revista de Teología* 12, no. 1 (2019): 133-149.

²⁹³ Weber, Max. *Max Weber on the methodology of the social sciences*. Free Press, 1949.

²⁹⁴ Whitley, Richard. "The scientific status of management research as a practically-oriented social science." *Journal of management studies* 21, no. 4 (1984): 369-390.

²⁹⁵ Boas, Franz. *Race, language, and culture*. University of Chicago Press, 1982.

²⁹⁶ Matthews, Bob, and Liz Ross. *Research methods*. Pearson Higher Ed, 2014.

adopted for this study complement each other. At a general level, there has been an observable disconnect between theoretical and empirical students, especially over the last thirty years. However, the following provide reasonable grounds between both theory and method and how this helps the overall research.

As a general rule, interpretivism supports and encourages researchers to exploit the significance of qualitative data in conducting research.²⁹⁷ Interpretivism as a philosophical strand is focussed on the unearthing the peculiarity of subject matter and “contributing to the underlying pursuit of contextual depth.”²⁹⁸ But while interpretivism has been applauded for its quest in deepening knowledge within a given context, critics have also cautioned against reliant on its research outcome. Others expressed scepticism over its validity and the extent to which its result can be generalised.²⁹⁹

In order to minimise the observable discontent associated with interpretative research noted above, scholars including Silverman,³⁰⁰ and Hammersley³⁰¹ advised researchers to explore alternate sources of data collection to minimise the challenge of subjectivity.³⁰² Following from the above, I triangulated data sources to avoid the pitfall of having to rely on one data source. Therefore, interviews were triangulated against historically sourced archival materials which has proven helpful. Besides, since triangulation has to do with the combination of methodologies in the study of the same phenomena, I utilised the archival and secondary sources to validate the views of the participants. Supporting the use of triangulation as a means of achieving objectivity in social research, Denzin encouraged researchers to utilise more than one data source as it has “greater reliability than a single data sourcing approach to a problem.”³⁰³ In addition, Layder noted that the focus of the interpretive research on human beings (e.i

²⁹⁷ Kaplan, Bonnie, and Joseph A. Maxwell. "Qualitative research methods for evaluating computer information systems." In *Evaluating the organizational impact of healthcare information systems*, pp. 30-55. Springer, New York, NY, 2005.

²⁹⁸ Myers, Michael D., and David Avison, eds. *Qualitative research in information systems: a reader*. Sage, 2002.

²⁹⁹ Perry, Chad. "A structured approach for presenting theses." *Australasian marketing journal (AMJ)* 6, no. 1 (1998): 63-85.

³⁰⁰ Silverman, D. *Qualitative Research: Theory, Method and Practice*. London: Sage Publications, 2004

³⁰¹ Hammersley, M. *Educational Research: Current Issues*. London: Sage Publications, 2003

³⁰² Thanh, Nguyen Cao, and T. T. Thanh. "The interconnection between interpretivist paradigm and qualitative methods in education." *American Journal of Educational Science* 1, no. 2 (2015): 24-27.

³⁰³ Denzin, Norman K. "The research act in sociology." *London: Butterworths* 63, no. 12 (1970): 5788.

actors) would prioritise “action over structure.”³⁰⁴ This implies that the interpretive researcher would pay close attention to human actors. This is particularly important when researching a complex system such as Nigeria’s downstream where actors possess so much of influence and the most of decisions are determined by powerful individuals rather than structure.

3.5 Research Methodology

The study benefits from a combination of different methods and approaches. Essentially, whilst driven by a theoretical puzzle (why does an oil rich country like Nigeria experience petrol shortages?) this study adopts a qualitative empirical archival analysis to explain Nigeria’s perennial crisis of petrol shortages. Qualitative research methods help to provoke insights, framework, nuances and encourage the understanding of complex issues, argues Mason.³⁰⁵ In general, qualitative research helps to broaden the scope of understanding the issues being investigated by engaging the people involved.³⁰⁶ Also, the generated hypothesis helps to maintain or rejig earlier understanding surrounding the issue being investigated as well as concepts. The study essentially focuses on explaining the reason for persistent petrol shortages in an oil producing economy like Nigeria. The study benefits from extensive interviews with selected participants in Nigeria’s oil industry. Looking at four issue areas namely government agencies, policies, actors and international capitalism, these interviews were conducted with the aim to understand the workings of the aforementioned agencies and how these interactions produce unexpected outcomes – constraining the supply of petrol to Nigeria’s domestic economy.

3.5.1 Case Selection

The use of case studies in almost all disciplines including social sciences has become increasingly popular.³⁰⁷ As Batex and Susan argue, its popularity is mainly driven by the fact that it enables researchers to thoroughly investigate a research subject in its specific context giving available sources.³⁰⁸ The use of

³⁰⁴ Layder, Derek. *Understanding social theory*. Sage, 2005.

³⁰⁵ Mason, John. *Researching your own practice: The discipline of noticing*. Routledge, 2002.

³⁰⁶ Cassell, Catherine, and Gillian Symon, eds. *Essential guide to qualitative methods in organizational research*. Sage, 2004.

³⁰⁷ Feagin, Joe R., Anthony M. Orum, and Gideon Sjoberg, eds. *A case for the case study*. UNC Press Books, 1991.

³⁰⁸ Baxter, Pamela, and Susan Jack. "Qualitative case study methodology: Study design and implementation for novice researchers." *The qualitative report* 13, no. 4 (2008): 544-559. Retrieved from <http://www.nova.edu/ssss/QR/QR13-4/baxter.pdf>.

different sources of data in the study of a specific context helps the researcher to avoid the impulse of having to rely on a single lens (single source), but to employ different sources which allows for a more detailed investigation of the phenomenon leading to a better understanding.³⁰⁹ Following from the analogy above, one would be compelled to ask “what informs the use of case study? The question has been attempted by Robert Yin who argues that such an approach is most suitable for the study of a phenomenon involving “how” and “why” questions.³¹⁰ Or even when a researcher may wish to cover the specific context believing it to be relevant to the subject under investigation.

Following from the answers proffered by Yin as to the likely reasons why researchers may wish to consider the use of case study approach, I adopted the case study because it allows me to be able to test the application of resource curse theory in the Nigerian downstream sector. This is because previous studies have limited the use of the resource curse only to the study of nexus between institutions/oil wealth, conflict/oil wealth, and corruption/oil wealth as clearly shown in the subsection on the justification of the study (1.5) above. I will test the viability of the theory to see whether or not it can be applied to the circumstance of an oil rich country like Nigeria that is unable to provide petrol within its domestic economy leading to perennial shortages raging for over forty (40) years. In addition, the research seeks to answer a “why” question which falls within Yin’s prescription.

In specific terms, the study utilised the explanatory case study on the basis that it fits into the focus of the study that sought to explain why paradoxes within the Nigerian state that is undeniably rich in oil but it is unable to ensure the supply of petrol to its citizens. Under the explanatory case study as Yin opined, the researcher’s explanation “would link programme implementation with programme effects.”³¹¹ In like manner, this study seeks to explain the link between systems, agencies, and policies within Nigeria leading to petrol shortages. It is within this context that the choice of case study focusing on Nigeria’s oil sector is based.

³⁰⁹ Creswell, John W., and J. David Creswell. *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications, 2017.

³¹⁰ Yin, Robert K. “Case study research design and methods third edition.” *Applied social research methods series 5* (2003) p. 38.

³¹¹ Yin, Robert K. “Case study research design and methods third edition.” *Applied social research methods series 5* (2003) p. 40.

3.5.2 Research Population

Since the primary focus of the study is to explain the challenges of petrol shortages in Nigeria's economy, there are basically four categories of stakeholders that the research benefited from. These include bureaucrats managing Nigeria's downstream oil sector, major and independent oil marketers and scholars, policymakers, and civil society/academics including the general public. The study benefits from extensive interviews that were conducted by the researcher. To answer the thematic issues of the research, the generated empirical data was deployed to substantiate other archival and secondary sources. The researcher utilised purposive sampling defined by Mayoux as the type of sampling that is "based on the knowledge of the participants in relation to the objective of the study."³¹² Based on purposive index, the data was generated from relevant stakeholders within Nigeria's oil industry, policymakers within think tanks (Nigeria Institute of Policy and Strategic Studies and the Nigeria Institute of International Affairs), oil marketers as well as members of the intelligentsia and the public.

The first category of stakeholders are the domestic oil industry players and senior executives in Nigeria's Ministry of Petroleum Resources, Nigeria National Petroleum Corporation (NNPC), politicians and top government functionaries. In all thirty participants were interviewed. The number was selected based on the recommendation of experts in qualitative research including Baker and Edwards, Strauss and Corbin among others who advanced the position such that between twenty-five and thirty is capable of producing desired results.

Out of the thirty interviews conducted, ten comprised participants drawn from this category. Aside from the privilege of governing the Nigerian oil industry, the most essential decisions are presumably taken by the bureaucrats in the oil sector who also belong to this category. The second category which consist of five participants are Nigerian oil workers (two of whom are retired) drawn from the state corporation – Nigeria National Petroleum Corporation (NNPC) and Petroleum Equalisation Fund (PEF). The third category included ten participants selected from among staff of the Nigeria Extractive Industries Transparency Initiative (NEITI), academics (particularly those who have published works on oil

³¹² Mayoux, Linda. "Quantitative, qualitative or participatory? Which method, for what and when." *Doing development research* (2006): 115-129.

politics and the Nigerian leadership crisis) from the Universities of Port Harcourt, Benin (two major universities in the oil producing areas) and Jos. Also, the Nigeria Institute for Policy and Strategic Studies (NIPSS) Kuru, Jos and the Institute for International Affairs Victoria Island, Lagos. The last category of which comprised five participants are independent marketers and operators of filling stations. In all, the researcher ensured that the selection of participants was based on the knowledge of the subject matter under investigation.

3.5.3 Data Collection

3.5.4 Primary sources

The study is mostly empirical and therefore, in-depth interviews were conducted to enable the researcher to generate empirical data. The participants were drawn through purposive sampling techniques. While there are opposing views about the viability and validity of researches that employ purposive sampling methods, Gina Higginbottom argues that it allows the researcher to select the most relevant samples based on knowledge and understanding of the subject matter and in this case, the Nigerian oil industry.³¹³ Also, Martin Marshall argues the primary data of qualitative research enables the researcher to deepen the search for relevant information needed for an elaborate understanding of the thematic issues of a research.

3.5.4.1 In-depth Interview Questions

One major advantage of social science research is in the flexibility it provides for researchers to enable the assemblage of data depending on the subject of investigation.³¹⁴ This flexibility allows the researcher to approach and engage those who are adjudged to be more informed about the subject matter being investigated.³¹⁵ The identified stakeholders noted in section 1.7.2 (Research Population) above were asked specific questions intended to generate information that would help to gather the needed empirical data. In all, the researcher conducted semi-structured interviews. According to Leech, semi-

³¹³ Higginbottom, Gina Marie Awoko. "Sampling issues in qualitative research." *Nurse Researcher (through 2013)* 12, no. 1 (2004): 7.

³¹⁴ Gill, Paul, Kate Stewart, Elizabeth Treasure, and Barbara Chadwick. "Methods of data collection in qualitative research: interviews and focus groups." *British dental journal* 204, no. 6 (2008): 291.

³¹⁵ Manheim, Jarol B., and C. Rich Richard. "Theory Building: Concepts and Hypotheses in Political Science." *Empirical Political Analysis: Research Methods in Political Science*. New Jersey: Prentice-Hall (1981): 15-30.

structured interviews are loosely structured to allow for flexible interrogation of the participants in order to gain detailed information.³¹⁶ The semi-structured interview questions are reproduced below.

- I. Explain the structure in place to enable the supply of petrol in Nigeria.
- II. What is responsible for petrol shortages in Nigeria despite abundance of oil resources?
- III. Who governs the issuance of licences for importation of refined oil in Nigeria?
- IV. Who are independent marketers?
- V. What are their backgrounds, their loyalties, their goals?
- VI. What policy(ies) are in place to govern the downstream sector?
- VII. What is the regulatory system in place guiding actions and inactions of stakeholders in the refining, distribution and sale of petrol in Nigeria?
- VIII. Does the international market determine oil prices in Nigeria? And why?
- IX. How often does Nigeria experience petrol shortages?
- X. What measures are in place to checkmate incessant fluctuation in the price of petrol? And do they work?
- XI. Who should be blamed for the perennial shortages in petrol in Nigeria?
- XII. What are the penalties/punishments for violators of any rule, standard or law causing petrol shortages?
- XIII. How can the supply of petrol improve? Recommend ways in which the petrol shortages can be improved.

³¹⁶ Leech, Beth L. "Asking questions: Techniques for semi-structured interviews." *PS: Political Science & Politics* 35, no. 4 (2002): 665-668.

3.5.4.2 Archival Sources

Aside from interviews, the research also benefits from archival sources. For example, official government reports deposited in Nigeria's National Archive Kaduna have been consulted alongside old newspapers and magazines. The research also benefits from archival materials. The archival materials include reports of public investigations in the oil industry stretching back to the 1970s such as the *Report of Tribunal of Inquiry into Crude Oil Sales 1980*, *Report of the Adams Aret Commission of Inquiry into the Activities of NNPC*, and others such as National Development Plans of Nigeria from 1970 to 1978 and the other initiatives whose documents have since been archived. Also, old newspapers that cannot be accessed from normal libraries but were very active during the 1970s and 1980s such as *Daily Times*, *Nigerian Citizen* and *Daily Service* were also consulted at the Zonal Office in Kaduna State, Nigeria. Aside from providing detailed knowledge on the historical changes that have been made within the institutional level, it also shows the extent of elite influence and consistent feature of elite composition in the downstream sector of Nigeria's oil industry and development in general.

Therefore, the archival materials helped to identify the macro-sociological factors that have continued to militate against effective supply of petrol in Nigeria. It also helped the researcher to understand the composition of the ruling class as well as the extent of their influence over Nigeria society and its consistent grip over oil wealth. It would be difficult to understand the system in place governing supply of petrol in Nigeria during the 1970s if social analysis of the constitutive factors is not done through consultation of the archival evidence. In brief, the archival sources, more than any other source supplied the background needed for the insertion of the empirical evidence of the research which forms its unique contribution to the discourse on the resource curse in Nigeria in general and the problem of petrol shortages in particular.

3.5.4.3 Secondary Source

The study will also utilise published works from reputable publishers around the world. Therefore, secondary sources such as books, chapters in books, peer review journal articles, contemporary newspaper/magazines articles, policy documents, internet materials and many others were consulted. It is significant to

note, however, that these various secondary sources were used to substantiate the primary data that was generated from interviews and the archives. David Stewart and Michael Kamins argue that secondary data provide alternative views through interpretations of the issues being investigated.³¹⁷ Similarly, Sally Thorne avers that secondary sources help a researcher to appreciate the different styles in which primary data can be interpreted to ensure logical presentation of collected data.³¹⁸ It is based on the above conviction that the present study utilised sufficient and reliable secondary sources.

3.5.5 Data analysis: Triangulation

In order to ensure that all the thematic issues under investigation are attempted, the researcher utilised triangulation method for data analysis. According to Denzin, triangulation is “the combination of methodologies in the study of the same phenomenon.”³¹⁹ This technique of data analysis helps the researcher to approach research questions from multiple perspectives in order to offer a comprehensive explanation of the phenomenon being investigated and ensure its validity, argues Hastings.³²⁰ Therefore, in order to gain objective information from the multiple sourced data, the researcher utilised triangulation in order to avoid the pitfall of having to rely on a single source, a challenge that can inhibit reliability. Accordingly, triangulating the evidence collected from interviews with archival and secondary data will be the basic instrument of data analysis.

As a result, cross-referencing of the various sources of data was done. Since the interviewees are selected from among three different categories of people namely; bureaucrats, policymakers, staff of oil companies and general public (scholars, NGOs, independent marketers etc.), it naturally aligns with the choice of triangulation. This has also enabled the researcher to exploit the advantage of multiple perspectives on the subject being investigated. As noted by Davies, in order to measure the degree of reliability and gain objective opinion from the interviews, at least two different interviews (among two different categories of

³¹⁷ Stewart, David W., and Michael A. Kamins. *Secondary research: Information sources and methods*. Vol. 4. Sage, 1993.

³¹⁸ Thorne, Sally. "Secondary analysis in qualitative research: Issues and implications." *Critical issues in qualitative research methods* (1994): 263-279.

³¹⁹ Denzin, Norman K. "Triangulation 2.0." *Journal of mixed methods research* 6, no. 2 (2012): 80-88.

³²⁰ Hastings, Sarah L. "Triangulation." *Encyclopedia of research design* 3 (2010): 1538-1541. P.

participants) was sought to qualify the reliability of an account.³²¹ However, the sensitive nature of the subject matter being investigated and the different composition of the participants inhibited the researcher from having to assemble two powerful persons in one location necessary to support representational opinions. Nonetheless, the challenge would be resolved by triangulating interviews against other sources.

3.5.6 Ethical Considerations

In social research as in the sciences, research ethics have emerged as a fundamental issue needing serious attention. In essence, research ethics concerns the behaviour and safety of the researcher as well as participants during the research period.³²² The nature of social research involves human beings and the use of information which may be sensitive and appealing or provoking emotional outburst of anger. Perhaps more than any other factor, the quest to ensure validity and safety of the researcher and participants in research (especially research involving humans/tissues) explains why the issue of research ethics have become a matter of priority. It was based on the above point of view that Matthew and Ross called for adequate probing of researches to ensure conscious efforts are made to secure ethical approval before researchers go to the field.³²³

For the benefit of this research and the safety of both the researcher and the participants, ethical consideration is given a priority. I sought and got ethical approval for the study from relevant authorities at the University of Exeter, United Kingdom. In respect to Nigeria where the fieldwork was conducted, I enlightened research participants on the subject of my investigation. Though some of the participants were afraid of the implication on their work and official duties considering the questions, I was able to moderate the effect by assuring them of privacy and of the anonymity of their responses. Also, I issued consent forms indicating their right to withdraw from the research at any time once the analysis has not been concluded. This ethics certificate is attached at the appendix section of the research.

³²¹ Davies, Philip HJ. "Spies as informants: triangulation and the interpretation of elite interview data in the study of the intelligence and security services." *Politics* 21, no. 1 (2001): 73-80.

³²² Diener, Edward, and Rick Crandall. *Ethics in social and behavioural research*. U Chicago Press, 1978.

³²³ Matthews, Bob, and Liz Ross. *Research methods*. Pearson Higher Ed, 2014.

Chapter Four

The Governance of Local Agencies in the Downstream Sector

4.1 Introduction

Primarily, this chapter attempts to answer the puzzle, “how do local agencies govern the downstream sector and how has this engendered scarcity of petroleum products in Nigeria?” For whatever reason, researchers on the nature of the government’s administration of Nigeria’s oil industry in general have directed a great deal of attention to the institutional and regulatory systems. To a great extent, such approaches have significantly depoliticised agencies, departments and the parent ministry concern with petroleum matters. This chapter posits that a more nuanced explanation of the governance of Nigeria’s downstream sector must give primary consideration to historically established political structures demonstrated by powerful elite interests that influence or shape outcomes as well as stifle reforms. Furthermore, the chapter notes that by denying or underemphasized the factor of politics and power relations in the governing of downstream sectors, this also undermines the most rewarding aspect of Nigerian history. This is because, private power or elite power has featured more prominently far above state regulation. In the process, state regulation is eroded while the capacity of the state agencies to regulate activities in this sector is lessened. It is within this angle that one can glean the unique contribution of this chapter to the body of knowledge.

In order to better comprehend this challenge, the analysis is done in a chronological manner beginning with a brief explanation of the evolution of the public management system of the petroleum industry in general. It then proceeds to explain the hierarchical structure of administering the petroleum industry where the presidency appears to be the most influential unit of power. The presidency right from the 1970s have always sought to control whatever activities going on in the petroleum sector. Clearly, it confirms the position of literatures on rentier states where the political class seek direct control of rent.

It follows from a system of hierarchical order of the structures toward a system where individuals exercise greater agency while the institutions that ought to do so continue to shrink. Beginning in the 1970s, there has been a run of battle

between technocrats and administrators. These clashes constrained the development of not only the downstream sector but the entire oil industry. In all the periods covered in the chapter, the author pointed to various incidences where powerful members of the ruling class unjustifiably got involved in the matters within the downstream sector that are not supported by law establishing the local agencies. In almost all instances, the elites who interfered in the governing of these agencies have the ears of the incumbent heads of government.

Over-all, the chapter notes that the downstream sector has remained more like a department of government as a result of government's overbearing influence. This situation discouraged potential investors and stood in the way of proactive reforms such as the case with the Petroleum Industry Bill, now Petroleum Industry Governance Bill (PIGB). But like the case of the PIB, opposition to reform sometimes stemmed from the historical and organic division among the various component units within the country, a matter that has its root right into the colonial regime.

4.2 Background to Public management of the Petroleum Sector

Like the case in most colonised societies, the foundation of Nigeria's public sector in general and petroleum industry (downstream sector) in particular, is administered along the colonial strategy of 'minimum government' – a small government.³²⁴ No wonder, most people who worked in the civil service during the colonial era spoke with nostalgia about having worked in the 'Old Secretariat' (now the abandoned premises next door to the General Hospital, along the Mariner, in Lagos).³²⁵ It was therefore not surprising that after independence the Nigerian government embarked on an "emergency build-up of human and material resources if the new post-independence administration was not to implode on itself."³²⁶ One of the earliest public servants in the oil industry, with decades of experience noted that when he joined the service of the Nigerian

³²⁴ Kirk-Greene, Anthony Hamilton Millard. "The thin white line: the size of the British colonial service in Africa." *African Affairs* 79, no. 314 (1980): 25-44.

³²⁵ Interview with PG05

³²⁶ Marinho, F. R. A. *Nigeria's Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos, 2008. p. 155.

government, everything seemed empty of "...expertise, experience and well-thought-through ideas."³²⁷

The Hydrocarbons Unit of the Mines Division started off in the last years of the 1950s with two professional staff: a retired British Petroleum expatriate, Mr. Robert Dickie and a Nigerian Mining Engineer, late Chief M. O. Fedeyi assisted by an Assistant Technical Officer, late Mr. Anako.³²⁸ It almost immediately spun off into a separate section within the Ministry of Mines and Power and Lagos Affairs. By the 1960, the section had four graduate officers, three of whom were on overseas training. As noted by PG04, there were only a "few candidates available for employment in that unknown public sector organisation at the time."³²⁹ Those were mainly Federal Government scholars under obligation to serve a 'bond' and willing to risk the future in a novel and uncertain career. The effort by the state to stimulate sufficient interest in employment in that sector was "uninspiring, even though it appeared to be positive," argues PG09.³³⁰ Marinho succinctly summarised the challenge as reproduced below:

"The point was that all the senior civil servants who had been put in place to run the administration, after short bursts of high-pressure preparations, if truth be told, were then like strangers in paradise. There were yawning gaps in every department. Even when everyone was doing his level best, it did not appear that much was happening."³³¹

The situation was a clear demonstration of the axiom that optimum productivity cannot be attained by any organisation unless there is a 'critical mass' of every resource: "human, capital, material and expertise."³³² The *monkey see monkey do* (on-the-job training) strategy that had been largely employed in the preparations for taking over the administration of the emergent nation began to

³²⁷ Ibid., p. 155.

³²⁸ Marinho, F.R.A *Nigeria's Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos 2010. P.138.

³²⁹ Interview with PG04

³³⁰ Interview with PG09

³³¹ Ibid., p. 156.

³³² Dolman, Ben, Lan Lu, and Jyoti Rahman. "Understanding productivity trends." *Economic Round-up* Summer 2006 (2006): 35.

fall on its face. The flaw in the whole arrangement had indeed become so palpable that, soon after independence, the usually very discerning Nigerians began to describe the whole set up as a “pen-pushing’ bureaucracy and unabashedly started to wish for a return of the old colonial days.”³³³ In specific reference to the petroleum sector, Marinho further contended that:

“In the public sector of the petroleum industry, there were no resources of any kind to employ or build upon: no precedents for guidance, no indigenous pool of technical expertise to draw from, no petroleum laws and regulations to administer (except those contained in the covenants applicable to each individual concession).”³³⁴

Under such conditions, looking and tapping from states that have successfully developed their own petroleum sector would have helped. However, there were hardly any working models of the public sector readily accessible in the industry anywhere around the world to serve as templates. One would wonder if the IOCs operating in Nigeria would not have filled in the gap considering that some have been on ground since the early years of the 20th century. Unfortunately, a participant privy to the *modus operandi* of the Nigerian petroleum industry noted that the multinational cartel, the ‘seven sisters’³³⁵ as they were then styled, made sure there was “...a cloak of secrecy surrounding relationships and operations in the petroleum world, then.”³³⁶ Besides, the main responsibility of the Unit (Hydrocarbons Unit within the Mines Division) was to receive and file production and other routine reports needed for the attribution of rents and royalties in accordance with the derivation formula provided for in the constitution and to process all applications.³³⁷ Recalling his early days as a public servant in the

³³³ Marinho, F.R.A *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 156.

³³⁴ *Ibid.*, p. 155.

³³⁵ Wood, Aaron D., Charles F. Mason, and David Finnoff. "OPEC, the Seven Sisters, and oil market dominance: An evolutionary game theory and agent-based modeling approach." *Journal of Economic Behaviour & Organization* 132 (2016): 66-78.

³³⁶ Interview by PG014.

³³⁷ Turner, Terisa. "Commercial Capitalism in Nigeria: The Pattern of Competition." Cohen and Daniel (1981) (1981): 155-63.

petroleum industry, one participant observed the challenge inherited from the colonial era:

“When I joined the service, I had not had any previous exposure to its workings and so was unencumbered in acting in accordance with my own conscience and devices. It was easy to see that most of the so-called ‘seasoned officers’ were so boringly rigid. They had been put in some form of ‘strait jacket’ by the colonial influence in their pre-independence educational and post-qualification conditioning. Such mental conditioning of public servants, during colonial times, had such profound effects that one was tempted to conclude that it too often left a permanent scarring on the integrity of the mental capabilities of the officers.”³³⁸

In Nigeria, the Civil service worked mainly according to two main directives. The first is the General Orders (G.O) which reflects the hierarchical chain of command.³³⁹ The second is known as Financial Instructions (F.I) that deals with all financial obligations.³⁴⁰ However, there is a third but more important element that has to do with “procedures and precedents.”³⁴¹ An existing bad precedent by an unscrupulous but powerful officer-in-charge opened the way for exploitation unless corrected by some other forceful successor. It was not unusual for the powerful to override ‘de-jure’ positions with ‘de-facto’ expediencies. However, one participant who spent more than two decades with the Nigerian public service (serving in the petroleum ministry) observed the challenge with precedents and procedures in the following words:

“When I joined the public sector of the industry, there were no established precedents, guidelines or principles to regulate activities in that sector.

³³⁸ Interview with PG06

³³⁹ Abdullahi, Muhammad. "Ethics and accountability in Nigerian public service: Its Collapse and the Way Forward." *Academic Journal of Interdisciplinary Studies* 2, no. 5 (2013): 117.

³⁴⁰ *Ibid.*, 118.

³⁴¹ *Ibid.*, 119.

The G.O and F.I were patently irrelevant in the brand-new setting of an industry that just began to come alive immediately before the country's independence. In my twenty-five years of public service, I do not recall making references to either of them."³⁴²

Giving the situation noted above, those minded to act transparently were better off relying on their innate ability to choose good from evil. Most times, only the incompetent or the devious needed to exploit the loopholes in the G.O. and the F.I., either as a guide for correctness or as an excuse for a 'cover-up, misjudgement or deliberate mischief. There were scheduled personnel in the executive officer cadre who were supposed to be vast in the applications of those guides; they were expected to enforce compliance. How then was the nature of the institutions operating in the oil sector in general? The following subtheme deals especially with the kind of institutions and the manner of governing.

4.3 Powerful Individuals Against Weak Institutions

As noted in the beginning of this chapter, the Nigerian public bureaucracy is influenced by that of Great Britain following the root of colonial organisation. Thus, the country is made of the federal, state, and local government administrations. This division according to tiers is appropriately enshrined in Chapter VI of Nigeria's constitution which among other things allocated specific roles to each tier of government.³⁴³ Though the states are meant to be autonomously run as represented in the constitution with federalism as it is manifestly written, "in practice that has not been the case,"³⁴⁴ argues Isawa. The federal government has interfered and expanded its reach over time as a result of 'long years of military rule and the need to maintain a 'united Nigeria.'³⁴⁵ In all, the Nigerian public service comprises Ministries, Departments and Agencies, otherwise known as MDAs. This is aside corporations such as the Nigeria National Petroleum Corporation and parastatals with thousands of civil and public

³⁴² Interview with PG12

³⁴³ Sagay, Itse. "Nigeria: federalism, the constitution and resource control." *The Guardian*. Lagos. May 28 (2001).

³⁴⁴ Elaigwu, J. Isawa. "Nigerian federalism under civilian and military regimes." *Publius: The Journal of Federalism* 18, no. 1 (1988): 173-188.

³⁴⁵ Elaigwu, J. Isawa. *The politics of federalism in Nigeria*. Adonis & Abbey Publishers Ltd, 2017.

servants.³⁴⁶ It is significant to note that the overwhelming control exercised by the federal government, otherwise known as the centre in public discourse has witnessed the rise and maintenance of a hierarchical structure through which decisions are made and implemented.³⁴⁷

While the president handles the appointment of ministers and heads of MDAs at the federal level, it is the responsibility of the governors to appoint commissioners (equivalent of ministers at the state level) and heads of MDAs at the state level. In all, the appointees (Ministers/Commissioners) are responsible for carrying out the programmes and policies of government in due consultation with permanent secretaries who are unquestionably the administrative head of the ministries.³⁴⁸ Public administration scholars including Andrews et al. and Nielsen observed the intrinsic link between public sector performance and development.³⁴⁹ This debate is not entirely new as it is traceable to the works of the famous German thinker, Marx Weber who noted the central role of bureaucracy in the delivery of public service.³⁵⁰

Drawing from the point of view above, one can argue that the development vision of a state has everything to do with the organisation of its bureaucracy and it is based on this observation that a country's bureaucracy is often regarded as its *agents of change*.³⁵¹ Similar to the case in other countries, the public service systems are established to coordinate policy implementation for the benefit of the public. Therefore, the task of formulating and implementing public policies raised with the public service which is regarded by Agagu as the "engine room"³⁵² of

³⁴⁶ Bayo, Ogunrotifa Ayodeji. "Federal civil service reform in Nigeria: The case of democratic centralism." *J Radix Int Educ Res Consortium* 1, no. 10 (2012): 1-45.

³⁴⁷ Osaghae, Eghosa E. "Federalism, local politics and ethnicity in Nigeria: Do ethnic minorities still exist in Nigeria?" *Journal of Commonwealth & Comparative Politics* 24, no. 2 (1986): 151-168.

³⁴⁸ Formerly they were referred to as Director-Generals.

³⁴⁹ Nielsen, Poul A. "Performance management, managerial authority, and public service performance." *Journal of Public Administration Research and Theory* 24, no. 2 (2013): 431-458; Andrews, Rhys, George A. Boyne, Jennifer Law, and Richard M. Walker. "Strategy implementation and public service performance." *Administration & Society* 43, no. 6 (2011): 643-671.

³⁵⁰ Adler, Paul S. "Perspective—the sociological ambivalence of bureaucracy: from Weber via Gouldner to Marx." *Organization Science* 23, no. 1 (2012): 244-266.

³⁵¹ Schneider, Mark, Paul Teske, and Michael Mintrom. *Public entrepreneurs: Agents for change in American government*. Princeton University Press, 2011.

³⁵² Agagu, A. A. "Re-inventing the Nigerian public service in an Age of Reforms." *Pakistan journal of social sciences* 5, no. 3 (2008): 243-252.

Nigeria's government. It is in recognition of the important role of this sector that Yahaya noted the following:

“The paradigm shift in the roles of the state also led many countries to introduce civil service reforms as part of the strategy by the government to rebuild the public service to operate more as a catalyst and an enabler. Inevitably, the institutional and human capacity that would be required for the operation and performance of the public sector.”³⁵³

The fundamental changes noted by Yahaya prompted the introduction of reforms within the civil service as a necessary step to maintaining its relevance. Nigeria has had its own reforms of the civil service including the “Adebo Commission of 1970, the Udoji Commission of 1972, the Phillips Report of 1985 and the 1994 Review Panel on Civil Service Reforms chaired by Chief Ayida. While the author may differ with some of the outcomes of the commissions like the Udoji Commission which among other things expended the proceeds of Nigeria's first oil shock for arguably irrational purposes, the fundamental observation of scholars and practitioners including Okonjo-Iweala is that the bulk of the reports of these commissions have largely remain unimplemented.³⁵⁴

While there are clear guidelines on how Ministries, Departments, and Agencies are required to operate, “Nigeria's experience shows the interplay of power relations that have shown greater agency over rules and institutions.”³⁵⁵ In the following, an attempt is made to explain and analyse the structure of governance within the downstream sector of Nigeria's petroleum resources with the aim to understand how the structure of governance has contributed to petroleum product scarcity in the domestic Nigerian economy.

³⁵³ Yahaya, A. D. "Human and institutional capacity building for the Nigerian public sector." *Nigeria's Struggle for Democracy and Good Government: A Festschrift for Oyeleye Oyediran* (2004).

³⁵⁴ Okonjo-Iweala, Ngozi, and Philip Osafo-Kwaako. "Nigeria's economic reforms: Progress and challenges." *Brookings Global Economy and Development Working Paper 6* (2007); Okonjo-Iweala, Ngozi. *Reforming the unreformable: Lessons from Nigeria*. Mit Press, 2014.

³⁵⁵ Interview with PA22.

4.4 The Presidency

The Nigerian president or head of state has within their control, so much of power.³⁵⁶ A substantial amount of these powers originates from the constitution of the country (this is the case for democratically elected presidents).³⁵⁷ According to Adeniyi, “the system of government we practice, the executive powers of the federal government are vested in the president and exercised by others in delegated capacity.”³⁵⁸ The situation is worse for those who ascended to power through military coups and whose sovereignty is not derived from the people.³⁵⁹ History reveals that these heads of state of Nigeria had a more expansive range of power and privilege to act sometimes as they wish.³⁶⁰ This is because the power under military rule has no restraint whatsoever.³⁶¹ However, there are numerous cases where democratically elected presidents abused the privilege of office against the provision of the Nigerian constitution which provides that “sovereignty belongs to the people of Nigeria from whom government through this constitution derives all its powers and authority.”³⁶² While there are numerous agencies saddled with the day to day responsibility of governing the downstream sector of the Nigerian petroleum industry, it has witnessed “indirect control from the Presidency, that influence and undermine the smooth running of the agencies with statutory mandates.”³⁶³

Commenting on the overwhelming powers of the Nigerian president/head of state, Kukah lamented:

“No president in the world has the kind of power the Nigerian president has and as such, no president in the world can be as irresponsible as

³⁵⁶ Muheeb, Ibraheem Oladipo. "Executive Presidency and Intra-Institutional Crisis in Nigeria, 1999–2015." *Global Journal of Human Social Sciences* 16, no. 4 (2017): 46-57.

³⁵⁷ Williams, David. *President and power in Nigeria: The life of Shehu Shagari*. Routledge, 2018.

³⁵⁸ Adeniyi, Segun. "Kyari's Kyari's Passage and Matters Arising," available at <https://www.thisdaylive.com/index.php/2020/04/23/kyaris-passage-and-matters-arising/> accessed 23rd April, 2020.

³⁵⁹ Diamond, Larry Jay, Anthony Hamilton Millard Kirk-Greene, and Oyeleye Oyediran, eds. *Transition without end: Nigerian politics and civil society under Babangida*. Boulder, CO: Lynne Rienner, 1997.

³⁶⁰ Kwarteng, Charles. "'babangidaization' after Babangida: The Nigerian military and the politics of incumbency." *The Round Table* 85, no. 338 (1996): 183-204.

³⁶¹ Peil, Margaret. "A Civilian Appraisal of Military Rule in Nigeria." *Armed Forces & Society* 2, no. 1 (1975): 34-45.

³⁶² The Nigerian Constitution Chapter II section 14(2) a quoted by Nwabueze, Benjamin Obi. *The presidential constitution of Nigeria*. London: C. Hurst; Enugu [Nigeria]: Nwamife Publishers, 1982.

³⁶³ Interview with PG027.

the Nigerian president. His power is so much that he can give oil bloc to his girlfriend and many others. You cannot be a man of honour and live in a country like Nigeria and not be angry.”³⁶⁴

Though there is no defined role that is allocated to the office of the president, since the 1970s, the successive presidents/heads of state have had significant influence “over refining and distribution of petroleum products within the economy.”³⁶⁵ But this is understandable considering the fact that since the first half of the 1970s, petroleum emerged as the single most important commodity upon which the state depends for survival. More than any other factor, this may have been the reason behind the interest of heads of state in the sector. To better appreciate the overwhelming role of the ruling elites (symbolised here as the Presidency) the following analysis traced the active involvement of the ruling elites (presidents and their cronies) and the major regulating state agency (NNPC) in the oil economy from the 1970s down to 2015. Perhaps this would explain the governance deficit that is deeply rooted in the management of the downstream sub sector of Nigeria’s oil industry.

4.4.1 The Presidency in the 1970s

By explaining the influence of the Head of States during this period, I hope to go some way into explaining the inherent challenges of governance of the downstream sector. Three major actors have been identified to play significant roles within the Nigerian oil economy among which are the multinational corporation, local middlemen and the state comprador.³⁶⁶ The relationship between these three influencers have been termed by Turner as ‘commercial triangle’³⁶⁷ defined as a situation where “three parties are involved in a buying or selling transaction.”³⁶⁸ Least I forget, the presidency is not exactly the same as the *state comprador* “whose position allows him to influence state spending and government policy.”³⁶⁹ The Presidency in this study include the office of the head

³⁶⁴ Kukah, Bishop Matthew. “Building blocks for a good society.” Being the text of a paper presented at the Francis Idibiye Lecture hall of the Federal University of Technology, Akure (FUTA) on the occasion of the Annual Ulefunta/Oyemekun Festival lecture. Friday 5th October, 2018.

³⁶⁵ Interview with PG05.

³⁶⁶ Turner, Terisa. "Commercial capitalism and the 1975 coup." *Soldiers and oil: The political transformation of Nigeria (1978)*: 166-197. P. 169.

³⁶⁷ Turner, Terisa. "Commercial capitalism and the 1975 coup." P. 170.

³⁶⁸ *Ibid.*, p. 167.

³⁶⁹ *Ibid.*, p. 169.

of government of Nigeria and the cronies who represent the interest of that office. A participant with knowledge and experience of Nigeria's public service gave a more elaborate explanation of the presidency in the following way:

“...This may include an entire clout around the official office of the head of state or president. Depending on the person in power, presidential powers can be extended to a small circle that fronts for the president. Recently, some refer to them as the cabal. In the past, they may be appointees of a government that is close to the president and represents his interest. The head of state can signal his interest through these groups of persons, especially, when the issues involved have to do with secret deals to which the public are denied knowledge of.”³⁷⁰

The explanation above suggests the extent of power that the presidency possessed. Remember that during this period, particularly from 1971, Nigeria was “producing and marketing around eighty million tons of oil per annum.”³⁷¹ Most of these deals were “predominantly undertaken by foreign firms.”³⁷² This implies the existence of competition. In fact, Turner had noted that the “basic source of competition among commercial triangles is foreign business rivalry.”³⁷³ These foreign companies devised quicker means of competition that are acceptable by their host governments and elites, in this case, the Nigerian elites, narrowly regarded here as the presidency. It has been argued that the “most efficient method of competing was through the purchase of favour with bribes.”³⁷⁴ While interviewee P018 and P16 would not make any comment on the question of “who are the frontiers of the Gowon regime?,” the pioneer head of the Nigeria National Petroleum Corporation had noted the following, in his book entitled “*Nigeria's Petroleum Industry: A Maverick Pioneer*.” Read the response of one:

³⁷⁰ Interview with P016.

³⁷¹ Kirk-Greene, A. and Rimmer, D. - Nigeria Since 1970 (Hodder and Stoughton, London) 1981 p. 84 (table 11, original sources: CBN, Economic and Financial Review (production figure) and UN Monthly Bulletin of Statistics (prices).

³⁷² Ibid., p. 84.

³⁷³ Turner, Terisa. "Commercial capitalism and the 1975 coup." p. 172.

³⁷⁴ Ibid., p. 172.

“At the centre of the most influential personalities who had the ears of the head of state who were regarded as the ‘Three musketeers’ include Chief Allison Ayida, Chief Philip Asiodu and late Chief Imeh Ebong (dominantly all King’s College, Oxbridge and Foreign Service). In my time, Allison seemed to have been on the top of the pecking order within the group. There were other forceful personages like Chief G.K.J. Amachree who did not seem to be allied with any block. A large measure of the successes and failures of our earlier development Plans must, unarguably, be ascribed to that group.

Another other group seemed to comprise a wider circle that included Alhaji Damcida, the Ciromas and late Alhaji Gobir (Permanent Secretary, Ministry of Transport) and Chief Sunday Awoniyi who seemed to be the rallying force within the group. Late Prince Abdul Attah, until his demise, was a dominant personage in the block. Its power base, however, reached from beyond the Federal Public Service. Its power base, however, reached from to the Secretary to the Government of the Northern Region or had formerly occupied that position. The one person that I came to know a lot about, through my association with Chief S.B Awoniyi, was Alhaji Ahmed Talib. The cohesion of the block seemed to have been forged through their old school ties, the origin, perhaps, of what has now come to be known as the ‘Kaduna Mafia.’ From what I came to know, during my association with Chief Awoniyi, a very large credit for the survival of Nigeria as one entity must go to the commitment and combined

efforts of that small group of patriots more than to any force of arms or political tinkering. I saw them at work on the 'Nigeria' project."³⁷⁵

Those closed to Gowon and even Murtala were involved in what PG03 regarded as the "sickening exploitation of signatures of 'powers from above', which less than honest officials flaunt as authority for doing some things that are manifestly irregular or otherwise."³⁷⁶ That notorious strategy of circumventing 'due process' by pleading "directives/orders from above or by prematurely 'procuring' signatures of higher authorities in a bid to foreclose an argument or steamroll a position became common practice in the decisions regarding licensing of marketing deals on petrol."³⁷⁷ At the highest political levels of governance, part of the intrigues was to "out-smart or ambush others by extracting the all-too-important signature of the highest authority possible,"³⁷⁸ ahead of the other contending interests, not uncommonly, "by mischievous disinformation, misrepresentation, ill-advice and, not infrequently, by outright lies under confidential cover."³⁷⁹ The unfortunate situation was that, quite often, the approving authority was only "marginally conversant with what was going on."³⁸⁰ This implies that private connection to power means a lot more than state institution.

From time to time, various interests were known to have "obtain differing authorisations on the same matter."³⁸¹ As PG05 rightly noted, it was the "one who struck first that got away with the prize".³⁸² In other words, the closer to the ears of the powers that be, (as demonstrated by the ever rising clout of the 'Aso Rock' clan and the Abuja crowd) the better the prospects of success (merit or no merit). The above confirms that some of the very wide-ranging abuses, wrong doings and 'executive rascality' in the downstream sector, in recent times have a deep root from the past.

In the years of the 1970s, Tether of the *Financial Times* of London noted that the happenings that "...normal commercial considerations are clearly going to play a

³⁷⁵ *Nigeria's Petroleum Industry: A Maverick Pioneer*

³⁷⁶ Interview with PG03

³⁷⁷ Interview with PG05

³⁷⁸ Interview with PG09

³⁷⁹ Interview with PG27

³⁸⁰ Interview with P12

³⁸¹ Interview with PG09

³⁸² Interview with PG05

subsidiary role – if, indeed, they exercise any influence at all ... if orders are to go to producers (most effective in) greasing the palms of those who are placed to determine the final choice on the buying side.”³⁸³ With time, the practice of bribing close associates of the head of state became a legitimate form of competition as reported by various issues of the *Financial Times* (London) throughout February of 1976. From the account above, Turner observed that under such an atmosphere, “the foreign businessman is faced with the situation in which a major source of competitive advantage is the kickback.”³⁸⁴ It is important to note, however, that the practice of paying kickbacks to the elite clout to advance business interest was not entirely limited to the big corporations. The practice, according to Turner also involves:

Small firms for which a single contract or concession could mean the difference between profit or collapse. These firms have a special incentive to offer kickbacks to secure a niche in a market dominated by large corporations. Finally, inducements are used not only to swing decision-makers over to a particular firm, but also to encourage the state to make purchases which would not otherwise have been made.”³⁸⁵

Furthermore, where governments appear to shoulder a great deal of expenditure, such a practice thrived, mounting significant pressure on powerful state officials to “join in the business of engaging services not the benefits it provides but for the bribes it made available.”³⁸⁶ As Turner puts it, “local intermediaries and foreign businessmen who are unable to gain access to the decision-makers of the moment look forward to their replacement.”³⁸⁷ Equally, “state officials who cannot obtain positions which allow them to influence decision-making similarly seek to unseat those in power.”³⁸⁸

³⁸³ C. Gordon Tether, 'The disregard of moral standards,' Lombard Column, *Financial Times* (London) February 11, 1976.

³⁸⁴ Turner, Terisa. "Commercial capitalism and the 1975 coup." *Soldiers and oil: The political transformation of Nigeria* (1978): 166-197. P. 174.

³⁸⁵ *Ibid.*, p. 175.

³⁸⁶ Interview with PG09

³⁸⁷ Turner, Terisa. "Commercial capitalism and the 1975 coup." p. 175

³⁸⁸ *Ibid.*, p. 176

With time, the practice where transnationals engage in bribery and payment of kickbacks to have the ears of those in the corridors of power to influence outcomes for them securing contracts and licenses became a norm. The challenge, however, with what has become a normal business culture in Nigeria was questioned in the US Senate Subcommittee on Multinationals sometime in February 1976.³⁸⁹ The report was specifically on the activities of major US aerospace and defence dealers – Lockheed.³⁹⁰ The contractors acknowledged that they offer bribes and kickbacks to foreign officials in Nigeria to the tune of “\$3.6 million on a \$45 million deal.”³⁹¹ Unfortunately, Brigadier General Garba, the then Commissioner for External Affairs, informed the public that information that was supplied to the Nigerian government to investigate the procurement of C-130 military aircraft was:

“insufficient to warrant or justify the apprehension of any of the Nigerians who are known to be linked with Lockheed in this international scandal particularly as the exact nature and extent of benefits, if any, derived cannot be ascertained or determined.”³⁹²

Even at that, *West Africa* reported in November of 1976 on the efforts to arrest and interrogate the suspects through the assistance of Interpol.³⁹³ This scandal explains the connections between transnational corporations seeking contracts and the Nigerian elites. This was the same situation in the oil industry. When the Nigerian government began to curtail the influence of Shell in the wake of the nationalisation policy, Frynas et. al contended that for “for some Nigerian officials, Shell's operations, like those of other companies, had become a source of wealth and income.”³⁹⁴ A participant responded to the question of how does the practice of taking bribe affect the governance of the downstream sector in the following way:

³⁸⁹ *Multinational Corporations and US Foreign policy*, Part 12, (Lockheed hearings), US Government Printing Office, Washington D.C.

³⁹⁰ *Ibid.*, p. 45

³⁹¹ *Financial Times* (London) February 16 and 17, 1976.

³⁹² *West Africa* (Lagos) November 29, 1976. P. 1827

³⁹³ *Ibid.*, p. 1827.

³⁹⁴ Frynas, Jędrzej George, Matthias P. Beck, and Kamel Mellahi. "Maintaining corporate dominance after decolonization: the 'first mover advantage' of Shell-BP in Nigeria." *Review of African Political Economy* 27, no. 85 (2000): 407-425.

“The system of bribe and kickbacks affects the quality of delivery, especially in a sector that requires so much expertise. At the time we were in government, we fear that such could lead to situations where contracts for the building of our refineries would be handed over to the highest bribers instead of the highest bidders. Years later, our speculations have been proven to be true as most of the contracts for the building of the refineries did not contend clauses for services and the refineries have since been grounded.”³⁹⁵

Frynas went further to assert that “personal enrichment of government officials became more feasible when the government had become involved in the marketing of oil”³⁹⁶ which started in the 1970s. In order to have a complete control of the downstream sector, the elites under different heads of state in the 1970s birthed a system that allows the government to refine a small part of the produced oil in the local refineries “while the greater part of is allocated to the so-called ‘term contract’ for exports.”³⁹⁷ As Frynas noted, “the introduction of these term contracts in the early 1970s has opened an avenue of potentially lucrative business deals for government officials and private.”³⁹⁸ Turner captured the negative impact of a powerful elite resident in the presidency of Nigeria in the wake of petrol shortages that lasted for two years:

“During the oil crisis of 1973-74, for example, major political differences arose when the NNOC had some 300,000 barrels/day available for sale. Signing of contracts was delayed, the oil minister changed his mind on a number of occasions and, generally, the auction of the crude oil came into disrepute. In the process, at least one Nigerian

³⁹⁵ Interview with P03.

³⁹⁶ Frynas, Jędrzej George, Matthias P. Beck, and Kamel Mellahi. "Maintaining corporate dominance after decolonization: the 'first mover advantage' of Shell-BP in Nigeria." P. 416

³⁹⁷ Ibid., p. 416.

³⁹⁸ Ibid., p. 416.

middleman, who acted on behalf of foreign companies, made a fortune out of two crude oil sales by the Ministry of Mines and Power. Because of the delays in signing contracts, the NNOC was finally forced to sell the unsold oil to Shell-BP and the smaller Nigerian producers in early 1974 at lower prices at the expense of the government revenue.”³⁹⁹

The interest of the presidency to exercise undue control over the oil industry in general over the years is, according to Akinola et al. “due to the monetary importance of the crude oil industry to the state.”⁴⁰⁰ Though the presidency appears to be the most powerful club in the hierarchy of dominant interests regarding the downstream sector, the Ministry of Petroleum and the bureaucrats therein have been identified as relevant stakeholders. In the following, an attempt is made to analyse the emergence of the role of the ministry in governing the sector and the challenges of petrol shortages.

4.4.2 The Ministry of Petroleum and the NNPC in the 1970s

In the early years of Nigeria’s independence, Nigerian politicians had “little interest in oil and civil servants remained on the margins of the industry.”⁴⁰¹ But things began to change from “January 1966 when Shell-BP (the most dominant International Oil Corporation in Nigeria) offered the military regime improved financial terms.”⁴⁰² With increased finances coming in from oil, the government felt the need to establish what it termed as a ‘Petroleum Section’⁴⁰³ that would coordinate all the funds made from petroleum related matters under the Ministry of Finance.⁴⁰⁴ The Ministry of Mines and Power was largely silent as it “remained in the background and had even less of a role with the decrease in production during most parts of the Civil War.”⁴⁰⁵ The Ministry’s established role was to

³⁹⁹ Ibid., p. 417; For details, see Turner, Terisa. "Commercial capitalism and the 1975 coup." *Soldiers and oil: The political transformation of Nigeria* (1978): 166-197.

⁴⁰⁰ Akinola, Adeoye O., and Henry Wissink. "Public sector performance in the Nigerian downstream oil sector: A critical reflection." *Journal of Asian and African Studies* 53, no. 3 (2018): 476-490.

⁴⁰¹ Turner, Terisa. "Commercial capitalism and the 1975 coup." *Soldiers and oil: The political transformation of Nigeria* (1978): 166-197. P. 179.

⁴⁰² Ibid., p. 179.

⁴⁰³ Most of the Newspapers within this period noted the influence of Abdul Atta on Gowon.

⁴⁰⁴ The Ministry of Finance was the parent Ministry managing oil activities.

⁴⁰⁵ Turner, Terisa. "Commercial capitalism and the 1975 coup." P. 179.

regulate foreign oil companies with little staff available, most of whom were ill-equipped.⁴⁰⁶

During this period, Abdul Atta, who was the Permanent Secretary deployed to the Ministry of Finance was perceived as one of the major influences on the Head of State – General Gowon. Consulted sources including interviews with PG018 and PA01 confirmed that Abdul Atta was instrumental in persuading what Turner noted as “a reluctant leadership which knew little about oil and feared loss of sovereignty.”⁴⁰⁷ Though he died in 1972, Atta was said to have successfully set up two major institutions namely, the Petroleum Advisory Board (PAB) and Nigeria National Oil Company (NNOC).⁴⁰⁸ The Decree establishing NNOC, specifically came to force on April 1, 1971 - established Nigeria’s premiere holding company tasked with the responsibility to oversee Nigeria’s oil industry.⁴⁰⁹ While PAB was designed as an open forum to promote informed oil policy making, the NNOC was to function as a main agency to coordinate the implementation of oil policy. The birth of the NNOC marked the period of transition from an industry that was largely dominated by IOCs exercising almost supreme powers to the one where the state emerged to perform, not only the regulatory powers (including price control of refined petrol) but one that directly participated in almost all aspects of the industry not excluding the role of a “commercial stakeholder”⁴¹⁰

With the creation of these institutions, the Ministry of Mines and Power, and NNOC emerged as the visible administrative structure in the Nigerian oil industry. However, the creation of these institutions was met with rivalry from administrators in the Ministry of Mines and Power who were frightened “by the expansion of the Ministry of Finance into their sphere of interest.”⁴¹¹ However, the initial crisis of governance began when certain provisions of the Decree which established NNOC gave it limited opportunity to exercise real power as seen in its establishment act captured below:

- The corporation has no powers to approve over ₦100,000 except when the Federal Executive Council (FEC),

⁴⁰⁶ Ibid., p. 179.

⁴⁰⁷ Ibid., p. 179.

⁴⁰⁸ Interview with PG05

⁴⁰⁹ Decree no. 18 of 1971

⁴¹⁰ Interview with PG09

⁴¹¹ Text of 1975/76 Budget Broadcast, Federal Ministry of Information.

through the recommendation of the NNOC Board (it was the approved spending limit for all federal parastatals).

- Although the corporation was allowed to oversee the various stages involved in 'oil production to marketing,' it was not given an exclusive power in these areas;

And

- "The Chairman of the corporation's Board was the Permanent Secretary of the Ministry of Mines and Power."⁴¹²

In the initial, the idea was for the Federal Executive Council to appoint a general manager who would exercise executive powers, "but as long as none was appointed, Asiodu, as Permanent Secretary of the Ministry of Mines and Power, was in charge of NNOC."⁴¹³ With the emergence of NNOC and the new system of control in place, Nigeria's bureaucrats in the oil industry began to tussle for power, sometimes with unfortunate outcomes. Turner captured this appropriately:

"Whereas prior to 1971, oil experts in the Ministry of Finance's Petroleum Division had provided much of the opposition to the oil ministry's regulatory policies, after 1971 and especially since 1973, most opposition stemmed from a technocratic faction made up of NNOC staff. This shift in the source of opposition to oil ministry initiatives reflects the evolution of policy from an emphasis on oil income to concern with state control of the industry."⁴¹⁴

The situation aggravated with the passage of time. From the second quarter of 1973 up until the coup that dethroned General Gowon in 1975, these divisions among technocrats and general administrators culminated into serious conflict of interests and the "belief that personal gain motivated certain actions was widespread."⁴¹⁵ Consulted documents from the archive in Kaduna revealed that

⁴¹² Turner, Terisa. "Commercial capitalism and the 1975 coup." P. 180.

⁴¹³ Ibid., p. 181.

⁴¹⁴ Ibid., p. 181

⁴¹⁵ Ibid., p. 181

mutual suspicion about “corruption played a significant role in the development of tension between NNOC and the Ministry and between personalities in each institution.”⁴¹⁶

With increased tension among the stakeholders in the ministry, NNOC and general administration, “the presidency got involved in most of the issues thereby relegating the technical departments and ministry in charge of petroleum.”⁴¹⁷ An insider, who was a staff of the NNOC frown at the involvement of the presidency in the 1970s as a result of infighting within the entire gamut of the petroleum management and general administration:

“Nigerian ministers are not all dimwits who have to lean back on the Head of State to function. It is the absence of the culture of taking responsibility for lapses, and of Ministers and other functionaries duly resigning for their misjudgements and miscalculations, which has led us to the past where every sentence has to be punctuated by the mention of the name of Head of State. The Head of State, should not be roped unnecessarily into matters that have been delegated to designated authorities. Most decent and self-respecting Nigerians hurt when respected Heads of State become the butts of uncouth comments and innuendos, all because of sycophants in office are bent on deifying them, and incompetents bereft of confidence and self-esteem find them ready pegs on which to hang their failures. Until the very ‘convenient practice’, of making the Head of State to carry the can for all that goes wrong is done away with, the dignity of the office of Head of State will continue to be demeaned as the incumbents continue to be rubbished and bad-mouthed by all and sundry,

⁴¹⁶ National Archive Kaduna

⁴¹⁷ Turner, Terisa. "Commercial capitalism and the 1975 coup." P. 181

and rampant sharp practices in governance remain intractable.”⁴¹⁸

However, it is difficult to exonerate the Heads of State from the controversy concerning their “appetite for involvement in virtually every aspect of petro-economy.”⁴¹⁹ But there can be no human Head of State anywhere who could have the unlimited capacity, as is being portrayed in Nigeria, to be able to grapple with and take decisions on a wide spectrum of expert subjects, which should be the primary responsibilities of cabinet members who are supposed to be charged with them and who should accept blame for failure for whatever goes wrong under their authority. This opinion has been presented by a participant in a more explicit manner as summed up below:

“I believe that the Heads of State themselves have the primary duty to recuse themselves. They should start the process of the mental re-orientation of everyone by holding public officers strictly accountable, within the limits of authority of their mandates. They should attempt to break the myth that the Head of State is a type of ‘superman’; the ‘be all and end all’ of everything. Nigeria’s petroleum industry would be better if everyone is made to do his duty, particularly as they are all very well remunerated for what they are expected to do.”⁴²⁰

Unfortunately, the ministers and permanent secretaries were regarded by the *Nigerian Tribune* as “partners in crime with their political heads and quite often the masterminds of business deals.”⁴²¹ Yet, conflict of interest between the ministry officials and NNOC persisted leading to what Turner described as “inexorable reduction of the Corporation’s scope.”⁴²² In order to appreciate the depth of the rivalry between administrators and technocrats of NNOC and how it

⁴¹⁸ Marinho, F.R.A *Nigeria’s Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos 2010. P.157

⁴¹⁹ Interview with P012

⁴²⁰ Interview with P02

⁴²¹ *Nigerian Tribune*, August 13, 1975.

⁴²² Turner 185.

inhibited the needed collaboration for optimal performance, a brief explanation of the issues is given below.

4.5 NNOC Versus Bureaucrats

In all, NNOC existed for only six years. However, the agency was enveloped by an administrative crisis which crippled the operational fabrics of its administrative viability and eventual collapse. Due to the operational deficiency described above, an institutional war erupted between the ministry of mines and power on the one hand and NNOC on the other. According to reports from major Nigerian newspapers, particularly the *New Nigerian*, the top management staff of the ministry of mines and power felt the parent ministry would go into extinction if they permitted the new agency (NNOC) to develop.⁴²³ The suspicion by these administrative elites fuelled by existential threat led to unhealthy rivalry which frustrated collaboration between the ministry of mines and power and NNOC.⁴²⁴ In order to antagonise and subordinate NNOC, “the administrative elites ensured that it remained without a substantive head.”⁴²⁵

No doubt, the antagonism, according to one report, “prevented the pursuit of active government-led technology transfer in the area of exploitation and production.”⁴²⁶ The senior elites within the ministry and NNOC staff engaged in bitter confrontation regarding the prices of crude oil. This became glaring in the second half of the 1970s when NNOC attempted to fix crude oil prices based on the OPEC template, and were constantly reviewed downward. In most cases, whenever the decisions of the two institutions clashed, the position of the senior civil servants domiciled within the ministry were upheld. This was because NNOC was not only weak but there was no desire on the side of the political class to relinquish control of vital decisions within the country’s main source of revenue.

Similarly, the birth of NNOC, a year after the creation of the Department of Petroleum Resources (DPR) raises the question of duplication of institutional function. This was mainly because DPR, a department within the Ministry of Mines and Power, was responsible for the regulation of activities within the

⁴²³ The *New Nigerian* 22 June, 1977.

⁴²⁴ The *Punch*, 14 July, 1976.

⁴²⁵ Interview with PG09. Until it was disbanded, NNOC did not have a substantive head who would coordinate policy implementation.

⁴²⁶ Federal Republic of Nigeria, Report of the Panel on Nigeria Crude Oil Production and Marketing Policies, Lagos, unpublished, March 1976.

petroleum industry.⁴²⁷ Thus, the establishment of NNOC with similar responsibilities was perceived by staff of DPR as an encroachment on their statutory functions.⁴²⁸ And since the newly established agency was unable to exercise its statutory function, it remained non-functional and thus added no value to the overall growth and development of the petroleum industry. It was based on the above realistic observation that the Panel Report on Crude Oil Production and Marketing concluded that Nigeria's petroleum industry was a "wasting asset," argues PG09.⁴²⁹

Apart from the administrative complexities explained above, the report of the probe panel revealed massive allegations of corruption within the NNOC.⁴³⁰ As reported, high ranking members of staff of NNOC were indicted for influencing the company's offer of discounted prices for some International Oil Companies.⁴³¹ Also, some were found to have been "induced by some IOCs in return for favour."⁴³² According to the report, these fraudulent activities, especially those of trading policies undermined Nigeria's interest.⁴³³ Clearly, the panel found that top management staff of NNOC were compromised by foreign firms and in many instances collaborated to favour foreign interest in the various partnerships and service contracts entered by IOCs within the short period of its existence. Again, the panel exposed brazen violations of code of conduct and outright irregularity and abuse of privilege.

Turner noted that the conflict between "oil technocrats' and administrators gave 'ammunition' to compradors and middlemen and consequently led to "the replacement of the Gowon clique."⁴³⁴ In the end, because of personal greed and organisational complexities added with poor inter-agency collaboration, Nigeria was unable to take advantage of the sharp increase in the price of crude in the international market. What is clear, however, is the fact that these divisive issues led to the reorganisation of the NNOC and its subsequent transformation into the

⁴²⁷ DPR was created solely for the purposes of regulating all activities within Nigeria's oil industry.

⁴²⁸ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

⁴²⁹ Federal Republic of Nigeria, Report of the Panel on Nigeria Crude Oil Production and Marketing Policies, Lagos, unpublished, March 1976.

⁴³⁰ Federal Ministry of Information, Report of the Probe Panel into activities of the NNOC, 1976.

⁴³¹ *Ibid.*, p. 9.

⁴³² *Ibid.*, p. 16.

⁴³³ *Ibid.*, p. 12.

⁴³⁴ *Daily Times* (Lagos). July 30, 1975.

present-day Nigeria National Petroleum Corporation (NNPC).⁴³⁵ Immediately after Murtala's assassination, the General Obasanjo's regime which started on a positive note to establish a technocratic state, transmitted in May 1976 A memorandum on the restructuring of the public sector oil industry to the FEC.⁴³⁶ The main objective of the memorandum was the need to give sufficient "freedom for the agency to operate as a full scale commercial or profit-making company."⁴³⁷ However, the first challenge on the path to realising this objective was the issue of salaries which must be competitive. According to the *Report on Grading and Pay* which was the outcome of a *Public Service Review Commission* initially set up to ensure increasing efficiency and effectiveness in the public service, the "ranking and compensation of employees in commercial public agencies should be comparable to those of the private sector with which they compete."⁴³⁸

Yet, this obvious challenge did not deter the government from going ahead with implementing the decision as published in the *West Africa* issue of 9 May, 1977.⁴³⁹ The paper also noted that the line of implementation appears to be in line of the drafted memorandum. Then Col. Muhammadu Buhari (formerly Commissioner, Ministry of Petroleum Resources) was appointed as the new Federal Commissioner for Petroleum and Chairman of the NNPC Board of Directors.⁴⁴⁰ But before I proceed to analyse the effect of the transition from NNOC to NNPC, particularly as it relates to the conflict of interest between technocrats and politicians and to answer the question of whether such transition resolved the intense contestation between ministry officials and staff of NNPC, it is important to look at the NNPC and the legal structure that birthed it.

4.6 The Nigerian National Petroleum Corporation (NNPC)

The NNPC was established by Decree No. 33 by the Federal Military Government of General Olusegun Obasanjo on 1 April 1977 as part of the recommendation of the probe panel instituted to investigate the activities of NNOC.⁴⁴¹ In line with

⁴³⁵ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry*. P. 31.

⁴³⁶ *Sunday Punch* (Lagos) August 26, 1975.

⁴³⁷ *West Africa*, 9 May 1977.

⁴³⁸ Public Service Review Commission, *Report on Grading and Pay*, Vol. II, Proposed Ranking System for Parastatals, p. 12. (Lagos: Ministry of Information) 1975.

⁴³⁹ Marinho, F.R.A *Nigeria's Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos 2010. P.158

⁴⁴⁰ Ibid.

⁴⁴¹ "NNOC, Ministry of Petroleum Scrapped" *New Nigerian* (Kaduna) 30 April 1977.

similar recommendations of the panel and to eliminate previous experiences of administrative complexities, the Ministry of Petroleum Resources and the associated Department of Petroleum Resource were collapsed into the corporation.⁴⁴² The rationale for such changes was to guarantee suitable administrative convenience that would minimise previous challenges related to inter-agency collaboration which together with other factors led to the collapse of the predecessor organisation. More precisely, the pioneer Managing Director of NNPC had noted that:

“The suppression of the Ministry of Petroleum Resources was intended to free the Corporation from layers of unproductive bureaucracy. (As at the time, the Ministry contributed very little to developments in the sector other than what came from the operational and regulatory arms). The strategy was informed by the fact that, at the time, no Ministries of Petroleum existed either in the United Kingdom or Canada, nor did the US have an equivalent organisation; even, some OPEC member and non-member countries did not have such designed Ministries.”⁴⁴³

And to further ensure a smooth working relationship, the former Department of Petroleum Resources was now brought under the NNPC as a department known as a ‘Petroleum Directorate’ entrusted with the powers to regulate the industry.⁴⁴⁴

While most of the available sources had pointed to the above reason for the establishment of NNPC, interviews with pioneer staff of the corporation revealed something almost different. Another situation that compelled the establishment of NNPC was that in the down-stream sector, the government’s policy decision for the uniform pricing of petroleum products throughout Nigeria, as well as

⁴⁴² This decision was officially announced in Lagos by Colonel Muhammadu Buhari who was the Commissioner in charge of the defunct Ministry of Petroleum Resources. He said that the establishment of the corporation became necessary to bring the activities of the oil sector under close and more direct scrutiny of the government.

⁴⁴³ Marinho, F.R.A *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 289.

⁴⁴⁴ The Department of Petroleum Resources was to retain its powers under the new arrangement. However, this was not possible because it has been brought under the agency that it ought to regulate its activities. This was also reported by the Punch of 30 Punch which was however, more critical of the restructuring within the sector.

“subsidizing of their prices, had rendered new private sector investment initiatives totally unattractive.”⁴⁴⁵ A participant further noted that the “...NNPC had had to assume responsibility for the resulting non-profitable investment in that sector.”⁴⁴⁶ That led it to assuming an unintended monopolistic role in the petroleum products’ sub-sector for quite a while. One of the interviewees who was part of the team that drafted the establishment Decree had noted that

“My vision, which was set out in a memorandum to Chief Asiodu in the early ‘70s had been for the establishment of a wholly owned marketing subsidiary that would operate in competition with the existing companies and that would arm the public sector with the knowledge to intervene, appropriately, in activities in the sector.”⁴⁴⁷

Following from the above, the expectation was that NNPC would be set up as a fully capitalised autonomous organisation with minimal direct interference from or the need for recourse to the Government (as sole shareholder) except as might be statutorily required or as expediency might dictate. However, in recognition of NNPC’s crucial role in the national economy, “...it was logical to bring it under constant scrutiny and subject it to rigorous accountability.”⁴⁴⁸ In anticipation of the certainty that the new organisation would be over-run by

“...greedy politicians who think more with their ‘sticky fingers’, Chief Awoniyi and I agreed that, in order to protect the organisation from such predators, it was expedient to put the oversight of NNPC under the direct scrutiny of the highest authority, where the buck for success or failure should end.”⁴⁴⁹

In order to achieve that objective, the recommendation was for the Head of State to be the *de-jure* Minister of Petroleum, “in all but involvement in the day to day

⁴⁴⁵ Interview with PG07

⁴⁴⁶ Interview with PG09

⁴⁴⁷ Interview with PG05

⁴⁴⁸ Interview with PG09

⁴⁴⁹ Interview with PG05

business of the organisation.”⁴⁵⁰ For that, he (the head of state or president as the case may be) had powers to appoint the Chairman.⁴⁵¹ During the last lap of General Obasanjo’s first regime and throughout President Shagari’s administration, that was the position. For the sake of strict accountability, the Chairman would be a member of the Cabinet so as to facilitate direct access to Government’s deliberations on the Corporation’s affair and to expose it to the direct gaze of the Federal Executive Council. Needless to say, that in Nigeria, there are no good intentions that cannot be frustrated and no watertight that cannot be breached. All these ideas were built around the personality of then head of state, General Olusegun Obasanjo. Regrettably, a participant had this to say:

“We had committed the fundamental error of fitting an institution into the profile of an individual whom we perceived, at the time, as a very strict and accountable Head of State, forgetting that his successors might be radically different. There was the case of former Head of State, late General Sani Abacha who made a Decree specifically for the summary dismissal from service of any Group Managing Director of the NNPC, for whatever excuse that the Minister might find, without any further due process; there was also the case of a Minister of Petroleum who went close to extinguishing the position of a (Group) Managing Director in a bid to gain unchallengeable control of the organisation.”⁴⁵²

4.6.1 The Legal Structure of NNPC

The legal foundation of any enterprise, whether private or public, contributes to the overall performance of such an entity.⁴⁵³ However, there are cases where the operational environment and political atmosphere serves to either promote or

⁴⁵⁰ Ibid.

⁴⁵¹ Ibid.

⁴⁵² Interview with PG05

⁴⁵³ Friedman, Lawrence M. The legal system: A social science perspective. Russell Sage Foundation, 1975.

demote the attainment of the overall goals of such an organisation.⁴⁵⁴ Building on the practice of corporate law in other societies around the world, Adesanya et al explored through empiricism the intrinsic relationship between business and law in Nigeria.⁴⁵⁵ The above assertion is even more relevant in the discussion of contemporary governance which is overwhelmingly influenced by law and ethics.⁴⁵⁶ Therefore, most successful organisations are associated with very strong and durable legal structures.⁴⁵⁷ Apart from the fact that the legal structure specifies the operational limits of both component units of the organisation, it also helps to fortify it against the temptation of abuse or interference from more powerful agencies.

In specific terms, the legal structure of the NNPC is enshrined in Decree No. 33 of 1977 which established and defined the corporation's operational mechanism and details its powers and limitations. Though, there have been few amendments to the decree such as NNPC decrees Nos. 16 and 44 of 1978 and other subsequent legal codifications such as the Laws of the Federation of Nigeria (LFN) as NNPC Act (CAP. 320) of 1990 and CAP NNPC Act (CAP. N123, LFN 2004, the main thrust of the law remained.⁴⁵⁸ Section 5(1) a-i of the NNPC Act (CAP. N123) LFN 2004 outlined the central functions of NNPC to include; "exploring and prospecting for, working, winning or otherwise acquiring, possessing and disposing of petroleum."⁴⁵⁹ The component units of the Act, particularly section 5(1) b-f, covers other essential duties of the corporation relating or pertaining to refining, marketing, operating pipelines and advancement of research in the petroleum industry that would deepen Nigeria's participation and enhance maximum return to stakeholders. Similarly, Section 5(1)g specifically empowers the organisation to ensure that partnerships and agreements entered by Nigeria and IOC or local oil companies are conducive in order to further secure Nigeria's interest within the industry.⁴⁶⁰ While there are no

⁴⁵⁴ Roe, Mark J. Political determinants of corporate governance: Political context, corporate impact. Oxford University Press on Demand, 2006.

⁴⁵⁵ Adesanya, Michael Olutayo, and Ephraim Oyebade Oloyede. *Business law in Nigeria*. No. 2. Evans Brothers, Limited, 1972.

⁴⁵⁶ Rezaee, Zabihollah. *Corporate governance and ethics*. John Wiley & Sons, 2008.

⁴⁵⁷ Rossouw, Gedeon J. "Business ethics and corporate governance: A global survey." *Business & society* 44, no. 1 (2005): 32-39.

⁴⁵⁸ These later codifications did not alter the substantial content of the establishment decree. However, it would be appropriate to refer to the most recent codification which took place in 2004.

⁴⁵⁹ Section 5(1) a, NNPC Act LNF 2004.

⁴⁶⁰ Section 5(1)g

specific provisions within the establishment act of the corporation that allows it to act above the constitution, some of its provisions allow it to exercise a wide range of powers that may be liable to abuse by the management staff.

Though, in Section 5(1) h, the body derives broad powers with unlimited borders that permits it to engage in “activities that would enhance the petroleum industry in the overall interest of Nigeria,”⁴⁶¹ the activities to be covered under this provision are those that are within permissible law of the land. Again, the corporation is empowered by similar broad and vague powers through such provisions like Section 5(1) I which authorised the corporation to “undertaking such other activities as are necessary or expedient”⁴⁶² to ensure the actualisation of the organisation’s mandate. However, the Act also provided for self or partially independent review of the corporation’s activities. As content in Section 5(2), the Act provides for an occasional or what it refers to as “time to time” review of its activities or that of its subsidiaries, as may be deemed necessary by the management of the corporation or Council of Ministers.⁴⁶³

Nonetheless, this provision only refers to “review” in the limited context of “efficient organisation” and not a probe in the context of investigation. But whatever fears expressed above, Section 7(1-3) mandates the corporation to undertake to “keep proper accounts and proper records...which shall conform with the best commercial standards.”⁴⁶⁴ However, the challenge is that auditors who would undertake such activities are to be appointed by the same corporation subject to approval by the National Council of Ministers as would be prescribed “by the Auditor-General of the Federation.”⁴⁶⁵

The Act provided for a Board of Directors to be chaired by the Minister of Petroleum Resources. The board is empowered to conduct the affairs of the corporation as provided in Section 2. The challenge with this provision relates with the fact that ministers in Nigeria are not appointed on merit but on political considerations.⁴⁶⁶ The implication is that their actions and inactions are mostly

⁴⁶¹ Section 5(1) h

⁴⁶² Section 5(1) I

⁴⁶³ Section 5(2)

⁴⁶⁴ Section 7(1-3)

⁴⁶⁵ In most instances, hiring external evaluators can guarantee credibility because most bureaucrats do collaborate to perpetuate criminal activities within government.

⁴⁶⁶ There are instances when the Minister of Petroleum Resources was a Professor of Virology (Professor Tam David-West); Another one was a Professor of Medicine (Professor Aminu Jibrin).

influenced by political considerations. Under such scenarios, this provision encourages and subject the corporation to, in a way, unnecessary interference in the management of the country's resources. The case becomes worse when the corporation is the most significant revenue generating agency. It is this political interference, that forms the locus of our unique contribution to the existing knowledge. But without a good understanding of the operational structure of NNPC, it will be difficult to analyse the factor of political overlap that forms our contribution. The following attempts to explain the organisational structure of NNPC.

4.6.2 Organisational Structure of the NNPC

While the legal structure of an organisation forms an important variable in its overall strength, the organisational structure helps to ensure its productivity and overall performance.⁴⁶⁷ As pointed out in the proceeding sections in this study, the operation of the oil industry expanded with increased importance of petroleum in the global energy resource balance. Thus, there has been expansion in the organisational structure which has been fairly commensurate with the factors outlined above.

The organisational structure of the NNPC has undergone changes over the years mostly reflecting the corporation's vision and sometimes the wishes of the Government in power. From inception in 1977 the NNPC was operated through four main units and a regulatory division. These units are; Operation, Service, General and Refinery Management, each with a head of unit who reports directly to the Chief Executive and Managing Director of the Corporation.⁴⁶⁸ The General Managing Director was responsible to a Board of Directors headed by the Commissioner for Petroleum. However, in 1988, the NNPC was declared an international Integrated Oil Company whose mission was to "profitably explore, develop, produce, process and market crude and refined petroleum and their by-products and derivatives, at internationally competitive prices."⁴⁶⁹

⁴⁶⁷ Brereton, D. (2002, September). The role of self-regulation in improving corporate social performance: the case of the mining industry. In Proceedings the Current issues in regulation: Enforcement and compliance conference, Australian In-Food Safety and the Role of the Government: Implications for CSR Policies in China.

⁴⁶⁸ NNPC Management Structure as content in the records domiciled in the NNPC Towers, Library Division, Block A, Abuja. Files 1123.

⁴⁶⁹ This reorganisation was announced by General Ibrahim Babangida, then Head of State in 1988 reported in the New Nigerian of Friday March 18 1988, p. 1.

This reorganisation was carried out within the framework of commercial policy of the government. PG09 noted that “two of the three sectors, (Operations and Corporate Services) were supervised by two Executive Directors while a coordinator was provided for NAPIMS.”⁴⁷⁰ The subsidiaries and the business units were structured with emphasis on revenue generation and accountability. In this new arrangement, “...the Department of Petroleum Resources (DPR) with its regulatory functions was carved out of NNPC and placed under the Ministry of Petroleum and Mineral Resources.”⁴⁷¹ The other subsidiary companies were each headed by a Managing Director and operated through a Board of Directors whose Chairman was a Corporate Board member.

4.7 NNPC and the Inherited Challenges of Governance

Overall, NNPC suffered from the pettiness of the political vision for it, during its development and even up to now. It has been “bastardized, orphaned, plundered and left floundering, compared to those others in other countries,” argues PG05.⁴⁷² Unfortunately, the pioneer head of Group Managing Director of NNPC had noted that the civilian administrations “participated in more of the problems. For instance, the intentions of the aspiring “politicians of the UPN, GNPP, NPN and PRP were less than forthright.”⁴⁷³ The “Board and management of the NNPC, as with its precursors, were undoubtedly fettered.”⁴⁷⁴ Their commercial and other investment judgements were subject to the final decisions of those who were very remote from their activities and who, invariably, had only “a glancing familiarity with the matters upon which they were to take final decisions.”⁴⁷⁵ Worse was the fact that our activities were needlessly subjected to the “vagaries and strictures imposed by priorities of other external competing agencies.”⁴⁷⁶ The Ministry of Finance Incorporated was the sole shareholder and that resulted in NNPC being curtailed from involvement in any financial arrangements without cumbersome and near impossible legal protocols. Marinho further noted that since “I left the service, no one had been willing to consider that very basic necessity of

⁴⁷⁰ Interview with PG09

⁴⁷¹ Interview with PG07. The Ministry of Petroleum and Mineral Resources has been re-established earlier during the regime of Gen. Buhari.

⁴⁷² Interview with PG05

⁴⁷³ Ibid.

⁴⁷⁴ Marinho, F.R.A *Nigeria's Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos 2010. P.136

⁴⁷⁵ Interview with PG09

⁴⁷⁶ Interview with PG18

capitalising NNPC.”⁴⁷⁷ Obviously, “the corporation was ‘the goose that laid the golden egg;’⁴⁷⁸ it had come to be perceived more as a ‘cash cow’ rather than as a commercial enterprise. “It was and it is the most potent tool for continuing with the culture of economic ‘patronages’, ‘privileges’ and dispensation of largesse,” argues PA23. In spite of the challenges noted above, no government was prepared to let it slip out of its grip as explained in Chapter 4. At the height of that indulgence, ministers rather than professionals had been made to take over as Chief Executive and Operating Officers in order to be certain of more effective political control (in spite of the fact that the law establishing it provided differently).⁴⁷⁹

The fear of the loss of the “political handle”, especially, on the plentiful ‘patronage possibilities’, latent in the petroleum sector, continues to be an unfortunate clog in the wheel of NNPC’s development and growth, argues Nwokeji. Notwithstanding, how possible is it for a devoted military elite (represented here by Obasanjo’s commitment to reform the oil industry) to provide the enabling environment necessary for the thriving of a technocratic state? Turner attempted to answer the question in the following manner:

“A pro-technocratic military leadership would have to separate itself from the business community which resists exclusion from middle-manship. Military rulers in favour of technocracy and state capitalism would have the task to obtain compliance and co-operation from generalist administrators who are currently vital to the day to day functioning of the government.”⁴⁸⁰

Unfortunately, the conflict of interest persisted as many individuals in the administrative chain and corporation continued to battle for both space and relevance leading to unfortunate outcomes. But this is also understandable considering the position of literature on resource curse which have long

⁴⁷⁷ Marinho, F.R.A *Nigeria’s Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos 2010. P.137

⁴⁷⁸ Interview with PA20

⁴⁷⁹ Dan Etete’s actions in the 1990s speaks volume of this kind of rascality.

⁴⁸⁰ Turner p. 192.

established the argument that the political leadership of resource rich states like Nigeria, can hardly be separated from the desire to exercise absolute control over oil revenues. The reform did little to change the fact that the oil industry and even the NNPC came to be regarded as the “cash cow.”⁴⁸¹ That, however, was not “until government started to participate in the commercial activities”⁴⁸² of the industry, including the marketing of petroleum in the downstream sector.

But like the case with NNOC, the management of NNPC was indisputably interrupted by those in authority who had no knowledge of the basic workings of the organisation. These political elites, according to the *Punch* newspaper, were almost always interfering in the day to day running of the affairs of NNPC against the statutory role of the management board as enshrined in the corporation’s Decree.⁴⁸³ In the first two years when NNPC began operations, local newspapers reported the case of massive misappropriation of revenue accrued from Petroleum. As would be seen in the following subthemes, the optimism expressed in the eve of the formation of NNPC regarding the need to end corruption and free unnecessary interference by bureaucrats was not met. Allegations of misappropriation of revenue became pervasive. Similarly, several newspapers reported rampant cases of malpractices carried out by staff of NNPC such as crude diversion and gross underreporting of crude oil output. This was aside other cases relating to contract scam. The various reports forced the President of the Federal Republic of Nigeria, Alhaji Shehu Shagari to Address the nation on national television with a range of options to explore.

As would be seen below, the clashes between administrators as well as politicians on one hand and the technocrats, now domiciled within the NNPC continued even after the political transition to civilian administration.

4.7.1 Crude Oil Sales Tribunal

The year 1979 remains one of the most eventful years in Nigeria’s history.⁴⁸⁴ This is not only because Nigeria witnessed the enthronement of democracy after years of military rule but also because of the public outcry which emanated from growing public dissatisfaction with the mismanagement of revenue accrued from

⁴⁸¹ Interview with PC29

⁴⁸² Interview with PA01

⁴⁸³ *The Punch* 18 September 1979, p. 2

⁴⁸⁴ Transition to civilian administration

the nation's main source of foreign income – petroleum. Preparatory to the transfer of power from the military rule of General Olusegun Obasanjo to the civilian administration of President Shehu Shagari in October 1979, one of Nigeria's major newspapers, *The Punch* Newspaper whistled the news of corruption in NNPC. This case later became one of the most controversial issues in Nigeria's entire existence. The report which was met with outrage from the start, became public knowledge when an internal Auditor's Management Report⁴⁸⁵ was leaked to the public by staff who suspected that the top management of the corporation may be involved in mass looting of the revenue accrued from the sales of crude oil. While the *Punch* newspaper report in the month of September sparked public outcry, the leadership of the newly elected democratic administration of Alhaji Shehu Shagari only assumed power on October 1, 1979 and were preoccupied with the task of transition thus, did not take any immediate action.

Besides, the same publisher – the *Punch* newspaper, pressured by either fear of intimidation or further confirmation of the true story regarding the internal memo at NNPC, retracted the story and offered an “unprompted and unsolicited apology.”⁴⁸⁶ However, the issue was rekindled in November of the same year. But this time around, lengthy discussions about the issue were held in the Senate (upper legislative chamber) of the Federal Republic of Nigeria and House of Representatives.⁴⁸⁷ In the first instance, the deliberations within the national assembly was led by Senator Bakin Zuwo from Kano who raised the motion for the need for “proper investigation of the allegations of the missing billions.”⁴⁸⁸ Supporting the position of Senator Bakin Zuwo, the then Senate Leader, Senator Olusola Saraki of Kwara State claimed that many Nigerians were worried with the report which seems to suggest that the said money may have actually been moved into the “private accounts” of some unknown individuals.⁴⁸⁹ Senator Saraki later granted a television interview to Nigerian Television Authority (NTA) in which he “maintained his earlier stand that indeed the huge sum of money was

⁴⁸⁵ Auditor's Management Report (1979). Though the report was not released, the matter became public knowledge as newspapers reported the scandal.

⁴⁸⁶ *The Punch* 27 September 1979

⁴⁸⁷ The House of Representatives had set up an independent committee to investigate the matter. This was captured by *New Nigeria* 3 April 1980 “House Probe Team for London”.

⁴⁸⁸ Senator Baki Zuwo won the senatorial election under the mandate of the People's Redemption Party (PRP), a party known for the representation of the poor masses – *talakawas*.

⁴⁸⁹ “Oil Money can't go to private accounts” *New Nigerian* (Kaduna) 16 April, 1980.

actually stolen by senior management staff of the corporation in collaboration with top ranking citizens.”⁴⁹⁰

Consequently, the Federal Government of President Alhaji Shehu Shagari, after series of protest from students, radical academics from the Ahmadu Bello University, trade unions, newspaper columnists and the public⁴⁹¹ decided to constitute a tribunal of inquiry to ascertain the issue that was already making international headlines. The Justice Irikefe “Crude Oil Sales Tribunal” was inaugurated on the 4th of May 1980.⁴⁹² The Tribunal invited anyone with useful information on the matter to come forward and attest to assist in the investigation.⁴⁹³ In one of its sittings, Mr Longe, confessed that he made such a statement to pressure those in authority to take responsible steps toward unveiling what was considered as a “hidden matter.”⁴⁹⁴

In the court of public opinion, one of the most disturbing aspect of the allegation was “the insistence of some media outlets and columnists that the missing billions was wired into a private account in the first instance and later transferred to NNPC account at Midland Bank International Division in London” – today’s HSBC UK.⁴⁹⁵ Therefore, to yield to the demand for thorough investigation, the manager of the bank, Mr Robert Hubbard testified before the tribunal but denied all allegations of the lodgement of 2.8 Billion Naira by NNPC or any of its associate and further confirmed balance of only 200, 000 GBP in the NNPC current account of the bank.⁴⁹⁶

Nonetheless, the Tribunal did not find the evidence of the misappropriation and ordered the reinstatement of Engineer Marinho who was suspended pending the outcome of the investigation. In clear terms, the tribunal referred to the controversial case of the missing billions as the “greatest hoax of all times” and maintained that:

⁴⁹⁰ Interview with PG05

⁴⁹¹ Students kick against ‘2.8 billion Naira in private account,’ *New Nigerian* 3 April 1980 p. 9.

⁴⁹² Public Notice of the ‘Crude Oil Sales Tribunal of Inquiry’ was published in the *New Nigerian* (Kaduna) 30 April 1980 p. 9.

⁴⁹³ The public notice which was signed by Mr V. A. G. Warmate invited persons and organisations to submit written memoranda to the office of the Secretary to the Federal Government who doubles as the secretary of the Tribunal.

⁴⁹⁴ Mr Longe was the Deputy Speaker of Lagos State House of Assembly. He has earlier threatened to expose the name of the private account holder in which the 2.8 billion naira was lodged

⁴⁹⁵ Interview with PG09

⁴⁹⁶ Federal Government Press, Report of Tribunal of Inquiry into Crude Oil Sales. 1980

“no proceeds of sales of crude was ever paid into NNPC’s account with Midland Bank International Division, London, the only foreign account it was permitted to maintain outside Nigeria and the only one it maintains as far as the Tribunal could determine.”⁴⁹⁷

However, the tribunal maintained that the PSC “has no benefits whatsoever to the NNPC as it stands today”⁴⁹⁸ and urged the corporation to discontinue such contract arrangement.

It is important to note that the allegation was made during the era of military dispensation. An era that was arguably the “darkest in the life of Nigeria.”⁴⁹⁹ This is especially true considering the rise of massive corruption in the public sector in the period under consideration. The military elites in power, not excluding the head of state, were said to be supportive of such malpractices or did not show strong political will to fight corruption.⁵⁰⁰ From the office of the head of state down to the lowest administrative cadre, information on government activities was hidden from the people as there was no law that allows citizens to have access to the content of official records such as the Auditor’s Management Report which ignited the “oil-gate” scandal. The most important aspect of what was popularly referred to as the “oil-gate scandal” that is related to the present study is the fact that the allegations, though extended to international actors, was primarily concerned with the collaborative role of the local agencies which was alleged to have masterminded the misappropriation of proceeds of crude oil – the nation’s major source of foreign income. Be that as it may, the tribunal has its own share of shortcomings as it was unable to summon the two most involved but powerful individuals – General Olusegun Obasanjo and Muhammadu Buhari. While Obasanjo was the country’s Head of State during the period in question, Muhammadu Buhari was the Chairman of NNPC and both were in charge of

⁴⁹⁷ Report of the Crude Oil Sales Tribunal of Inquiry. This report remains unpublished but archived in the National Archive of Nigeria, Kaduna.

⁴⁹⁸ *Ibid.*, p. 13.

⁴⁹⁹ Utomi, Patrick. "Legitimacy and Governance: One More Year of Military Rule in Nigeria." Issue: A Journal of Opinion 14 (1985): 39-42.

⁵⁰⁰ The legendary Nigerian musician sang with Obasanjo.

“supervision and control of the NNPC and, in fact, oil sales during the period in question.”⁵⁰¹ Even at that, the tribunal recommended the restructuring of the corporation toward greater autonomy.⁵⁰² The following sub-theme attempt to explain the developments at NNPC in the 1980s

4.7.2 Changes and Controversies at NNPC in the 1980s

There can be no doubt that the needs and circumstances, as well as the economic environment that influenced the decision and solutions at that time have changed. To the extent that it was possible, such changes, normal to all economic activities, were anticipated and provided for. Any organisation is meant to develop normally, all other things being equal, to achieve its defined objectives within a fairly predictable environment. Its proper evolution and eventual maturation are determined by the faithfulness with which it can pursue its aims and the consistency of the environment in which it operates, among other things. Constant tinkering with the aims and arbitrarily toying with its environment make it quickly lose its focus. As one participant puts it

“As far as I can say, the NNPC has been a terrible victim of an unsteady state of affairs. Its affairs have been afflicted by uncontrolled fluxes similar to those putting the whole Nigerian body politic and itself in jeopardy.”⁵⁰³

Under the Shagari administration marking Nigeria’s Second Republic, “change did not happen quickly”, argues Nwokeji. This was largely due to the administration’s “cautious approach” which may have hindered the occurrence of any proactive change, at least before the Military under General Muhammadu Buhari seized political power. On the contrary, the new regime of General Muhammadu Buhari immediately restored the Ministry of Petroleum and Energy which had been submerged under the NNPC and reinstated a system of “oversight.”⁵⁰⁴ The regime had appointed Professor Tam David-West, a radical

⁵⁰¹ Frynas, Jędrzej George. *Oil in Nigeria: conflict and litigation between oil companies and village communities*. Vol. 1. LIT Verlag Münster, 2000. P. 41.

⁵⁰² Federal Republic of Nigeria, *Views of the Government of the Federation on the Report of the Oil Sales Tribunal* (Apapa Lagos: Federal Government Press, 1980).

⁵⁰³ Interview with PG19

⁵⁰⁴ Nwokeji p. 18.

academic as its Minister of Petroleum Resources.⁵⁰⁵ Nwokeji observed that “the Buhari Junta (1983-85) was more interested in instilling discipline and probity, a programme it pursued with vigour and significant success, than in restructuring.”⁵⁰⁶ Notwithstanding, the disciplinary approach of the regime, the Petroleum Inspectorate Unit which was the regulator, remained within NNPC. According to Nwokeji, the regulator (the Petroleum Inspectorate) “remained unwieldy, amorphous and over-centralised to the office of the managing director.”⁵⁰⁷ Perhaps, the observation of one of the corporation’s administrators would help to provide greater insight into the challenge posed by the impact of the reintroduction of extensive oversight over the NNPC:

“Those who judge an organisation purely on the basis of its presumed capital assets and other technical and economic configuration, without giving due consideration to the extent to which it had the freedom to exercise its mandate and to employ resources judiciously, or who, without proper evaluation of other possible constraints hamstringing its ability to develop, such as the case with NNPC, are, at best, mischievous and at worst totally ignorant of the basic economic and commercial imperatives for success in such complex enterprises.”⁵⁰⁸

However, the corporation had witnessed tremendous changes during the regime of Ibrahim Babangida (1985-1993) leading to the corporate restructuring of NNPC.⁵⁰⁹ The corporation was broken up into five semi-autonomous units namely; Petroleum Inspectorate, refineries and petro-chemicals, pipelines and product marketing, oil and gas. Each of these units was headed by an appointed coordinator that was to report to the managing director of NNPC. Applauding the move, Nwokeji noted that such changes “made for organisational clarity and

⁵⁰⁵ Although, David-West was a Professor of Virology at the University of Ibadan, he demonstrated strong will by his virtues of hard work.

⁵⁰⁶ Nwokeji p. 18

⁵⁰⁷ Nwokeji p. 18

⁵⁰⁸ Interview with PG18

⁵⁰⁹ Nwokeji P. 22

closer supervision not possible under previous arrangements.”⁵¹⁰ Further to the above restructuring, the regime needed to do away with the “corporation’s wasteful orientation” through commercialisation.⁵¹¹ But as reported by the *Petroleum Intelligence Unit*, the regime insisted that NNPC must retain a greater share of the stakes.⁵¹² Maybe the most significant factor worthy of note in the commercialisation exercise was the “conversion of NNPC into a holding company with twelve different subsidiaries while moving the Petroleum Inspectorate unit to the Ministry of Petroleum Resources.”⁵¹³ This, according to one observer, rekindled old controversies where “administrators repossessed some semblance of power to regulate activities in the sector giving birth to constant clashes with technocrats in the corporation.”⁵¹⁴ Though there was the need for restructuring, a participant who was one of those who laid the foundation of NNPC noted the following as the challenge with the changes during the IBB era:

“The strategy for development of the NNPC into a wholly owned, fully integrated entity was meant to be by a progressive build-up of capacity and capability, in terms of its human, capital and other resources, to the stage where it would begin to spin-off autonomous subsidiaries, as each one matured. My vision was typical of the model favoured by most international organisations of its kind; it was meant to be along products rather than regional lines. No more than four such subsidiaries were envisaged at the time. They would be truly operationally autonomous and their management or be under its direct operational supervision, as is currently the situation.”⁵¹⁵

Further to the restructuring of NNPC during the IBB era in the 1990s and in line with the desire to make the NNPC more autonomous, the then Minister of

⁵¹⁰ Nwokeji P. 22

⁵¹¹ Nwokeji P. 23

⁵¹² *Petroleum Intelligence Unit* July 1-15 1997.

⁵¹³ Interview with PG09

⁵¹⁴ Interview with PG03

⁵¹⁵ Interview with PA18

Petroleum Resources had taken a proactive step by removing himself from the position of Chairman of the corporation. He had replaced himself with a private individual in a move that was interpreted by a petroleum historian as an effort to “minimise government intervention in the corporation.”⁵¹⁶ As a result, Gilbert Chikelu was appointed the Chairman of the NNPC group, vacating his previous position as the Director General (equivalent of today’s Permanent Secretary) of the Ministry of Petroleum Resources.⁵¹⁷

While the above described move was unprecedented, “the regime went as far as to consider the privatisation of the country’s refineries.”⁵¹⁸ Though the oil industry has been permitted individual participation in its various activities including the distribution of refined petrol, the step toward privatisation of oil refineries was as captured by Nwokeji “meant to help resolve the recurrent challenge of petrol shortages.”⁵¹⁹ However, the issue of privatisation remained a mere speculation as industry players and the Nigerian public continued to oppose it for the simple reason that the price of petrol would be skyrocketed with significant impact on other goods and services within the Nigerian economy.⁵²⁰ Besides, “the regime did little or nothing to checkmate the issue of corruption which has become an albatross in the wheel of progress of NNPC,” argues PG22. Yet, the regime was also characterised by controversies, one of which is explained below.

4.7.3 The Stinness Oil Company Controversy

Though Tam David-West was retained in the first year of Babangida regime when the Buhari regime was toppled in 1985, the relationship between him and the new occupiers of power, particularly, Professor Aminu Jibril (who became the new Minister of Petroleum Resources) became sour. The controversy involved an American oil company - Stinness Oil Company, which according to the *Newswatch Magazine* had an outstanding balance of \$157 million to share with Nigeria as part of proceeds of an “offshore processing contract.”⁵²¹ When Tam David-West left the government of IBB, partly as a protest for his unceremonious redeployment to the Ministry of Mines and Power and also as a response to his

⁵¹⁶ Nwokeji, p. 25.

⁵¹⁷ *Platt’s Oilgram News*, December 23, 1991.

⁵¹⁸ Interview with PG12

⁵¹⁹ Nwokeji quoted from *Platt’s Oilgram News* October 6, 1992.

⁵²⁰ This has been discussed in detail in Chapter four which focused on the privatization of the downstream sector.

⁵²¹ David-West, Tam. "Policy Design and Implementation in Nigeria's Energy Sector." *The Management of Nigeria's Energy Resources for National Development* 4 (2006): 223.

“sharp ideological differences with the new ruling class”⁵²² and after series of verbal exchanges with Professor Aminu Jibril (who replaced him as the Minister of Petroleum Resources), a Special Military Tribunal (SMT) was instituted to investigate the allegation of “trading off the country’s interest”⁵²³ for a “cup of tea and wristwatch”⁵²⁴ which was offered to him while in office by the American company – Stinness Oil Company. Though the Babangida regime acknowledged the payment of \$100 million proceeds of crude oil sales from Stinness Oil Company, which was the initial point of disagreement, Tam David-West was handed an approximated 20 years jail term for accepting bribes which according to the SMT “compromised him at the great cost to the “national interest”.⁵²⁵

The judgement of the Special Military Tribunal was criticised by heavy weights in the legal profession including Rotimi Williams who referred to the judgement as “without any foundation at all”⁵²⁶ and Ray Ekpu, a revered journalist wrote a column on the judgement which he described as a “testimonial on the contributions of David-West to the country.”⁵²⁷ Indeed, the adoption of a counter trade policy with a crude oil prepayment strategy during the regime of Muhammadu Buhari can be attributed to David-West and was equally applauded by the *Financial Times* (London).⁵²⁸ The British Broadcasting Commission (BBC), in one of its broadcasts opined that “Nigerian oil minister has been jailed without any evidence.”⁵²⁹ And to show his support against what may be a show of injustice to Tam David-West, “Nnamdi Azikiwe, the Pan-Africanist, wrote him a commendation.”⁵³⁰

⁵²² Tam David-West has always seen himself as a radical who was not satisfied with the corrupt regime of IBB.

⁵²³ The Special Military Tribunal was set up to investigate the allegations against Professor Tam David-West for “trading off the country’s interest” while in office.

⁵²⁴ David-West had had a “cup of tea” with an intended businessman who was interested in investing in the Nigerian oil sector in Vienna. The Israeli businessman offered a free of gift a “wristwatch” which was later became a subject of controversy.

⁵²⁵ The ruling of the Tribunal has been disputed by several respected Nigerians who felt that he was merely framed by the IBB regime, spearheaded by his consistent criticism against his successor’s (Professor Aminu) management of the Petroleum Industry.

⁵²⁶ Ojo, Olusoye *The Sun* “\$57m tea, wristwatch : How IBB jailed me for offence I didn’t commit – Tam David-West” <https://www.sunnewsonline.com/57m-tea-wristwatch-how-ibb-jailed-me-for-offence-i-didnt-commit-tam-david-west-2/> accessed on 28th Jan. 2018.

⁵²⁷ Ray Ekpu, ‘Tam’s Testimonial’ This was reported in the *NewsWatch Magazine* on 12, April 1993.

⁵²⁸ *Financial Times* (London) of May 1984.

⁵²⁹ The BBC was very critical of the IBB regime because of the indices of corruption that was alarming at the time. Cases such as this would not have escaped their search light.

⁵³⁰ Interview with PA11. Tam David-West was regarded as an innocent person who was merely victimised by a compromised tribunal.

Though there are a lot of incriminating practices that undermined national interest of Nigeria in the period under consideration, some of which spanned through the entire military era, "it seems the judgement of the SMT was biased."⁵³¹ However, considering the weak nature of the institutions overseeing the oil industry and the overbearing influence of military elites over state agencies within the oil sector, especially during the IBB regime, "it would be difficult for any person to escape judgement if subjected through proper judicial process."⁵³² After all, the IBB regime discontinued Buhari's War Against Indiscipline (WAI)⁵³³ which was instituted to checkmate corruption within the country. More so, the head of state became overtly corrupt to the extent where historians now pegged his regime as the period when corruption was "institutionalised."⁵³⁴ Even the ranking of the country in terms of corruption indexes plummeted and this train continued under the Abacha regime.⁵³⁵

4.8 Developments at the NNPC During the 1990s

The efforts of the Babangida regime to guarantee the autonomy of the public oil agencies, through the restructuring of the operational framework of NNPC was met by "serious resistance from among the political and military cabal immediately when Ernest Shonekan was appointed the head of the Interim Government (ING)."⁵³⁶ One explanation that has been given for the resistance by the ruling elites was that "most of the ruling elites did not accord genuine respect for Shonekan who was regarded as an outsider – not belonging to the establishment."⁵³⁷ Ihonvbere argues that the ING was a mere symbol of authority as real power was reserved for the military who were not loyal to Shonekan.⁵³⁸ However, the position that Shonekan was not regarded by the military because he does not belong to the establishment can be contested considering the fact that he has been a close friend of the military and business class in Nigeria having

⁵³¹ Interview with PA23

⁵³² Interview with PA24

⁵³³ The war against indiscipline was launched by the Buhari regime to checkmate the rampant cases of corruption in the country. It was draconian, but it helped to tame the rising profile of corruption in the country.

⁵³⁴ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386.

⁵³⁵ Trading Economics Available at <https://tradingeconomics.com/nigeria/corruption-rank> (accessed on 12 June, 2019).

⁵³⁶ Interview with PG05.

⁵³⁷ Interview with PG18

⁵³⁸ Ihonvbere, Julius O. "Are things falling apart? The military and the crisis of democratisation in Nigeria." *The Journal of Modern African Studies* 34, no. 2 (1996): 193-225.

previously headed the United African Company of Nigeria (arguably the largest company in Sub-Saharan Africa) and also an Executive for the Royal Dutch Shell Company. Yet, others claimed that the military were uncomfortable with his “anticorruption posture that was perceived by the elites as a radical departure from the norm.”⁵³⁹ Since the military elites operate with a “code, like a cult group,” one’s closeness to the group cannot guarantee membership of the establishment.”⁵⁴⁰ It is the role of these power elites, desperate to control the oil industry and stifling the autonomy of institutions that is central to our contribution to knowledge.

In the heat of the internal wrangling, the Shonekan’s ING uncovered one of the most controversial cases of corruption in the downstream sector. The then NNPC Group Managing Director (GMD), Doukaru and other high-profile executives of the corporation “were charged for paying \$41 million for fraudulent strategic petroleum storage infrastructure.”⁵⁴¹ In an effort to unravel and punish the perpetrators, the Minister of Petroleum Resources, “Don Etiebet dismissed board members of the NNPC.”⁵⁴² As part of the same move, “the board members of the subsidiaries of NNPC were dissolved.”⁵⁴³ Though the Minister’s action was meant to fight corruption, it has also tampered with Babangida’s successes in seeking the autonomy of NNPC and its subsidiaries. It is also on record that the Shonekan’s ING were uncomfortable with inefficiency in the refineries and outlined moves to introduce private actors to reduce the recurrent challenge of petrol shortages in the country.⁵⁴⁴ The determination to fight corruption and the quest to privatise the refineries and other government stakes in the petroleum industry have been offered as one among the reasons for the overthrow of Shonekan:

“...the brief stint in power of Shonekan and his team was due to a plethora of challenges. It was obvious that Babangida wanted his loyalists within the military to continue and that is why he gave so much power and authority to the military.

⁵³⁹ Interview with PG09

⁵⁴⁰ Interview with PA23

⁵⁴¹ *Financial Times*, November 3, 1993 quoted in Nwokeji p. quo

⁵⁴² Nwosu, Nereus I. "The politics of oil subsidy in Nigeria." *Africa* (1996): 80-94.

⁵⁴³ Interview with PG22

⁵⁴⁴ Bisi OjEDIRAN, Oil Subsidy: The Cards on the Table, «The Guardian» 10 March, 1993, p.23.

While it is true that Shonekan met so many challenges, the most obvious was his invention. He wanted to dislodge the most dominant culture. Corruption fought and won. He left while corruption thrived.”⁵⁴⁵

Things began to take a different tune as soon as Shonekan was overthrown by General Sani Abacha. The understanding among industry operators, particularly those in the downstream sector of Nigeria’s petroleum industry was that the “Abacha regime was not in support of the restructuring that featured in previous administrations.”⁵⁴⁶ In fact, the recommendation of a committee set up to study the need to restructure and privatise the NNPC and other inefficient subsidiaries “was left unattended.”⁵⁴⁷ Yet, the country witnessed outrage from the people who demonstrated in the major cities after it witnessed severe petrol *thirst* with significant effect on businesses as reported by the *Financial Times* of London.⁵⁴⁸ General Alli who doubled as the Chief of Army Staff during the Abacha junta expressed his frustration by the recurrent petrol shortages which ravaged the country.⁵⁴⁹

More worrisome, and perhaps more related to the subject of the present study is the return of absolute control of NNPC by the Ministry of Petroleum Resources – a practice that the country has been struggling to end. The *Petroleum Intelligence Unit* reported that Dan Etete (the then Minister of Petroleum during the Abacha regime) exerted authority and directly interfered in the management of both NNPC and International Oil Companies (IOCs) to the extent similar to the practice during the NNOC. However, it is important to note that the regime established Petroleum Trust Fund (PTF), an agency of government tasked with the responsibility of “disbursing funds that accrued from increases in the price of refined petroleum”⁵⁵⁰ for rehabilitating collapsed infrastructure in universities, health centres, and other public institutions across the country. Though Dan Etete was known to be very powerful, notorious for interfering with the management of the NNPC, one

⁵⁴⁵ Interview with PC23

⁵⁴⁶ Interview with PG18

⁵⁴⁷ Interview with PA10

⁵⁴⁸ *Financial Times* 1993

⁵⁴⁹ Alli, M. Chris. "The federal republic of Nigerian army: The siege of a nation." (2001).

⁵⁵⁰ Yusif, Ade, and Henry Odeyinka. "Performance evaluation of the Petroleum Trust Fund Educational and Health Infrastructure Rehabilitation Programme in North Western Nigeria." *Acta Structilia* 10, no. 1&2 (2003): 94-114.

commentator observed that in spite of his enormous powers, he could not be more powerful than the Presidency under Abacha:

“In both temperament and real power, the man can be said to operate in his own world. It was normal for him to take actions or make pronouncements without consulting with any agency or parastatal. With no boards in place, he amassed so much opportunity to influence the direction of the corporation. However, the presidency remained at the very top of the echelon of control.”⁵⁵¹

On its part, the Abdulsalami’s transition regime (1998-1999) decommissioned the Department of Petroleum Resources (DPR). Yet, the NNPC was not commercialised.⁵⁵² More significant was the replacement of the Ministry of Petroleum Resources with a Special Adviser on Petroleum Resources. This implies that the new office of a Special Adviser was given dual duties of regulation and policy implementation, a significant drawback from 1988 reform.⁵⁵³ However, this did not last long as the Obasanjo’s administration (1999-2007) reinstated the Ministry of Petroleum Resources and the DPR. While the general public perceived such a move in good light, a senior staff of the corporation argued otherwise:

“We all crave for an NNPC that is autonomous. To remain under the control of the Ministry is to ask that inefficiency and bureaucracy should linger on. To the leaders, to grant autonomy is to seize from having access to patronage resources. It is unfortunate that finding a lasting solution to this historic challenge has defied all administrations in Nigeria.”⁵⁵⁴

⁵⁵¹ Interview with PG23

⁵⁵² Newswatch Magazine, Special Report on the NNPC. 14 December 1998.

⁵⁵³ Ibid.

⁵⁵⁴ Interview with PG09

Though, it is difficult to fathom the intention of members of the political class, what is however clear is the complex nature of the challenges in Nigeria's downstream sector as captured by Doukaru, erstwhile GMD of the NNPC:

“...We never seem to get it right. Something always seems to be missing between government policy, implementation and public expectation (or public perception of what constitutes common good). On one hand, policy and its implementation may be either too far or short in scope, lopsided or mistimed. On the other hand, public perception and expectation may be unrealistic, utopian and misguided or misinformed. As a result, we stagger from one confrontation to the next between policy makers, regulators, actors and customers.”⁵⁵⁵

Besides, the absence or inconsistency in the governance mechanism for the nation's oil industry and NNPC in particular had a tremendous effect on the regular supply of petrol as explained below. In particular, the operation of what Nwokeji described as a “centralised accounting system” by the NNPC impedes on the grand objective of ensuring autonomy of the subsidiaries and exacerbates its lack of independence. In the following, an attempt is made to narrow the analysis to the performance of the NNPC's subsidiaries and how this unified accounting system aided political control over the downstream sector leading to increased thirst for petrol within Nigeria's economy.

4.8.1 NNPC Refineries

The idea that led to the establishment of the Subsidiaries of the NNPC required them “to generate their own revenues and to cover their own running cost.”⁵⁵⁶ Therefore, the four existing refineries are meant to generate “refining fees from NNPC”⁵⁵⁷ for refining petrol that would be sold in the Nigerian market. On its part, the Pipelines and Product Marketing Company (PPMC) are expected to generate its own revenue through the duty paid to it for “transporting crude oil to the

⁵⁵⁵ Vanguard October 23, 2003, Quoted by Nwokeji

⁵⁵⁶ Archive NNPC

⁵⁵⁷ Interview with PG22

refineries” and also “moving white petroleum products to the existing and future markets through its “network of pipelines and depots.”⁵⁵⁸ It was also part of the vision of the PPMC to generate profit through efficient marketing of “refined petroleum products in the domestic as well as export markets especially in the ECOWAS sub-region.”⁵⁵⁹ Furthermore, the National Engineering and Technical Company Limited (NETCO) generates its own revenue through the fees it charged for “consultation and engineering work done to NNPC and the Joint Ventures.”⁵⁶⁰ Other subsidiaries whose mandate does not fall under the downstream sector such as the Nigerian Petroleum and Development Company Ltd (NPDC) and Integrated Data Services (IDS) were meant to generate their revenues through the operation of independent concessions and fees charged for data services respectively.⁵⁶¹

Regrettably, these creative innovations on which basis the subsidiaries were meant to be managed have “failed to materialise.”⁵⁶² These subsidiaries, especially the ones in the downstream sector, “obviously depend on the NNPC for their running cost.”⁵⁶³ The following was the response of a participant who was a senior management staff in in the accounting unit of one of the subsidiaries in the late 1990s:

“These subsidiaries, especially the PPMC where I was posted to work from NNPC have not been given free hand to operate. There are those from within the NNPC whom we regard as the ‘Grand Juries’. In most cases, we were directed to submit our generated revenues to the NNPC accounts. What is more disturbing is the manner in which our revenues were entered into the NNPC accounts. As a professional accountant, I can vow to you that it defies all accounting guidelines and funds can easily be

⁵⁵⁸ PPMC Available at <https://ppmc.nnpcgroup.com/Pages/Home.aspx> (accessed on 17 January, 2018)

⁵⁵⁹ Archive PPMC.

⁵⁶⁰ National Engineering and Technical Company Limited (NETCO) Available at <https://www.nnpcgroup.com/Upstream/Pages/NETCO.aspx> (accessed on 17 June, 2018).

⁵⁶¹ NNPC Archive, Abuja.

⁵⁶² Ugo Nwokeji, p. 26

⁵⁶³ Interview with PA17

misappropriated. Worse still, we lobby to retain little of our generated revenue and such approvals, when it comes, are once in a blue moon.”⁵⁶⁴

The standard procedure governing agencies with boards of directors is that such members of the board are expected to possess some semblance of power to make necessary approvals as well as take proactive decisions on the best ways to manage generated revenues. But the case with most of the subsidiaries in the Nigeria’s petroleum industry in general and downstream sector in particular is that the NNPC operates a “unified accounting system which negates the standard framework of governing agencies as the existing board of directors are deprived statutory powers by virtue of NNPC’s encroachment.”⁵⁶⁵

Perhaps, the greatest victim of the unified accounting system operated by the NNPC are the nation’s four refineries. All over the world, including in countries that do not operate open system management or non-democracies, “refineries enjoy some degree of independence.”⁵⁶⁶ The reason according to Nefedov is to allow for quick and efficient management devoid of bureaucratic bottlenecks.⁵⁶⁷ However, over the years, the four refineries in Nigeria have been subjected to deliberate interference that impedes effective and efficient refining of petrol for local consumption. According to reports by the economic surveillance unit of the NNPC, the four refineries combined are only capable of producing an estimated 445,000 b/d of petrol.⁵⁶⁸ But due to poor governance, represented here by “bureaucracy and political interference from NNPC, it has been unable to meet its refining target right from the mid-1980s.”⁵⁶⁹ Perhaps, the challenge of operating a unified accounting system became obvious during the 1990s when the military Government under Ibrahim Babangida directed NNPC to suspend all its accounts and return all monies to the Central Bank.⁵⁷⁰ This case aptly demonstrates the African idiomatic expression that the *bush meat has cash the hunter*. The NNPC

⁵⁶⁴ Interview with PA29

⁵⁶⁵ Interview with PG22

⁵⁶⁶ Interview with PA23

⁵⁶⁷ Nefedov, B. K. "Modernization of oil refineries as the basis for the development of the Russian oil refining industry in the period of 2010–2020." *Catalysis in Industry* 4, no. 1 (2012): 83-88.

⁵⁶⁸ economic surveillance unit

⁵⁶⁹ Interview with PG18

⁵⁷⁰ For more details, see Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386.

which has been controlling the accounts of its refineries have also been subjected to the same process by the country's central bank. The NNPC and its subsidiaries, including the refineries lost all its autonomy.

In the years that followed, "it could no longer ensure prompt maintenance of the refineries."⁵⁷¹ Vital decisions bordering on the choice of contractors to engage on "turnaround maintenance were now taken by the political class rather than technocrats in the relevant units within the refineries and NNPC."⁵⁷² During the years of Dan Etete, the operation of a unified accounting system was justified through a memo generated from the office of Special Adviser on Petroleum Matters as quoted below:

"Except otherwise, all official transactions should henceforth be done with consultation with the Office of the Special Adviser to the President on Petroleum Matters. The Federal Government notes the significance of petroleum to the nation's economy and has decided on *accountable* means of generating revenue."⁵⁷³

It is difficult to convince anyone familiar with the operation of a unified accounting system to agree to the above statement. "It is obvious that the ruling class were no longer comfortable with having multiple agencies having access to the revenue accrued from the sale of petrol," argues, PG27. On his part, PG05 noted that "the IBB regime introduced reforms at the apex bank to entrench its agenda of primitive accumulation."⁵⁷⁴ The organisational restructuring empowered the head of state to have direct control over the affairs of the bank as the entire banking processes were now placed under the office of the head of state. As noted by one of the former directors of research of the bank, the CBN Decree of 1991 officialised the enthronement of personal will (of the Head of State) as no other authority could question the action of the supreme head of state:

In practical terms, the 1991 CBN Decree made the president the sole authority for deciding the

⁵⁷¹ NNPC Refineries Performance Reports 2012

⁵⁷² Interview with PG09

⁵⁷³ Official Communication from the office of the Minister of Petroleum Resources.

⁵⁷⁴ Interview with PG05

nation's monetary and banking policy, and for issuing directives for its implementation. The Central Bank of Nigeria (CBN) had become the 'Central Bank of the President' (CBP), a unit or department in the office of the president carrying out the president's binding directives on monetary and banking policy.⁵⁷⁵

With the passage of such a decree, “the NNPC has become the conduit pipe through which the military and their cronies drained oil revenue without remorse.”⁵⁷⁶ Meanwhile, throughout the 1990s, “petrol shortages became a feature of Nigeria as the thirst for it was no longer news.”⁵⁷⁷

By the last three years of the 1990s, the desire to control the refineries was almost complete as the Ministry of Finance officially instructed massive cuts in the supply of crude oil to Nigeria’s NNPC.⁵⁷⁸ The central argument of the finance ministry was that the country stands to reduce the cost of refining petrol by almost 20 percent if it imports from the international market than having it refined from its own refineries. An interviewee who was conversant with the development had noted the following:

“They were not ready to commit resources for turnaround maintenance of the refineries. Refineries are like human beings. It requires maintenance. When the refineries are not giving the powers to retain certain percentages for its upkeep, underperformance would be obvious. Everything that was generated was returned to them, and then to their pockets. That is the reason our refineries are moribund!”⁵⁷⁹

With no refinery in the country performing at optimal level, product importation has become the easy option. However, it appears certain forces within the NNPC

⁵⁷⁵ Enuenwosu, C (1994), 'The Babangida monetarism: how not to use a Central Bank', *African Guardian*, 7 March 1994, pp.10-13 (Enuenwosu was former Director of Research at the CBN)

⁵⁷⁶ Interview with PA30

⁵⁷⁷ Interview with PA28

⁵⁷⁸ NNPC Archive

⁵⁷⁹ Interview with PG18

exploit this situation in order to profit financially from it. These forces, according to one participant, “work to misrepresent financial figures that are needed for the yearly turnaround maintenance in order to justify product importation and to discourage budgetary allocations for the maintenance of the refineries.”⁵⁸⁰ Unfortunately, the importation of petroleum products has betrayed the country’s image as a prominent member of OPEC.⁵⁸¹ Available records obtained from the Central Bank of Nigeria reveals a staggering 58 percent annual capacity utilisation of the existing refineries from 1980 down to 1996.⁵⁸² Even though CBN records show little improvement in the annual capacity utilisation of the refineries in the year 1997, its performance was not up to 70 percent and the country still imported over a million metric tonnes of Premium Motor Spirit (PMS). Same records show that Nigeria imports about 2.61 million tonnes of petroleum products representing an average of 41.6 percent of the total consumed petrol in the domestic economy from 1970 to 1995.⁵⁸³ The Table 1 below shows tonnes of petroleum products imported into Nigeria from 1997 to 2004.

Table 1

Statistics of Imported Petroleum Products in Metric Tonnes between 1997 and 2004.

| Year | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
| PMS | 1,061,856 | 2,507,009 | 19,987,474 | 4,144,347 | 3,857,093 | 4,046,484 | 5,404,163 | 5,696,400 |
| DPK | 0 | 655,619 | 171,482 | 1,155,399 | 433,295 | 404,896 | 637,620 | 418,240 |
| AGO | 185,296 | 515,958 | 465,248 | 1,952,732 | 117,156 | 94,351 | 1,146,685 | 170,280 |
| Toatal | 1,249,149 | 3,680,584 | 2,626,203 | 7,254,478 | 4,409,545 | 4,537,733 | 7,190,471 | 6,496,390 |

Source: NNPC Annual Petroleum Bulletin 1997-2004.⁵⁸⁴

⁵⁸⁰ Interview with PC29

⁵⁸¹ Okolo, Chimaobi Valentine, and Sylvester Ike Udabah. "Oil price and exchange rate volatilities: implications on the cost of living in an OPEC member country—Nigeria." *OPEC Energy Review* 43, no. 4 (2019): 413-428.

⁵⁸² Central Bank of Nigeria, 1996 Statement of Account and Annual Report for the year 1996.

⁵⁸³ Statement of Account and Annual Report for the year 1995.

⁵⁸⁴ Quoted from Jesuleye, O. A., W. O. Siyanbola, S. A. Sanni, and M. O. Ilori. "Energy demand analysis of Port-Harcourt refinery, Nigeria and its policy implications." *Energy policy* 35, no. 2 (2007): 1338-1345.

As displayed in Table 1 above, the amount of imported petroleum products rose to over 4.6 million metric tonnes on an annual basis from 1997 to 2004. This implies that the country imported about 78 percent of its own refined petroleum product. Against popular perception that the return to democracy in 1999 would introduce some degree of sanity in the management of refineries, the year 2000 witnessed the highest percentage of imported petroleum products (about 7.2 million metric tonnes). In fact, consulted sources show that the country's refineries performed at about 35 percent capacity utilisation and refined only about 4.27 million metric tonnes of petrol. The situation got so bad that the then Group Managing Director of the NNPC, Funsho Kopolokun was reported to have said Nigeria was spending more than \$2 billion on the importation of petrol.⁵⁸⁵ At the core of the challenges of importation of petrol is the crisis of foreign exchange which has been discussed in chapter seven.

Government's major response to the challenge under consideration was to deregulate the downstream sector operations.⁵⁸⁶ While Obasanjo's administration considered the privatisation of the four refineries in line with its drive to attract private capital and introduce expertise in the management of the downstream sector, "not much has been done after the initial public announcement and the general public continue to express strong rejection of the idea."⁵⁸⁷ However, by the end of 2004, official data obtained from the NNPC shows that about 13 licenses were issued to private actors for the construction of refineries.⁵⁸⁸ The United States Energy Information Administration further noted the issuance of additional licenses for the construction of smaller refineries during the Yar'adua/Jonathan administration.⁵⁸⁹ Yet, a participant who is knowledgeable about the licenses noted the following

⁵⁸⁵ Odunyi, M. *Thisday* Newspaper front page "Kupolokun: NNPC loses N119bn on Fuel Imports: Issues new guidelines on JV contract awards". 25 July 2005.

⁵⁸⁶ Godfrey, Nkogbu Oshilim, and O. Oritsematosan. "Deregulation of the downstream sector of the Nigerian petroleum industry: the role of leadership." *European Journal of Business and Management* 7, no. 8 (2015): 2222-2839.

⁵⁸⁷ Interview with PC27

⁵⁸⁸ United States Energy Information and Administration, 2005, Country Analysis Brief: Nigeria Monthly Energy Chronology (2002-2004) Department of Energy, Energy Information Administration, USA.

⁵⁸⁹ Nigeria National Petroleum Corporation, 2004. Annual Statistical Bulletin, January to December 2004. Corporate Planning and Development Division, Abuja Nigeria.

“Most of these licenses were given to the cronies of the ruling class or friends of those in government. Unlike what is obtainable in different parts of the world where proper assessment of the expertise of intended operators were being evaluated, the case in Nigeria did not undergo independent scrutiny. Even the basic information on the procurement of licenses was hidden from public domain.”⁵⁹⁰

Worse still, “some of the licenses were merely awarded for the benefit of scoring political points and the public are yet to see the manifestation of the refineries.”⁵⁹¹ For example, Olusegun Obasanjo performed the foundation laying of the Tonwei Refinery on October 19, 2002, it has not been completed even after an estimated \$2bn was said to have been expended. No significant explanation has been given for the delay and similar situations go for other ones.

Besides, the conflict over poor allocation of resources to the Niger Delta region accounts for several cases of pipeline vandalism discussed in detail in Chapter six. Given this situation, the government began to construct a bill to be passed into law with the hope that it will answer to the various challenges including the crisis of petrol shortages. The following subtitle focussed on this bill and its critique.

4.9 Reform Agenda: The Petroleum Industry Bill (PIB)

When Nigeria returned to civilian administration in May 1999, the Nigerian people, as with most citizens of transitional governments, were full of expectations from the new occupiers of power led by General Olusegun Obasanjo, who they felt, will introduce proactive reforms that would transform the entire petroleum industry, and quench their frequent *thirst* for petrol. In fact, “many had thought that the return to democratic administration would enable the government to reform the moribund downstream sector, an avenue to consolidate on the gains of democracy,” noted PG016. In light of popular expectation, the government initiated the ‘derivation percentage’ with the hope to propitiate militant groups in

⁵⁹⁰ Interview with PC27

⁵⁹¹ Interview with PC21

the Niger Delta region.⁵⁹² Even so, the government's quest to restore confidence through fiscal regionalism was counterproductive as there was little or no success at all.⁵⁹³ The derivation policy added with sleaze inflamed the already tensed region that genuinely felt neglected by the government's exploitation of their natural environment without due compensation.⁵⁹⁴ In the context of our study, NNPC was essentially dysfunctional and no longer able to perform its major functions. Thurber *et al.* captured its dysfunctionality in elaborate manner as reproduced below:

“is neither a real commercial entity nor a meaningful oil operator. It lacks control over the revenue it generates and thus is unable to set its own strategy. It relies on other firms to perform essentially all of the most complex functions that are hallmarks of operating oil companies. Yet unlike some NOCs it also fails to fit the profile of a government agency: Its portfolio of activities is too diverse, incoherent, and beyond the reach of government control for it to function as a government policymaking instrument”⁵⁹⁵

Indeed, the NOC's had no financial strength as its “morale was killed when almost every penny it generated was repatriated back to the Federation Account while it was made to pay for all the subsidies on refined petroleum products.”⁵⁹⁶ The centralisation of NNPC's earnings into the Federation Account makes it unable to

⁵⁹² Ukiwo, Ukoha. "From “pirates” to “militants”: A historical perspective on anti-state and anti-oil company mobilization among the Ijaw of Warri, Western Niger Delta." *African Affairs* 106, no. 425 (2007): 587-610.

⁵⁹³ Pérouse de Montclos, M. -A. 2013. Rébellion et partage de la rente pétrolière au Nigeria: une affaire éminemment politique. Paper delivered at an international symposium on the political anthropology of oil, Erbil (Kurdistan, Iraq). Institut Français du Proche

⁵⁹⁴ Osaghae, Eghosa E., Augustine Ovuoronye Ikelegbe, Omobolaji O. Olarinmoye, and Stephen I. Okhomin. *Youth Militias, Self Determination, and Resource Control Struggles in the Niger-delta Region of Nigeria*. Dakar: Council for the Development of Social Science Research in Africa, 2011.

⁵⁹⁵ Thurber, Mark C., Ify Emelife, and Patrick RP Heller. "NNPC and Nigeria's oil patronage ecosystem." *Oil and Governance: State-Owned Enterprises and the World Energy Supply*; Victor, D., Hults, D., Thurber, M., Eds (2010): 701-752.

⁵⁹⁶ Interview with PC23

breathe since it has one of the lowest annual turnover (below \$5bn) among state-owned NOCs, the world over.⁵⁹⁷

Following from the issues highlighted above, the challenge for the new democratic administration was to overhaul the entire gamut of the oil industry and downstream in particular, since the generality of the Nigerian people depends on it for daily use. To surmount these challenges, Obasanjo formed two expert committees namely the Oil and Gas Sectors Reform Committee (OGSRC) and Oil and Gas Implementation Committee (OGIC) which was steered by Rilwanu Lukman (up till 2003) and followed by Edmund Daukoru afterwards.⁵⁹⁸ The Committee had submitted its report to the government in 2007 in which it recommended the need to overhaul the sector through a new legal framework. This recommendation gave rise to the piece of legislation known as the 'Petroleum Industry Bill' that was submitted to the National Assembly during President Yar'adua's first year in office.⁵⁹⁹ But why does it take such a long time before the committee submits its reports? An insider who worked with Rilwanu Noted:

"I am not Rilwanu Lukman. I can't speak for him. But one thing I am conversant with was his complaints over Obasanjo's unwillingness to initiate any large-scale reform. He told those of us in his office that the President kept mute until his very last days in office. Maybe he was not bold enough to confront the decay which has built up over a long period of time."⁶⁰⁰

Whatever may be responsible for the delay, and it is difficult to understand the full intentions of members of the political class, more so that the issue in question appears sensitive, "it continued even more when Yar'adua died and members of the National Assembly kept swinging back and forth in a regular rhythm."⁶⁰¹

⁵⁹⁷ Sayne, Aaron, Paasha Mahdavi, Patrick RP Heller, and Johannes Schreuder. "The Petroleum Industry Bill and the Future of NNPC." Retrieved from the Revenue Watch Institute website: https://resourcegovernance.org/sites/default/files/rwi_bp_nnpc_synth_rev2.pdf (2012).

⁵⁹⁸ *Thisday* Newspaper "Nigeria: Atiku Inaugurates C'ttee On Oil, Gas" 18 May 2004

⁵⁹⁹ de Montclos, Marc-Antoine Pérouse. "The politics and crisis of the Petroleum Industry Bill in Nigeria." *The Journal of Modern African Studies* (2014): 403-424.

⁶⁰⁰ Interview with PG18

⁶⁰¹ Interview with PG05

However, it is important to note that Yar’adua appointed Rilwanu Lukman as the Minister of Petroleum Resources who added more vigour to ensure the passage of the bill. In the Yar’adua proposed PIB, which obviously had the impact of Lukman, the minister of petroleum resources was allocated significant powers over both prospecting and mining leases as himself averred:

“From now on, petroleum prospecting licenses and petroleum mining leases can only be granted by the Minister through a truly competitive bid process. Such a process will be open and accessible to all qualified companies.”⁶⁰²

Some have noted that Lukman had “allocated so much power to himself primarily to have greater access to oil licenses for personal gains.”⁶⁰³ Others feel that such an important role “should not be left in the hands of political appointees such as the office of a minister who may barely have sound knowledge of the workings of the industry.”⁶⁰⁴ One thing that is important to note, is that each time the actors fronting for the bill are replaced either via change of government or replaced with others, the content of the bill also changes. Since the initial bill was presented for consideration by the National Assembly in 2007, “it has been altered on several occasions due to powerful pressures ranging from the political elites, IOCs and domestic middle men.”⁶⁰⁵ To demonstrate the importance of the bill to foreign governments with significant interest in Nigeria’s oil, Mr. Michael Froman, a Deputy Assistant to the President of the United States and Deputy National Security Adviser for International Economic Affairs had visited the then Minister of Petroleum Resources, Allison Maduekwe to liaise with the Nigerian stakeholders.⁶⁰⁶ As reported in the *Business News* of June 4, 2013, when Goodluck Jonathan was sworn into office in 2011, attempts were made to

⁶⁰² LUKMAN, DR RILWANU, and KBE CFR. "Keynote Address by the Honourable Minister of Petroleum Resources on the Proposed Petroleum Industry Bill (PIB)." (2009).

⁶⁰³ PG09, PG18, and PC26

⁶⁰⁴ Interview with PC26

⁶⁰⁵ Interview with PG22

⁶⁰⁶ Jbaker 'Minister of Petroleum Resources assures new PIB is tamper proof' eNews Wire, UK. Available at <https://www.enewswire.co.uk/2012/07/23/minister-of-petroleum-resources-assures-new-pib-is-tamper-proof/> (accessed 12 December, 2019), p. 7.

reintroduce the bill but this time, it was pushed by head of the regulatory body (DPR), Osten Olorunsola.⁶⁰⁷

During the same period, the trade unions in the Nigerian oil industry, led by NUPENG, accused the administration's powerful minister of Petroleum Resources for tampering with the original PIB.⁶⁰⁸ With several amendments to the Bill, it got to a point where the legislators and the IOCs no longer trust the commitment of the government in delivering a superb bill." The expectation of the people, notwithstanding the challenges of power politics, was that the President Goodluck Jonathan being the first Nigerian President from the Niger/Delta region would be able to manoeuvre stakeholders, at least by way of reaching compromises on vital elements of the bill and presenting same to the legislator before the expiration of his term of office. Unfortunately, like others before him, petro-politics won and the bill remained a nightmare.

4.9.1 Opposition to the PIB

Although there are a number of stakeholders who have openly expressed misgivings about the bill, the Northern oligarchy appears very forceful.⁶⁰⁹ This group of highly powerful political actors who have been the major beneficiaries of Nigeria's oil wealth were concerned over the "proposal that seeks to tamper with the federal character system that has been in place for years."⁶¹⁰ This structural arrangement was instituted by General Sani Abacha through Act No. 34 of 1996 to among other things "implement and enforce the Federal Character Principle of fairness and equity in the distribution of public posts and socio-economic infrastructures among the various federating units of the Federal Republic of Nigeria."⁶¹¹ To this group, the inclusion of the derivation formula which stood at 13 percent constitutes a violation of that principle, more so that "the provisions of the 1999 Constitution in Sections 14 and 153 consolidated the establishment of the Federal Character Commission (FCC) for operation in a democratic system of Government."⁶¹² They channelled their opposition through the then Governor

⁶⁰⁷ Clara Nwachukwu and Sebastine Obasi "There's more convergence than divergence in PIB" – Osten Olorunsola, *Business News* 4 June, 2013. Available at <http://businessnews.com.ng/2013/06/04/theres-more-convergence-than-divergence-in-pib-osten-olorunsola/> (accessed 16 September, 2019).

⁶⁰⁸ NUPENG and PENGASSAN Joint Position on the PIB, Lagos, July 2013.

⁶⁰⁹ Brief note on the Kaduna Mafia.

⁶¹⁰ Interview with PA25

⁶¹¹ Federal Character Commission <https://federalcharacter.gov.ng/>

⁶¹² Ibid.

of Niger State, Muazu Babangida Aliyu who publicly criticised Jonathan's administration for excluding the Northerners from top positions in the NNPC and juicy federal positions.

They also argued that the community funds which was an integral component of the proposed bill, which seeks to allocate certain percentage of the generated revenue to cater for the environmental needs of the oil producing communities was "an attempt to definitively deny them their share of oil revenue, and to introduce disguised royalties free from government control."⁶¹³ In an interview granted to the *Thisday* newspaper, Aliyu noted that:

"oil producing states will be collecting over 40 per cent" of the federation account's earning at the expense of other states "and that is not a nice way to do public policy, public accounting and public economy."⁶¹⁴

In the Summer of 2013, outspoken Northern members of the House of Representatives were carefully selected and attended a conscientisation conference in Ghana on the need to stand-down the bill should Jonathan's government present the same for hearing. The agenda was devoid of complexity, "to dissect the bill and take a position on it. Their position is simple, to throw out the bill"⁶¹⁵ Again, they were not comfortable with the huge powers of the minister in the amended bill. As quoted in the *Punch* newspaper, they observed that "the PIB has given the minister so much power to decide everything that will happen in the proposed unbundling of the sector."⁶¹⁶ The bill provided broad range of powers to the minister over the oil industry as provided in Section 5:

"The Minister of Petroleum Resources shall be responsible for the coordination of the activities of the petroleum industry and shall exercise general supervision over all operations and all institutions in the industry."⁶¹⁷

⁶¹³ Interview with PC23

⁶¹⁴ Adebawale, Yemi. 20 April 2013

⁶¹⁵ *Punch* Newspaper March 2013

⁶¹⁶ Ibid.

⁶¹⁷ Section 5 of the PIB 2012 Proposed Bill.

As part of their campaign against the PIB, and to galvanise support from undecided lawmakers from other regions, especially those from the South whose communities do not produce oil, de Montclos observed that the Northern legislators listed government intervention programmes that were exclusively for the oil producing Niger Delta communities as follows:

“...the derivation formula (which is currency limited to 13%), the NDDC (which siphons off 3% of the operational budget of joint ventures), the ministry of the Niger Delta (which received 1 -3% of the Federal Government's budget in 201 2) , amnesty payments made for the demobilisation of former fighters of MEND, and, finally, the 'local content' and 'federal character' quotas which ensure the hiring of native residents for jobs in extractive industries and the local civil service respectively.”⁶¹⁸

Apart from the Northern opposition, trade unions in the nation's oil and gas industry also expressed scepticism. While the executives of the Petroleum and Natural Gas Senior Staff Association of Nigeria offered conditional support to the PIB. In summary, as noted by Comrade Chika Onuegbu was that “PIB must have mandatory recognition of the right to freedom of association and effective collective bargaining by all companies operating or doing business in the country's oil and gas industry irrespective of where such companies are located.”⁶¹⁹

On the contrary, the TUC stood against deregulation of the downstream sector in all its facets. In essence, there was sharp division among the unions as PENGASSAN advocated for the kind of reform seen at the Bonny Export Terminal of the Nigerian Liquefied Natural Gas (NLNG) that had over 50 percent of private actors in operation. For anyone who is familiar with labour history in Nigeria, the position of NUPENG and PENGASSAN must have come as a surprise. The unions have been historically known for opposing any move that will shrink the

⁶¹⁸ de Montclos, Marc-Antoine Pérouse. "The politics and crisis of the Petroleum Industry Bill in Nigeria." *The Journal of Modern African Studies* (2014): 403-424.

⁶¹⁹ Admin, 'PIB: PENGASSAN Outlines Policy Thrust November' available at <http://www.thetidenewsonline.com/2012/11/16/pib-pengassan-outlines-policy-thrust/> 16, 2012. (Accessed on 12 May, 2019).

size of the workforce.⁶²⁰ However, it goes to show the extent of decay caused by the government's inability to operate the installed capacity of the refineries. A prominent member of the PENGASSAN shared the following:

“We must do everything possible to see that our industry is revived. Government has not demonstrated any commitment to this effect. The private actors appear more serious and we must learn to adapt with the changing regime. For me, I have always wanted the refineries to have private stakeholders.”⁶²¹

However, there are certain provisions of the bill that made some members of trade unions oppose it. For example, the bill failed to commit itself to job creation, “an emotional issue to pro-unionists.”⁶²² Besides, the bill's “section 356 failed to commit private stakeholders in the deregulated sectors from maintaining the same salary and retirement packages as is presently obtained in NNPC.”⁶²³

Some Niger Delta activists have called for the suspension of activities on the bill which they claimed did not do enough on environmental pollution. Others including Stakeholder Democracy Network (SDN) noted that sections 118 and 293 of the proposed bill which mandates the Local Government Areas and State Government authorities of oil producing states to pay for cost of repairs in the event that facilities are sabotaged as an indirect way of absconding from Corporate Social Responsibility (CSR).

At the end, the government was unable to reach a compromise before the 2015 elections and the PIB remained a bill in the pipeline. For students of Nigerian history and politics, this does not come as a surprise because of the powerful interest at stake. According to one observer, Goodluck Jonathan was placed in a tight corner to choose “between pleasing the people of the Nigeria Delta, in order to restore the balance in terms of support to derivation formula,” or entertain the people of the “Northern region by maintaining a crude structural arrangement that

⁶²⁰ They distrust the continuation of a parastatal company whose staff size shrank from 17,000 in 2003 to 9,000 in (Nwokeji: 7).

⁶²¹ Interview with PC23

⁶²² Interview with PG19

⁶²³ Interview with PG05

stifle oil resources of the South to finance a Federal Character principle.”⁶²⁴ Whatever was the final decision of President Jonathan, the PIB did not scale through and violent attacks on oil facilities got messier by the end of his tenure in 2015.

4.10 Conclusion

This chapter captures the essential nature of governance obtained in the Nigerian downstream sector. While management appears to be one of the challenges causing the underperformance of the downstream sector, the fact that NNPC has had eight Managing Directors in the space of About 17 years (from 1990-2007 - an average tenure of two years) is a sorry indication that something other than bad management may be to blame. The fault for things going the way they have gone must be traceable to doors other than management. Besides, what does the nation want from the top management? Should it be properly vested with the authority of the responsibilities envisaged by the law or is it merely to serve as a decoy for the acts of commission and omission of those who usurp its roles with impunity?

Until this very vital issue is settled so that authority and matching responsibility become resident, by law, in one figure, the situation will continue to be created wherein ‘camels may freely pass in and out of the eye of a needle’. The NNPC Decree must not be operated like a convenient ‘legal plasticine’ to be moulded according to the whims and caprices of the ‘powers-that-be.’ The truth that must be told is that NNPC’s problems are squarely in the courts of the manipulators of its corporate set-up. It cannot take too much effort to discover that weaknesses may have been progressively introduced into management set-up and, to some extent, the structure, to make it more difficult for any serious officer to achieve anything without frustration.

The Decree establishing it to operate put it, as far as was expedient, outside of the regular bureaucracy: the then Ministry of Petroleum Resources was suppressed and the Chairman of the Board was accorded ‘ministerial rank’; the Managing Director was the Chief Executive for the purposes of its day to day operations. The Decree charted a possible path of growth and properly defined its role within the industry. As Marinho puts it:

⁶²⁴ Interview with PA20

“what has subsequently developed is a hybrid that has neither had any serious respect for history nor for the law that set it up. From the very little one hears; the situation has continued to deteriorate from the destabilised state that I was forced to leave in 1985. There is talk of very blatant extraneous interference and intervention in the day to day affairs of the Corporation, which the Decree neither envisaged nor provided for.”⁶²⁵

As its unique contribution to the body of existing knowledge, the chapter traced the role that political structures and political interference plays in influencing outcomes in the Nigerian downstream sector leading to petrol shortages. As shown from the analysis above, political elites have often demonstrated the unwillingness to allow the agencies to exercise statutory powers and operate in a manner that allows for private actors to be able to influence outcomes. In the end, it is this tendency to govern the sector within hierarchical structure of power and sometimes abuse of privileges, exemplified by unnecessary interference in planning, directing, financing, and allocation of public funds in the governance of Nigeria’s downstream sector that accounts for the visible mis-governance in the sector. The Chapter concludes that this form of governance, particularly government-driven, does not only constraint the effective operation of the sector and its refineries but also stifle reform efforts.

⁶²⁵ Marinho F.R.A *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 229

Chapter Five

The Menace of Petrol Subsidy in Nigeria

5.1 Introduction

The practice of subsidizing energy including petroleum products is widely practiced. A study by the International Energy Agency (IEA) covering 20 non-OECD states affirmed this position when it noted that as much as \$220 billion was spent on fuel subsidies in the year 2005.⁶²⁶ Two years later, the amount has almost doubled as it moved to about \$350 billion among the same number of countries and regions.⁶²⁷ Arguably, the figures may be much more when compared to the cost of fuel subsidy in oil producing countries such as Nigeria, Iran, Saudi Arabia, Angola among others. The chapter sets out to attempt the second research question “what is the impact of the implementation of subsidy regime on the availability of petroleum products in Nigeria?” It looks at the implementation of subsidy in Nigeria and how it impedes adequate supply of petrol within the domestic economy.

Fundamentally, the chapter argues that implementation of subsidy on petroleum products serves special interest and constricts local supply. To achieve this objective, the chapter is further divided into four sub themes including the genesis of petrol subsidy, the battle to withdraw subsidy on petrol, the position of stakeholders in the subsidy debate, and corruption in the administration of subsidy policy. Under the first subtheme, the chapter argues that the history of subsidy precedes the 1990s that is believed to be the starting point of subsidy in Nigeria. The chapter traced the origin of the policy to the second half of the 1960s when refining of petrol began in the Nigerian downstream sector. In the second subtheme, based on data obtained from fieldwork, newspaper reports and official documents, an attempt to explain the battle for the withdrawal of subsidy in Nigeria was made. The third subtheme focussed on categorizing the different interest and position of stakeholders on the subsidy policy in Nigeria and how this has affected its implementation. In the final part of the chapter, an attempt to

⁶²⁶ International Energy Agency, “World Energy Outlook”. Paris: International Energy Agency, 2007.

⁶²⁷ International Energy Agency, “World Energy Outlook”. Paris: International Energy Agency, 2008.

explain the effect of corruption in the administration of subsidy policy is made. The shortages in supply of petrol in Nigeria results from the inherent corruption which has become the major character of the subsidy policy. In all, the author argues that the failure of petrol subsidy like many other public policies is an inherent characterisation of oil resource curse, especially given that the policy has been hijacked by special interests leading to petrol shortages.

5.2 The Genesis of Petrol Subsidy

Following the discovery and production of petroleum in the later part of the 1950s, the most dominant International Oil Company in Nigeria (Shell), alongside British Petroleum (BP) and the Nigerian government entered into a joint venture to establish the first oil refinery in Nigeria.⁶²⁸ The composition of Nigeria's federal government in the First Republic (1963-1966) meant that the key decisions on fiscal spending require the cooperation of the three regional governments – the Northern, Western and Eastern governments.⁶²⁹ It was these agreements that led to the establishment of the first refinery in Port Harcourt in 1965.⁶³⁰ The first indigenous petroleum scientists noted that Shell-BP were required to “supply the feed for it at the technical production cost of the crude.”⁶³¹ As an incentive for supplying the feed, the agreement exempted from payment of royalties.⁶³² Measuring by the currency exchange rate at the time, this implies that one barrel of crude that was fed into the refinery was less than \$1 US dollar. An influential government source who was privy to the negotiation noted that such an arrangement meant that the refinery merely processed the crude at a “free and fair arm's length fee.”⁶³³

The economic thinking that drove the signing of the agreement was premised on the need to allow the investors in the “refinery to make a reasonable return on their investments”⁶³⁴ in line with the principle of ‘stand-alone investment.’ The adoption of stand-alone principle allowed stakeholders to appraise the cost of

⁶²⁸ Frynas, Jędrzej George, Matthias P. Beck, and Kamel Mellahi. "Maintaining corporate dominance after decolonization: the 'first mover' advantages of Shell-BP in Nigeria." *Review of African Political Economy* 27, no. 85 (2000): 407-425.

⁶²⁹ Diamond, Larry. *Class, ethnicity, and democracy in Nigeria: The failure of the first republic*. Syracuse University Press, 1988.

⁶³⁰ Oguniola, Olayinka I. "History of energy sources and their-utilization in Nigeria." *Energy Sources* 12, no. 2 (1990): 181-198.

⁶³¹ Marinho, F. R. A. *Nigeria's Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited. P. 289.

⁶³² *Ibid.*, P. 292.

⁶³³ Interview with PG022.

⁶³⁴ Marinho, F. R. A. *Nigeria's Petroleum Industry: A Maverick Pioneer*. P. 296.

their investment and the benefits therein.⁶³⁵ By the early 1970s, petrol marketers came into the business. They were expected to procure the crude and “obtain products at a fee.”⁶³⁶ This arrangement also allows the marketers to obtain the products “according to a slate of products obtainable from a designated barrel of crude.”⁶³⁷ While many sources including key policy statements in contemporary Nigeria have always made the claim of the origin of petrol subsidy to the early 1990s, the reality is that the incentives and discounts that saw the establishment of joint venture refinery in Port Harcourt laid within it the genesis of petrol subsidy in Nigeria. This has been unambiguously noted by an insider privy to the development of subsidy policy in the following words:

“That initial, inconsequential economic concession was the genesis of the ‘petroleum products’ price subsidy that ultimately grew into an avalanche that has been very serious threats to the economic well-being and development of the nation: an albatross round the nation’s neck that is threatening to choke sustainable economic life out of it.”⁶³⁸

Giving the huge incentives to the participating stakeholders, it was expected that such a move would encourage them to invest more in infrastructure which was still not enough to cover for the gap in domestic supply of petrol to the burgeoning Nigerian economy of the 1970s.⁶³⁹ Some participants have attributed the various cases of product shortages witnessed during the 1970s to the “unwillingness”⁶⁴⁰ of the benefitting “private stakeholders”⁶⁴¹ who were making huge gains from the joint venture agreement. A well-placed bureaucrat supported the claim that private investors like Shell-BP were reluctant to build infrastructure in the downstream sector leading to product shortages and economic hardship:

⁶³⁵ Federal Government of Nigeria, Annual Report of the Petroleum Division of the Federal Ministry of Mines and Power, 1968–9, Ministry of Information, Abuja. 1970. p. 8.

⁶³⁶ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 290.

⁶³⁷ Ibid.

⁶³⁸ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 293.

⁶³⁹ Turner, Terisa (1977), ‘Government and Oil in Nigeria: A Study of the Making and Implementation of Petroleum Policy’, Ph.D. thesis at the London School of Economics.

⁶⁴⁰ Interview with PG09.

⁶⁴¹ Interview with PG02.

“A petroleum products’ shortage crisis built up...largely because the marketers were unwilling to make capital commitments, and cautiously held back from investing in the expansion of infrastructures that were so vitally crucial for coping with the exponentially growing products’ demand.”⁶⁴²

Realising the reluctance of the private actor to build infrastructure in the oil industry, the Nigerian government capitalised on the intervention of Organisation of Petroleum Exporting Countries (OPEC) to increase its shares within the entire industry, including the refining sector.⁶⁴³ As part of the precondition to join OPEC, Nigeria was expected to exercise dominant control over its oil industry as was the case with other member states.⁶⁴⁴ Consequently, the Nigerian government increased its shareholding to 60 percent and the refinery was registered as Nigeria Petroleum Refining Company (NPRC) in the early 1970s.⁶⁴⁵ However, the Joint Venture agreement remained in place and the composition of the management was still led by private hands. Considering the popularity of the ideology of socialism in the 1970s, critics saw no rationale for the continued control and management of the private hands in an industry that was 60 percent owned by the Nigerian government.⁶⁴⁶ Again, Nigeria’s policy of encouraging indigenous enterprises (indigenization policy) which was integrated into the National Development Plans acknowledged the “fact that the country needed to take a quantum leap in the provision of the infrastructure needed to cope with the debilitating shortages standing the way of projected economic development.”⁶⁴⁷

By the second half of the 1970s, it has become completely ‘Nigerianised’ as the remaining 40 percent shares hitherto held by International Oil Companies was acquired by the socialist-leaning federal military government of General

⁶⁴² Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 291.

⁶⁴³ At the end of the 1960s, the Organisation of Petroleum Exporting Countries (OPEC) has mandated member countries to retain significant control of the oil industry in both the upstream and downstream sectors.

⁶⁴⁴ Nigeria was expected to comply with this condition before it can join the cartel.

⁶⁴⁵ NPRC Company reports 1972

⁶⁴⁶ Genova, Ann. "Nigeria's nationalization of British Petroleum." *The International Journal of African Historical Studies* 43, no. 1 (2010): 115-136.

⁶⁴⁷ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 294.

Olusegun Obasanjo.⁶⁴⁸ In specific terms, the complete take over was actualised a year after the establishment of the Nigeria National Petroleum Corporation (NNPC), the successor agency to the Nigeria National Oil Company (NNOC). With this development, it would appear that the subsidy policy was taking fuller shape as the government struggled to gain greater control of the oil industry and downstream sector in particular. An insider who objected to the move but was unable to convince the authority to take an alternate route wrote the following:

“When the Warri refinery came on stream, crude was fed to it at a royalty cost. That implied a continuation of the Government’s policy of providing products at a subsidy.”⁶⁴⁹

Further corroborating the viewpoint above, a participant who retired after serving the NNPC for three decades confirmed government’s policy of paying for royalty cost:

“I was responsible for monitoring compliance with the policy of subsidising the cost of production. We ensure that the relevant stakeholders within the downstream sector complied with the requirement in order to reduce the cost of petrol products. It was costly but necessary to reduce the burden of having to buy petrol at high prices.”⁶⁵⁰

The brief history provided above shows the evolution of petrol subsidy stretching back to the beginning of petrol refining in Nigeria. This narrative has helped to deepen the historicity of the policy which has clearly become problematic to the government and ‘informed’ citizens in recent times. But even before 1978 when the government took the bold step to acquire the remaining 40 percent, completing its total ownership of the refineries, the Yakubu Gowon regime

⁶⁴⁸ NNPC Archives

⁶⁴⁹ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 296.

⁶⁵⁰ Interview with PG02.

initiated a special fund known as the Petroleum Equalisation Fund (PEF) through “Decree No. 9 of 1975.”⁶⁵¹ Therefore, the following further explained the evolution of a full scale subsidy policy in Nigeria’s downstream sector from the mid-1970s to the present.

5.2.1 Petroleum Equalisation Fund (PEF)

The PEF was set up by the military regime of General Yakubu Gowon through the promulgation of Decree No. 9 of 1975 with the mandate to curb the challenge of disparity in the price of petrol across the different geopolitical regions in Nigeria.⁶⁵² The establishment act stated explicitly the main objective of the fund:

“...to be applied for the reimbursement of petroleum marketing companies for any losses suffered by them arising from the sale of petroleum products at uniform prices throughout Nigeria.”⁶⁵³

This implies that freight charges incurred in the course of transporting petroleum products from the refineries to the filling stations located in any part of the country would be shouldered by the government through the fund. To General Gowon and the military elites at the time, PEF would not only resolve the challenge of price variation based on cost of transporting refined products, it would also serve as the basis on which uneven economic development can be tackled and minimised. Yakubu Gowon unreservedly stated this point of view at the launch of the programme in the following words:

“Differentials in prices of petroleum products should not hamper dispersal of industries throughout the country. Also, industries will no longer use it as an excuse for not wishing to establish far afield nor will it impede the speedy

⁶⁵¹ The decree was later amended by Decree No. 32 of 1989 during the IBB regime (1985-1993).

⁶⁵² PEF Financial Statements, 1982, p.5.

⁶⁵³ Section 2 Petroleum Equalization Fund (Management Board etc) Decree Number 9 of 1975.

implementation of various development projects
of the state governments.”⁶⁵⁴

Perhaps, another angle to look at the issue that led to the implementation of the equalisation fund was the overwhelming influence of the Northern Oligarchy who masterminded the coup that brought Gowon to power.⁶⁵⁵ Arguably, the *Kaduna Mafia*⁶⁵⁶ as they were called, exercise dominant control of the Nigerian state in the same way Mearsheimer and Walt talked about the “Israel lobby,”⁶⁵⁷ albeit not without resistance from other regions of the country especially the minority groups in the Middle Belt and Niger Delta regions who regard themselves as the hosts of Nigeria’s oil treasure.⁶⁵⁸ This is not surprising in view of the position of literatures on rentier state, particularly the studies by Shambayati on the influential powers of “special interest groups”⁶⁵⁹ who struggle to control oil wealth. While Shambayati’s account is focussed on Turkey and Iran, Nigeria’s power elites, especially of Northern extraction have also been noted to be the nucleus of state power.⁶⁶⁰ The case in Nigeria is worse presumably because of the structure of power that has been established during the period of colonization.⁶⁶¹ At the time, it is difficult to ascertain the reality of power relations among the different regions and interest groups considering the heavy weight of politics involved. Whatever is the structure of power in the Nigeria oil industry, the subsidy policy has further created serious damage to the distribution of petrol as marketers continue to divert petrol to neighbouring markets for higher prices as discussed in chapter five and also engaged in false claims without delivering the products.

⁶⁵⁴ Olakunle, Dele. Gowon hints at subsidy policy” *Daily Times* 13 June, 1975. pp. 1 and 31.

⁶⁵⁵ Collins, Paul, M. Dixon, and Gavin Williams. "Nigeria: capitalism and the coup." *Review of African Political Economy* 4 (1975): 95-98.

⁶⁵⁶ Ogunjimi, Bayo. "The Herd Instinct and Class Literature in Nigeria Today." *African Issues* 20, no. 2 (1992): 12-16.

⁶⁵⁷ Mearsheimer, John J., and Stephen M. Walt. *The Israel lobby and US foreign policy*. (2006).

⁶⁵⁸ The Middle Belt region comprises of states in North Central Nigeria where over 100 ethnic groups settled and have a significant number of its people in the armed forces of the country. While the Niger Delta region is arguably the wealthiest region hosting the oil wealth of the country.

⁶⁵⁹ Shambayati, Hootan. "The rentier state, interest groups, and the paradox of autonomy: state and business in Turkey and Iran." *Comparative Politics* (1994): 307-331.

⁶⁶⁰ Ojukwu, Chris C., and J. O. Shopeju. "Elite corruption and the culture of primitive accumulation in 21st century Nigeria." *International journal of peace and development studies* 1, no. 2 (2010): 15-24.

⁶⁶¹ The colonial authorities had given so much of privilege to the Northern region compared to other parts of the country and some scholars saw a continuation of this privileges post-colonialism.

With the coming into force of PEF in 1975, many had hoped not only that the challenge of price disparity would be resolved but that the Fund would help to also mitigate the problem of severe scarcity, especially in places that have no refineries. One instance of this positive expectation can be seen from the appreciation message from some traditional rulers in the Northern part of the country who thanked the initiative, published in the 15 September issue of *Daily Nigerian*.⁶⁶² Disappointingly, a few months after the launch of the subsidy scheme, the challenge of petrol scarcity and price disparity lingered. A bureaucrat who has put in at least two decades of service with the Nigerian National Petroleum Corporation observed the scary nature of petrol shortages after the launch of the PEF:

“For those old enough to remember, the fuel scarcity of the 1970s was scarier than what we experienced in the 90s and the early years of the 21st Century. At the time, fuel demands had so outstripped supply that it was rationed on the basis of the ‘odd’ and ‘even’ number plates of vehicles in Lagos.”⁶⁶³

Truly, there were reports of severe shortages in 1975 culminating into the setting up of a “judicial commission of inquiry”⁶⁶⁴ to look into the problem. The mere fact that petrol price disparity persisted after the Fund has been established means that it was either underfunded or it failed in the discharge of its primary duty. The objective to resolve price disparity across the vast expanse of the Nigerian state and to ensure uniform prices for petroleum product may be good but the implementation have had serious challenges as noted by one insider:

“The abundant evidence of disappearing long haul tankers that were entitled to collect bridging subsidies was clear proof that goods were being

⁶⁶² Yahaya, Abdul. “Letter of Appreciation” *Daily Nigerian* 15 September 1975. P. 14.

⁶⁶³ Interview with PG015.

⁶⁶⁴ Federal Republic of Nigeria. “Report of the judicial commission of inquiry into the shortage of petroleum products,” Federal Ministry of Information, Lagos, 1975. P. 1.

put into the pockets of ill-intentioned marketers who were concerned with across the border than supplying products to areas in Nigeria that were suffering from acute shortages of products.”⁶⁶⁵

The issue of petrol diversion to neighbouring countries for higher gains by oil marketers has been extensively discussed in chapter five. As has been noted, the establishment of PEF was largely informed by political rather than economic consideration. Also, the implementation in the initial years, just as in the present was challenged by unpatriotic elements who took advantage of the porous borders to engage in smuggling of petrol to neighbouring states. Against available knowledge, an attempt has been made to establish the fact that the policy of providing subsidy on petrol products can be traced back in the early period of refining petrol in Nigeria. Most importantly, it is pertinent to note that its implementation is challenged by sharp practices resulting in petrol shortages and continued price disparity across the various regions in Nigeria. Following from this observation, an explanation of the various attempts to withdraw subsidy across different political regimes/administrations is made below.

5.2.2 The Petroleum Support Fund (PSF)

The PSF was initiated by Olusegun Obasanjo’s administration on the 46th independent anniversary of Nigeria in 2005.⁶⁶⁶ The main objective of the PSF is to cushion the effect of “volatility in the international price for crude and refined petroleum products on the domestic pump prices of petroleum products.”⁶⁶⁷ Preparatory to its take off in January 2006, the directive on the operations of the fund was drafted by the stakeholders in the Nigerian oil industry led by the Petroleum Product Pricing and Regulatory Agency (PPPRA).⁶⁶⁸ In tandem with Nigeria’s federal system, the fund is derived from a contribution to be made by the three tiers of government namely, the federal, state and local governments.⁶⁶⁹ By this arrangement, the Federal government is mandated to cater for 50 percent

⁶⁶⁵ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. P. 297.

⁶⁶⁶ Petroleum Products Pricing Regulatory Agency. “Report on the Administration of the Petroleum Support Fund (PSF) January, 2006 - July 2008.

⁶⁶⁷ *Ibid.*, p. 1.

⁶⁶⁸ In essence, its mandate is derived from the PPPRA Act No. 8 of May 2003.

⁶⁶⁹ PPPRA Act No. 8 of May 2003.

of the fund while the states and local governments are to contribute 25 percent each. The management of the fund is done by the federal ministry of finance, through the recommendation of PPPRA.⁶⁷⁰ On its part, the PPPRA would rely on reports of the quantity and quality of the delivered petroleum products from other agencies such as the Department of Petroleum Resources (DPR). To ensure this is done according to the plan, the implementation guideline required the service of an auditor, preferably appointed by the government.⁶⁷¹

Essentially, the fund was designed to ease the pressure on marketers who need finances to carry out the business of importing refined products. The desire to access funds by marketers led to the establishment of two Sovereign Debt Instruments (SDIs). These include the Sovereign Debt Statement (SDS) and the Sovereign Debt Note (SDN).⁶⁷² By design, these two SDIs are meant to serve as promissory notes meant to assure oil marketers of prompt payment of subsidy benefits. From the draft, the payment of liabilities of oil marketers are not to exceed “45 days once verified.”⁶⁷³ By this arrangement, oil marketers are to be reimbursed through a process called “cost recovery” where the landing cost exceeds the regulated price at the depot. When the landing cost exceeds the regulated price, the payments of the gap to oil marketers is known as “under recovery.” On the contrary, where the cost of landing is lower than the regulated price, oil marketers are required to pay excess to the fund through a process known as “over recovery.”

Surprisingly, the state-owned corporation, the NNPC, appears to be the “most significant and influential oil marketer”⁶⁷⁴ in the downstream sector of Nigeria’s oil industry. The capacity of the NNPC and its functions has been discussed in the preceding chapter (3).⁶⁷⁵ But as a result of lack of turnaround maintenance of its four refineries, it has resorted to the importation of refined petroleum products including petrol.⁶⁷⁶ According to available statistics, the refineries have rarely

⁶⁷⁰ Ibid., p. 2.

⁶⁷¹ Ibid., p. 4.

⁶⁷² Akpoghomeh, Osi S., and Dele Badejo. "Petroleum product scarcity: a review of the supply and distribution of petroleum products in Nigeria." *OPEC review* 30, no. 1 (2006): 27-40.

⁶⁷³ Interview with PA012.

⁶⁷⁴ Interview with PC011.

⁶⁷⁵ Chapter three is dedicated to explaining the governance of local agencies in the downstream sector and how it has affected the supply of petrol in Nigeria.

⁶⁷⁶ Ajaero, Chris. "A Chamber of Scandals," *Newswatch*, July 14, 2008, p.14

reached a combined average of 40 percent of capacity over the last two decades.⁶⁷⁷ This is in spite of the huge sum of money, mostly in “hundreds of US dollars, allocated for turnaround maintenance.”⁶⁷⁸ Thus one can argue that the birth of the subsidy policy is directly linked to the failure of refineries to meet local demand leading to import dependence. Essentially, the problem in the downstream sector, particularly the implementation of the subsidy policy is challenged by corruption. The following subthemes are dedicated to the explanation of this factor.

5.3 The Battle to Withdraw Petrol Subsidy

At the end of the 1970s, it has become clear that the government cannot shoulder the subsidy payments and the attempts were made to withdraw it. But as would be expected, this was made with severe protest from the public and civil societies who regarded such moves as an attack on poor Nigerians (who constitute more than 60 percent of the country’s population) who have come to see the scheme as a channel through which they can benefit from the abundant oil resources of the state.⁶⁷⁹ The first attempt by the Nigerian government to remove subsidy payments on oil related activities was in the last quarter of 1978. According to the official records consulted, the federal military government of General Olusegun Obasanjo took the decision as part of an initial attempt at structural adjustment, an initiative of the international financial institutions, to reduce excess financial burden on the Nigerian government.⁶⁸⁰ During this period, most resource-rich countries, especially in Africa and the Middle East had experienced unfavourable economic conditions with declining oil price at the international market “and overbearing debt burden which were accentuated by the global economic downturn.”⁶⁸¹ Generally, the dwindling revenue crisis captured above impacted negatively on the funding of crucial programmes of development and more specifically, it affected the implementation of the subsidy scheme in place.

⁶⁷⁷ Majirioghene, Bob. “Nigeria’s Rusty Refineries,” *TELL*, November 17, 2008, p. 25.

⁶⁷⁸ Interview with PC06.

⁶⁷⁹ The NNPC Archive housed a lot of documents showing numerous cases of protests by civil societies against petrol subsidies.

⁶⁸⁰ Olayiwola, Peter O. *Petroleum and Structural change in a Developing Country: the Case of Nigeria*. New York: Praeger, 1987.

⁶⁸¹ Nwagbara, Eucheria N. “The story of structural adjustment programme in Nigeria from the perspective of the organized labour.” *Australian Journal of Business and Management Research* 1, no. 7 (2011): 30-41.

As a result, the government decided to remove subsidy on petrol.⁶⁸² The decision to remove subsidy was met with great contention even among government officials.⁶⁸³ But according to one participant who was among the bureaucrats that convinced the federal military government of General Obasanjo to withdraw subsidy on petroleum products, the government was left with no other plausible option:

“...it was the only rational decision to take even though it was not pleasant to the mass of the Nigerian people. I had presented the state of income to the highest authorities which later convinced them of the need to prevent further delay in rolling back government spending. The government reluctantly bowed to the occasion.”⁶⁸⁴

Consequently, the government began an all-round roll back on its spending on programmes which ordinarily should have been led by private hands. Subsequently, the government introduced school fees in its universities which has all the while been run by full scale government resources.⁶⁸⁵ The media recorded intense protests organised by the Nigeria Labour Congress (NLC) in conjunction with the Trade Union Congress (TUC) alongside the National Association of Nigerian Students (NANS).⁶⁸⁶ While the students were angered by the introduction of school fees leading to the famous “Ali Must Go”⁶⁸⁷ protest, the mass of the Nigerian people were affected by the increment in the pump price of petrol from 8.8 kobo to 15.3 kobo – about 74 percent addition.⁶⁸⁸ The disagreement over subsidy was between the government and the Nigerian people. In effect, it also involves the Nigerian government and multilateral agencies as observed by Akov:

⁶⁸² Turner, Terisa E., and Pade Badru. "Oil and instability: Class contradictions and the 1983 coup in Nigeria." *Journal of African Marxists* 7 (1985): 4-34.

⁶⁸³ Even within the government itself, there was no uniform agreement as some still favoured the full implementation of petrol subsidy in Nigeria's downstream sector.

⁶⁸⁴ Interview with PG022.

⁶⁸⁵ This was met by stiff opposition from the mass of the Nigerian people.

⁶⁸⁶ Dare S. "Ali Must Go" *Daily Times* 5 October 1978. P. 14.

⁶⁸⁷ Balsvik, Randi Rønning. "Student Protest—University and State in Africa 1960–1995." In *Forum for Development Studies*, vol. 25, no. 2, pp. 301-325. Taylor & Francis Group, 1998.

⁶⁸⁸ Federal Government of Nigeria. "Increase in the Price of Petroleum Product" Ministry of Petroleum Resources, October 1978. P. 2.

“The adoption of a Structural Adjustment Programme (SAP) threw the system of relative prices out of balance. Among the prescriptions of SAP was the phasing out of subsidies, an issue that has remained a bone of contention between the government and multilateral lending institutions for several years.”⁶⁸⁹

What may have informed public outrage against government withdrawal of subsidy on petrol? The culture of protest against government regarding government withdrawal of public benefits have been sufficiently covered by proponents of rentier state theory including the work by Shambayati focusing on the response of rentier states to the demands of interest groups such as labour unions.⁶⁹⁰ Explaining the inherent character of states like Nigeria that depend for its survival on external rents, Yates posits that “tax laws are likely to be lenient”⁶⁹¹ making citizens to depend solely on the government for national progress. The elites ensure that the state becomes visible in almost all areas of governance including the provision of subsidy “to ease the cost of energy or of any other social commodity and service.”⁶⁹² This strategy of expanding government roles in oil-rich economies is part of a grand strategy by the ruling elites to have unhindered access to national wealth through a centralised management system that placed the government in a vantage position to control oil resources. However, subsidy policies have not always fulfilled the objective of benefitting the general public.⁶⁹³ To this end, Kaysen noted that subsidy policies have often encountered challenges of implementation leading to failure.⁶⁹⁴

5.3.1 Subsidy Removal Attempts During the 1980s

With the political transition to civilian administration in 1979, marking the beginning of the Second Republic, the new administration signalled the

⁶⁸⁹ Akov, Emmanuel Terkimbi. "Fuel subsidy corruption and the illusions of economic reconstruction in Nigeria." *Academic Journal of Interdisciplinary Studies* 4, no. 1 (2015): 395.

⁶⁹⁰ Shambayati, Hootan. "The rentier state, interest groups, and the paradox of autonomy: state and business in Turkey and Iran." *Comparative Politics* (1994): 307-331.

⁶⁹¹ Yates, Douglas Andrew. *The rentier state in Africa: Oil rent dependency and neocolonialism in the Republic of Gabon*. Africa World Press, 1996.

⁶⁹² Interview with PG017.

⁶⁹³ Robinson, Warren C. "What is a government subsidy?" *National Tax Journal* 20, no. 1 (1967): 86-92.

⁶⁹⁴ Kaysen, Karl. "On Defining a Subsidy" in *Public Policy*, year book of the Graduate School of Public Administration, Havard University 1953, edited by C. J. Friedrich and J. K. Galbraith, p. 2.

restructuring of the economic policy toward a more capitalist oriented system where the state would only “provide an enabling environment for the private sector to thrive.”⁶⁹⁵ The problem, however, is that the Nigerian government and its people have been accustomed to government intervention in almost all areas of public life making it difficult to reverse.⁶⁹⁶ On its side, the state was confronted with serious economic decline as a result of oil glut at the international market and a growing lack of capacity to borrow or even to service its debt obligations.⁶⁹⁷ Though new refineries have been commissioned in 1978 and 1980, the local population have been affected by the dwindling economic fortunes impacting on the capacity to buy petrol without government subsidy. Similarly, the Central Bank of Nigeria noted that “galloping inflation” became unavoidable because of poor earnings from international trade in the period under review. *Daily Times* editorial of 22 November 1982 observed that the economy was on its knees because of excessive debt overhang and reckless spending of past administrations.⁶⁹⁸ Such a position can hardly be contested considering the expansive reach of government intervention programmes which has created a huge burden capable of igniting economic crises.

One way out of the situation was not only for the government to cut down the epicurean lifestyle of the public servants which was built around the oil-induced prosperity of the 1970s but also to reduce or terminate subsidy programmes, especially petrol subsidy in order to raise money to finance capital projects. In the downstream sector which forms the locus of the present study, the decision to increase the pump price of petrol and associated petroleum products was seen as the last resort as noted by one bureaucrat who was a senior staff of the Ministry of Petroleum Resources:

“We pressed for the increment in the price of fuel to enable us meet the increased cost of refining and transportation that was shouldered by the

⁶⁹⁵ Miliband, Ralph. "The capitalist state: reply to Nicos Poulantzas." *New Left Review* 59, no. 1 (1970): 53-60.

⁶⁹⁶ The state has been involved in virtually all aspects of the economy since the period of the first oil boom analysed in chapter six of this study.

⁶⁹⁷ Ekanade, Olumide Victor. "The dynamics of forced neoliberalism in Nigeria since the 1980s." *Journal of Retracing Africa* 1, no. 1 (2014): 1-24.

⁶⁹⁸ Yahaya, D. "Poor Economy associated with dwindling price of oil at the International Market" *Daily Times* editorial of 22 November 1982. P. 16.

government. The government was not ready for such an increment considering the effect it would have on elections. But we convinced them to see the need to do so taking into account the economic implication of not doing so. Truly, it was the last resort.”⁶⁹⁹

Consequently, the pump price of petrol was reviewed “from 15.30 kobo to 20 kobo per litre”⁷⁰⁰ with effect from 20 April 1982.⁷⁰¹ Quoting Aghedo, Akor named four main factors that informed the increment in the pump price of petrol to include “inflation, lessening the monetary cost of government subsidy, reducing the high cost of governance and ostentatious life.”⁷⁰²

Similar to the experience in the first attempt to withdraw subsidy through price increment, the decision was perceived as anti-people and the Nigerian Labour Congress (NLC) and Trade Union Congress (TUC) conveyed the dissatisfaction of its members to the government through press releases.⁷⁰³ During this period, the oil marketers who are the direct beneficiaries of the subsidy scheme on price uniformity known as “bridging cost”⁷⁰⁴ were said to have mobilised the unions to oppose further withdrawal of subsidy. The position of the marketers has been captured by a filling station operator:

“We acted out of two main reasons. First and most importantly, the Nigerian people may not be able to buy oil at higher prices. Doing so would inflict greater hardship on the already precarious condition. Secondly, the marketers only acted in their best interest. I doubt if you would have done otherwise taking into account all the benefits that

⁶⁹⁹ Interview with PG012.

⁷⁰⁰ Federal Government of Nigeria. “Increase in the Pump Price of Petrol”, a Communique issued at the end of the Federal Executive Council Meeting of 19th April, 1982. P. 1.

⁷⁰¹ Guyer, Jane I., and LaRay Denzer. “Prebendalism and the people: The price of petrol at the pump.” In *Democracy and Prebendalism in Nigeria*, pp. 53-77. Palgrave Macmillan, New York, 2013.

⁷⁰² Akov, Emmanuel Terkimbi. “Fuel subsidy corruption and the illusions of economic reconstruction in Nigeria.” *Academic Journal of Interdisciplinary Studies* 4, no. 1 (2015): 395.

⁷⁰³ The press releases were usually written in very harsh languages. This exemplifies the combative culture of union struggles in Nigeria, especially during the military days and even now (civilian rule).

⁷⁰⁴ The term “bridging cost” was adopted in line with the scheme’s objective of ensuring uniform price for petrol across the regions in Nigeria.

accrue from subsidy payments. By doing so, even those who are in the habit of smuggling petrol products to neighbouring countries may reconsider such decisions.”⁷⁰⁵

While the position of the marketers on the need to protect their interest by ensuring the continuation of the subsidy policy is understandable, it is debatable the question of opposing petrol subsidy on the grounds of protecting the Nigerian people. Though the prices of petrol remained relatively low compared to neighbouring states as a result of the subsidy policy, the marketers have always exploited the porous borders through whatever means to engage in the smuggling of petrol leading to a perennial problem of petrol shortages in Nigeria. Again, the involvement of the state in the business of petrol in the downstream sector has increased the responsibility of the state considering the huge sum of money being expended on petrol subsidy. In recent times, some have argued that instead of spending huge sums of money on subsidy payments without little or no corresponding impact on petrol availability, the government should deregulate the entire spectrum of the downstream sector.⁷⁰⁶ A result of poor economic outlook coupled with corruption gave the military sufficient grounds to intervene in politics as General Abacha noted, “...our leaders revel in squandermania, corruption and indiscipline; and, continue to proliferate public appointments in complete disregard of our stark economic realities.”⁷⁰⁷ In the following, an attempt is made to explain the battle for subsidy withdrawal during the Babangida regime.

5.3.2 The IBB Regime and Subsidy Removal

The mid-1980s recorded global recession with biting consequences on oil producing economies like Nigeria.⁷⁰⁸ The problem started in the late 1980s when mass production of petroleum led to an influx of petrol into the world market with

⁷⁰⁵ Interview with PM013.

⁷⁰⁶ Godfrey, Nkogbu Oshilim, and O. Oritsematosan. "Deregulation of the downstream sector of the Nigerian petroleum industry: The role of leadership." *European Journal of Business and Management* 7, no. 8 (2015): 2222-2839.

⁷⁰⁷ Falola, Toyin, and Julius Omozuanvbo Ihonvbere. *The Rise and Fall of Nigeria's Second Republic: 1979-1984*. Zed books, 1985. 30.

⁷⁰⁸ Fashoyin, Tayo. "Economic recession and employment security in Nigeria in the 1980s." *Int'l Lab. Rev.* 129 (1990): 649.

little demand. This created pressure on the demand for foreign exchange.⁷⁰⁹ It also affected the performance of the Nigerian economy much more because of the over dependence on oil and the neglect of other vital sectors, a major attribute of the rentier state.⁷¹⁰ The case of Nigeria was worse because of the challenge of debt overhang and massive government intervention. For example, the Nigerian government has been involved in fixing energy prices, particularly petrol prices since the early 1970s. There is hardly any aspect of the petroleum business that the government did not seek to control. It can be argued that such a move has been supported by OPEC through a resolution as contended below:

“Direct involvement in exploration and production activities; participation in the equity of existing concessions; progressive and accelerated relinquishing of acreage of existing contract areas; the adoption of conservation rules in the industry, and the fixing of prices by the governments of member countries.”⁷¹¹

Although this imposed serious constraint to the effective performance of the sector, the price shocks of the 1970s had helped to temporarily reduce the negative impact on the overall growth of the economy as noted by Akpan, a renowned petroleum economist.⁷¹²

However, the oil glut of the 1980s which has been discussed in detail in chapter six had forced the military administration of General Ibrahim Babangida to consider the option of deregulation presented by multilateral agencies who were bent on structural adjustment of the fundamental pillars of the economy.⁷¹³ It was based on this observation that Marinho noted that “by the time the government came alive to the need to plug the huge ‘hole in its pocket’ that the situation was

⁷⁰⁹ Imimole, B., and A. Enoma. "Exchange rate depreciation and inflation in Nigeria (1986–2008)." *Business and Economics Journal* 28 (2011): 1-11.

⁷¹⁰ Dependence on oil rents has been identify as the main character of a rentier state and Nigeria exemplify this essential attribute of a rentier economy.

⁷¹¹ MacAvoy, Paul W. *Crude Oil Prices: As Determined by OPEC and Market Fundamentals*. Cambridge, MA: Ballinger, 1982.

⁷¹² Akpan, Eme O. "Oil price shocks and nigeria's macro economy." In *A Paper Presented at the Annual Conference of CSAE Conference, Economic Development in Africa, March*, pp. 22-24. 2009.

⁷¹³ Anwu, John C. Any. "President Babangida's structural adjustment programme and inflation in Nigeria." *Journal of Social Development in Africa* 7 (1992): 1-5.

creating, a wide gulf had developed between reality and fancy.”⁷¹⁴ The government unenthusiastically accepted the prescription of the lending institutions against public opinion.⁷¹⁵ But there was bound to be a crisis in the implementation because of conflicting principles taking into cognizance the anti-capitalist posture of the majority of the population. Okogu captured the inherent conflict more accurately:

“The adoption of a structural adjustment programme (SAP) for the economy, has thrown the system of relative prices out of balance. On the one hand, SAP is premised on non-interventionist principles under which prices are freely determined by supply and demand forces; on the other hand, the prices of most goods controlled by the government, including petroleum products, have not changed in line with other prices.”⁷¹⁶

The argument for deregulation became the pillar through which multilateral agencies pressure state actors. But some bureaucrats with knowledge of the sector were also in favour of deregulation. For example, Marinho, an influential bureaucrat with first-hand knowledge of the system argued for deregulation in the following words:

“Only total deregulation can ensure that the big chunk of the national income, which should flow from products’ marketing, will accrue for a more equitable spread of relief to the generality of the citizens in other public service areas. Government must not unwittingly continue to transfer resources into a reservoir from which the nation does not benefit. It is desirable to achieve

⁷¹⁴ Marinho, F.R.A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. Ibadan, Macmillan Nigeria Publishers Limited, 2008. P. 297.

⁷¹⁵ Bratton, Michael, Robert Mattes, and Emmanuel Gyimah-Boadi. *Public opinion, democracy, and market reform in Africa*. Cambridge University Press, 2005.

⁷¹⁶ Okogu, Bright Erakpoweri. "Issues in petroleum product pricing in Nigeria." *Journal of African Economies* 4, no. 3 (1995): 378-405. P. 379.

total deregulation now to save greater pains and anguish later.”⁷¹⁷

A similar argument was made for privatisation in a 1985 series of the University of Ibadan Alumni Lecture in which the then NNPC GMD reiterated the need for deregulation:

“For the next generation of Nigerians, oil is not going to play any significant role in the national effort. Therefore, how that generation will survive will be largely based on the developments we put in place today. What we experience from time to time now, in terms of privations and frustrations, could be a preview of what could be prevalent or normal then;...factories and warehouses that would best serve as museums, and short-tempered Nigerians that might have lost their sense of humour...from time to time I feel some heaviness in my heart when I travel on nice express roads and can see a time in the future when, if we fail to attain a self-sustaining economic base, some of them would be like obsolete pathways that once saw good times, mementos of a civilisation that might have been, but ate itself out of meaningful existence...encourages border leakages of products, no matter the counter-measures.”⁷¹⁸

The point being made is that the government ought to plan ways to invest proceeds of oil business on public infrastructure by doing away with consumerist culture which was the central tenet of government intervention programmes and in this case, the subsidy policy.

⁷¹⁷ Marinho, F.R.A. *Nigeria's Petroleum Industry: A Maverick Pioneer*. p. 303.

⁷¹⁸ Marinho, F.R.A. “Nigeria: A regenerative economy or vegetative existence? Being the text of a 1985 Alumni Lecture Series of the University of Ibadan, Nigeria. P. 3.

An internal Memo from NNPC to the Minister of Petroleum Resources also contend attempts to convince the military regime of the need to deregulate the sector as captured below:

“Continued, artificial depressed petroleum prices (subsidised prices) will continue to stimulate demand growth for products with consequent unwitting pressures on shrinking revenues that should go to providing much needed capital to meet galloping demands.”⁷¹⁹

On the contrary, students of the establishment opposed every attempt to deregulate the pump price of petrol for no reason other than political expediency.⁷²⁰ Under the Babangida Junta which was guided by a “cult-like loyalty,”⁷²¹ any appointee that seeks to preserve the principles of establishment control was rewarded. As a result, many advisors and appointees offered pro-establishment views which were not entirely against government intervention. This situation was perspicuously captured by one observer and reproduced below:

“Advisers who are too preoccupied to bother to look into history or who ignore the lessons that can be gathered from it invariably contribute to the distortion of the ‘learning curve’ so vital for making progress. These are the kinds who would rather reinvent the wheel but are, in fact, like people using a glass revolving door without gaining entry through it. In recent times, the situation in the petroleum products’ marketing sub-sector has been made worse by the refusal of many of those in charge to diligently analyse past and present realities.”⁷²²

⁷¹⁹ Ministry of Petroleum Resources. Internal Memo 299/175/1985.

⁷²⁰ Withdrawing subsidy would pitch the people against the government and this was the greatest fear of the political class whenever the issue of subsidy withdrawal came up.

⁷²¹ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386. P. 380.

⁷²² Marinho, F.R.A. *Nigeria's Petroleum Industry: A Maverick Pioneer*. P. 302.

Notwithstanding the challenges posed by the proponents of petrol subsidy, the regime bowed to the demands of the multilateral agencies to remove government subsidies on petrol and allow market forces of demand and supply to determine the price.⁷²³ As a result, the government increased the price of petrol to 39.5 kobo, an equivalent of an 80% increment at the end of the first quarter of 1986.⁷²⁴ Two years later, determined to fulfil the priorities of the structural adjustment programme, the regime further increased the price from 39.5 kobo for a litre of petrol to 42 kobo in the spring of 1988.⁷²⁵ At this period, civil societies, especially university lecturers became vocal critics of the regime which they described in one of its press statements as a regime bent on “promoting neoliberal agenda of Washington Consensus.”⁷²⁶ Further to the above, the regime raised the pump price of petrol in the first month of 1989. However, this time, the price was more for private vehicles who were charged 60 kobo for a litre while commercial vehicle owners still paid the old fee of 40 kobo. By the end of the calendar year 1989, the prices were unified to 60 kobo per litre of petrol for all vehicular types.

It is important to note however, that the Babangida regime faced significant opposition in its quest to remove subsidy on petrol. This opposition was particularly led by civil societies including the famous Academic Staff Union of Universities (ASUU). The fundamental message that galvanised all fronts working against subsidy removal was the idea that the regime was bent on promoting the interest of the multilateral financial institutions.⁷²⁷ For anyone who is familiar with Nigerian politics, tagging an agenda as ‘promoting capitalist tendencies’ is the surest way to defeating it. This is because of the long years of government involvement in the economy, a prominent feature of resource cursed state. However, it is on record that the government compromised some of its revered critics and created artificial conflicts among hitherto unified groups. The grand tactics of the regime has been captured by one of its most notable critics:

⁷²³ Lewis, Peter M. "Endgame in Nigeria? The politics of a failed democratic transition." *African Affairs* 93, no. 372 (1994): 323-340.

⁷²⁴ This is to be the first of many recorded cases of subsidy withdrawal during the Babangida regime.

⁷²⁵ In all, the regime increased the price of petrol six different times during its rule of less than 10 years.

⁷²⁶ ASUU Press Statement no

⁷²⁷ Fashoyin, Tayo. "Nigerian labour and the military: towards exclusion?" *Labour, Capital and Society/Travail, capital et société* (1990): 12-37.

“...blatant corruption of high-profile individuals and groups in society and ruthless and systematic suppression of so-called 'radicals', 'extremists' and other real or imagined opponents of the regime. It would appear that the widespread and systematic use of corrupt means by IBB to 'settle' many actual and potential critics rested on the impeccable presupposition that if he corrupted enough Nigerians there would be nobody to speak out on the issue of corruption or public accountability and so the matter would disappear conveniently from the national agenda.”⁷²⁸

Surely this approach by the Babangida junta may have been responsible for the successful increment on an almost yearly basis since it came to power in 1985. Again, the regime succeeded in increasing the pump price of petrol from 60 kobo to 70 kobo in the end of the first quarter of 1991.⁷²⁹ According to a 1992 report of the Nigerian National Petroleum Corporation, the desire to remove subsidy became prominent because of the “dilapidated condition of the existing refineries at the time.”⁷³⁰ To augment for the shortages, the government embarked on importation of refined petrol at the international market at a very costly rate, thus increasing the cost of subsidy payments. At the time the Babangida junta was forced to step aside by a clout of military elites, available data shows that the country was committing about ₦41.6 billion (or about \$2 billion) on an annual basis.⁷³¹ The *Newswatch* magazine confirmed this in its publication of 15th March 1993 in which it contended that the subsidy scheme in place made the Nigerian government to sell crude at a meagre price of ₦20 instead of \$6.50 per barrel.⁷³² The same source provided details on NNPC’s direct subsidy payment which stood at ₦16.64 billion (about \$0.8 billion) for activities in the downstream sector

⁷²⁸ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." P. 382.

⁷²⁹ IEA (1993) *Energy Prices and Taxes*, 1Q93.

⁷³⁰ Nigerian National Petroleum Corporation (1992) *Petroleum Products Supply and Distribution*, 1 (May).

⁷³¹ NNPC statement on subsidies in *Newswatch*, 19 April 1993.

⁷³² The government 'sells' crude to the NNPC at ₦20 per barrel (about \$2/barrel), compared with an estimated production cost of about \$6.50 per barrel (*Newswatch*, 15 March 1993).

including the cost of refining and transportation.⁷³³ This implies that the government was spending nothing less than ₦58.25 billion on subsidy payments by the spring of 1993.

Even after Babangida was forced to step aside giving way to the emergence of an interim government, Osoba noted that corruption had already become the established norm such that it permeated virtually all sectors of the country's national life, not excluding the implementation of subsidy policy:

“The tragedy of the Nigerian predicament is that since Babangida double-crossed himself by annulling the 12 June presidential election and was forced to 'step aside' on 26 August 1993, nothing in our national reality has changed for the better. On the contrary, corruption has remained a cardinal and directive principle of state and national policy and continues to sap the vitality of our national economy and the creativity of our people.”⁷³⁴

In the following subtheme, an attempt is made to explain how the subsidy policy became entrenched and government intervention continued leading to petrol shortages in the years after.

5.3.3 The Interim National Government

When the Interim Government of Chief Ernest Shonekan came to power in 1993, it inherited four main challenges confronting the nation's downstream sector.⁷³⁵ These challenges are not exhaustive but formed the central issues which required urgent interventions. This quaternity of challenges includes the following:

- I. Expanding government deficit;
- II. Heighten debt profile at both domestic and international level;
- III. Smuggling of refined petrol to countries bordering Nigeria in search of higher returns;

⁷³³ NNPC statement on subsidies in *Neivsvitch*, 19 April 1993.

⁷³⁴ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386. p. 382.

⁷³⁵ Federal Republic of Nigeria. *Budget '93*, Federal Government Printers, 1993. 84/293/70,000

- IV. The lack of Turn Around Maintenance (TAM) of the existing refineries and the need to increase production capacity from 2 million barrels per day to about 2.5 million barrels per day.⁷³⁶

As a result of the growing public awareness of the above listed challenges, the government under Shonekan faced growing anxiety from a population that has become increasingly conscious of the mess in the downstream sector which has imposed hardship as a result of petrol shortages. The government had limited options available out of which increment in the price of petrol appears as the last resort. On their part, “the people no longer have trust in their government and feel entitled to cheap petrol prices.”⁷³⁷ A prominent commentator on Nigeria’s oil industry confirmed the cynicism of the Nigerian people during the protest in 1994 in the following words:

“...the Nigerian people have every reason to doubt official explanations justifying price increases. Government after government, the people are subjected to circles of petrol thirst in the midst of abundance. The worst of it is that they can hardly derive any benefit from their government which has committed not itself to delivering dividends of hosting large oil wells. The only benefit they can hold back to is decreased energy prices through subsidies.”⁷³⁸

Perhaps the opinion shared above reflects the state of mind of most Nigerian people. Furthermore, this opinion can be given as the basis upon which one can explain the protest that usually accompanies every increment in the pump price of petrol. Public protest was reported across the country following nationwide strikes between November 1993 and October 1994 price increases. In an attempt to answer the question of how does petrol subsidy affects petrol availability in Nigeria, a participant who has been with Extractive Industries Transparency Initiative (NEITI) submitted:

“The policy is more like a conduit pipe through which government earnings from oil activities are

⁷³⁶ Ibid., 27.

⁷³⁷ Interview with PA018.

⁷³⁸ Interview with PA021.

channelled to serve special interest. This special interest has established links with the hierarchy of government who manipulate the figures of imported oil for private gains. The most visible challenge with the policy is that these forces evacuate the subsidised petrol to neighbouring countries for higher gains after receiving huge sums of money as subsidy packages while the filling stations in Nigeria run dry.”⁷³⁹

The experience in the 1990s sufficiently corroborates the opinion above where senior management staff of the NNPC were suspended for bridging codes of conduct and milking the treasury of the state through subsidy and contract scams.⁷⁴⁰ An editorial piece published by the *Daily Times* (Lagos) newspaper accused the failure of the subsidy regime on what it termed as “an importation cartel.”⁷⁴¹ The establishment however, “cannot claim to be ignorant of the sharp practices that was arguably visible even to the blind,”⁷⁴² argues PA019. But fighting highly placed citizens in a closed setting can be difficult, if not dangerous. As soon as he assumed power, Shonekan “naively reverted the pump price of petrol from the ₦7 which the Babangida regime had earlier announced to 70 kobo.”⁷⁴³ However, Okogu interpreted the move by the Shonekan government as a diplomatic step to gain legitimacy from a disillusioned Nigerian population.⁷⁴⁴ No wonder, a few months after assuming duty, Shonekan increased the pump price of petrol from 70 kobo to ₦5.⁷⁴⁵ The disagreement between the Shonekan government and the military elites was widely reported in local and international press including the famous report of the *Associated Press* titled “Government probes oil industry corruption”.⁷⁴⁶ While it is on record that Shonekan was not pleased with the subsidy policy and was determined to rid the industry of

⁷³⁹ Interview with PC010.

⁷⁴⁰ For details, see Section 5.3.2 The Oil Marketers in the 1990s of (Chapter five). Or consult Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

⁷⁴¹ *Nigerian Daily Times*, 14 February 1994

⁷⁴² Interview with PA019.

⁷⁴³ Samuel, Oku. “Change in pump price of petrol,” *Punch* 30th August, 1993. P. 14.

⁷⁴⁴ Okogu, Bright Erakpoweri. “Issues in petroleum product pricing in Nigeria.” *Journal of African Economies* 4, no. 3 (1995): 378-405.

⁷⁴⁵ “Government Probes Oil Industry Corruption”, *The Associated Press*, 16 September 1993

⁷⁴⁶ “Government Probes Oil Industry Corruption”, *The Associated Press*, 16 September 1993

corruption, “the military elites were disenchanted with such measures and soon plotted his exit.”⁷⁴⁷ While it is difficult to ascertain the reality of the opinion, Shonekan did not last long and the corruption within the downstream sector of Nigeria’s oil industry survived. In the following, an attempt is made to explain the experience during the Abacha regime and how the government continued to wrestle with subsidy policy.

5.3.4 The Abacha Years

Arguably, military forces who were not pleased with the Shonekan government “led a military coup that brought General Sani Abacha to power”⁷⁴⁸ in the third quarter of 1993. The regime pursued what many regarded as an anti-Western policy and discontinued the neo-liberal policy of privatisation earlier begun by the Babangida regime. It abruptly lessened the “pump price of petrol from ₦5 to ₦3.25,”⁷⁴⁹ a measure that was similar to the carrot approach of the preceding government when it took over from the IBB regime. As a government bent on reversing private ownership of the means of production and distribution, Abacha increased government stake in the subsidy for petrol as a strategy to curb the “overwhelming inflation that has engulfed the Nigerian market.”⁷⁵⁰ In spite of the negative effect of subsidy policy on the overall growth of the private sector and against established economic principles, Abacha successfully reduced the rate of inflation from 54 to 8 percent by 1998.⁷⁵¹ While the decision to sustain subsidy policy was highly criticised by Western press, it appears to be the only ‘good’ thing Abacha gave to the Nigerian masses.

However, when the regime realised that the “subsidy policy was not sustainable,”⁷⁵² it initiated the most ambitious increase in the price of petrol with an overwhelming 361 percent in the fourth quarter of 1994. The pump price of

⁷⁴⁷ Interview with PA04.

⁷⁴⁸ ⁷⁴⁸ “*Nigerian Military Ruler Assumes Absolute Power*”. Associated Press. 7 September 1994 – via *The New York Times*.

⁷⁴⁹ Julius Otusanya, Olatunde. “An investigation of the financial criminal practices of the elite in developing countries: Evidence from Nigeria.” *Journal of financial crime* 19, no. 2 (2012): 175-206.

⁷⁵⁰ Okogu, Bright Erakpoweri. “Issues in petroleum product pricing in Nigeria.” *Journal of African Economies* 4, no. 3 (1995): 378-405.

⁷⁵¹ Lewis, Peter. “From prebendalism to predation: the political economy of decline in Nigeria.” *The Journal of Modern African Studies* 34, no. 1 (1996): 79-103.

⁷⁵² Lawal, Yekini Olawaiye. “Subsidy removal or deregulation: Investment challenge in Nigeria’s petroleum industry.” *American Journal of Social and Management Sciences* 5, no. 1 (2014): 1-10.

petrol was increased from ₦3.25 per litre to ₦15.⁷⁵³ However, the activities of organised labour pressured the regime to review the price to ₦11 two days after widely covered demonstrations across the major cities.⁷⁵⁴ What explanation can an anti-capitalist regime offer to convince Nigerians over the most ambitious attempt to remove petrol subsidies? A search into official records revealed contradictory explanations. For example, the Minister of Information told a *Newswatch* reporter that the measure by the government was to “support the building of vital infrastructures across the country.”⁷⁵⁵ On the contrary, the NNPC’s official record reveals that the “subsidy policy was not sustainable”⁷⁵⁶ considering the huge burden of resources that goes into it. A participant who is knowledgeable with the happenings at the time raised another view:

“...any government that is determined to build infrastructure in the oil industry must first and foremost begin by removing subsidy. As I understand, the Abacha regime raised a huge sum of money when it increased the pump price of petrol. It was this singular act that enabled it to fund the Petroleum Trust Fund.”⁷⁵⁷

No doubt, the Petroleum Trust Fund (PTF) helped its intervention in the “construction of roads, health facilities and educational institutions.”⁷⁵⁸ However, one can argue that the performance of PTF was not a function of the availability of resources gotten through increase in the pump price of petrol. Besides, various government programmes have failed in spite of huge resource allocation.⁷⁵⁹ Based on this observation, some have argued that the successes recorded by

⁷⁵³ McPherson, Charles, and Stephen MacSearraigh. "Corruption in the petroleum sector." *The Many Faces of Corruption* (2007): 191.

⁷⁵⁴ Olukotun, Ayo. "Traditional protest media and anti-military struggle in Nigeria 1988–1999." *African Affairs* 101, no. 403 (2002): 193-211.

⁷⁵⁵ *Newswatch* (Lagos), 2 October 1995.

⁷⁵⁶ Diamond, Larry. "Nigeria: The uncivic society and the descent into praetorianism." *Politics in Developing Countries*, Boulder: Lynne Rienner (1995).

⁷⁵⁷ Interview with PG011.

⁷⁵⁸ Yusif, Ade, and Henry Odeyinka. "Performance evaluation of the Petroleum Trust Fund Educational and Health Infrastructure Rehabilitation Programme in North Western Nigeria." *Acta Structilia* 10, no. 1&2 (2003): 94-114.

⁷⁵⁹ Paki, Fidelis Ae, and Kimiebi Imomotimi Ebiefa. "Oil and Development Deficit In Africa: The Failure Of Intervention Agencies In Nigeria's Niger Delta." *International Journal of Business and Social Science* 2, no. 8 (2011).

PTF was mainly because of the “incorruptible character” of General Muhammadu Buhari who was appointed the head of the body until it was disbanded by General Olusegun Obasanjo.⁷⁶⁰ Whether Buhari’s touted integrity is true or not, his administration (post-2015) has come under intense scrutiny over massive allegations of corruption.⁷⁶¹

While it increased the pump price of petrol and established the PTF, the regime was engrossed in some of the most shameful acts of corruption. According to Susan Rose-Ackerman, Nigeria under Abacha provides a good example of a “kleptocratic or vampire state”, where the ruler and his associates view the state as a source of personal fortune.⁷⁶² Particularly, the Western media echoed Abacha’s stolen wealth partly because of his anti-Western position.⁷⁶³ Notwithstanding, the regime’s top elites may have benefitted from the “subsidy policy more than the general population considering the huge sums of money that were diverted in the process.”⁷⁶⁴ To this end, a participant exclaimed:

“The close friends of general Abacha milked the state dry. As time went on, it became clear to the people that the proceeds of price increment were for the benefit of the Abacha family and his cronies. The hopes of revamping the existing refineries was dashed. Nigeria had to rely on the importation of refined oil to augment local shortages.”⁷⁶⁵

Abacha later died in June 1998 and General Abdulsalam Abubakar assumed responsibility as the country’s head of state.⁷⁶⁶ Though Abdulsalam had little time to effect any major change, it is on record that the regime frowned at the subsidy

⁷⁶⁰ Interview with PG011, Interview with PA019, and PA021 all mentioned the incorruptible character of General Muhammadu Buhari.

⁷⁶¹ Adesina, Olubukola Stella. "Nigeria and the Burden of Corruption." *Canadian Social Science* 12, no. 12 (2016): 12-20.

⁷⁶² Rose-Ackerman, Susan. "Political corruption and democracy." *Conn. J. Int'l L.* 14 (1999): 363.

⁷⁶³ [^] "Late Nigerian Dictator Looted Nearly \$500 Million, Swiss Say". *The New York Times*. 19 August 2004.

⁷⁶⁴ Interview with PA07.

⁷⁶⁵ Interview with PC08.

⁷⁶⁶ Michael T. Kaufman "NEW CHAPTER IN NIGERIA: THE OBITUARY; Sani Abacha, 54, a Beacon of Brutality in an Era When Brutality Was Standard" June 9, 1998.

policy and sought to increase the pump price of petrol from ₦11 to ₦25 at the end of 1998.⁷⁶⁷ However, due to massive outrage from the Nigerian public and protests across the length and breadth of the country, the price was reduced to ₦20 in January of 1999.⁷⁶⁸

Following the mass protest that accompanied the increment, opinions have been divided into three main strands on the subsidy policy and the overall idea of government intervention in the downstream sector. In the following subsection, an attempt is made to explain the differing position of stakeholders in the discourse on subsidy policy. The section also identified and discussed the interest of these stakeholders with attention on their powers and connections. These debates extended throughout the transition period and now.

5.4 The Position of Stakeholders in the Subsidy Debate

As noted above, the study identified three major strands in the subsidy debate with each holding uncompromising positions. One side of the divide is totally opposed to subsidy withdrawal. This group includes the trade unions in the oil sector such as the Nigeria Union of Petroleum and Natural Gas Workers (NUPENG), Major Oil Marketers Association of Nigeria (MOMAN), Independent Petroleum Marketers Association of Nigeria (IPMAN) etc. Another strand is known for objecting to the continuation of the subsidy policy. In this category are policy makers and the government who shoulder the burden of the subsidy programme. A third group are favourable to the idea of subsidy however, demand the government to provide sufficient measures to lessen the effect of subsidy removal on the poor who make up a substantial percentage of the country's population.

Nevertheless, the dependence on petrol in Nigeria means that almost every member of the public can be considered as a logical stakeholder in the discourse on petrol subsidy. However, a greater scrutiny of the stakes would reveal that there are stakeholders who wield significant powers in the execution of the policy than the rest of the public. Notwithstanding, this is not to suggest that the general

⁷⁶⁷ Abubakar, Abdulsalami. (1998) *Nigeria: A new beginning*. Publisher: Federal Ministry of Information and Culture. ASIN: B0006FDZZG

⁷⁶⁸ Federal Republic of Nigeria. *Report of the Special Committee on the Review of Petroleum Products Supply and Distribution*, Abuja, October, 2000.

Nigerian population are insignificant players in the policy process. Rather, this is to acknowledge the greater role exerted by institutional players within Nigeria's downstream sector. It is based on this reality that the following section explained the debate on petrol subsidy and how the interest of stakeholders has continued to shape the existing perspectives.

5.4.1 Backers of Petrol Subsidy in Nigeria

In this category are trade unions in the oil and gas sector, student unions, university lecturers as well as the umbrella labour union - the Nigerian Labour Congress (NLC).⁷⁶⁹ These groups of stakeholders are behind all the resistance against government attempts to remove the petrol subsidy. To appreciate the views of the backers of the subsidy regime, it is incumbent to highlight a number of factors behind their decision to support the continuation of the subsidy programme in spite of its lapses.

The central argument of the proponents of petrol subsidy concerns the question of the burden of subsidy removal on the low-income group who according to a UNDP estimate constitute the majority of the country's population.⁷⁷⁰ As one participant puts it:

“Once the subsidy on petrol is phased out, the bulk of the country's population would find it difficult to make ends meet. The subsidy helps to mitigate the price of goods and services on the Nigerian population. Therefore, any attempt to lift this will mean exposing the vulnerable people to the forces of demand and supply. To be candid with you, I cannot estimate the damage that a total subsidy withdrawal will have on the people but certainly an unpleasant one.”⁷⁷¹

⁷⁶⁹ NEITI (2008), 10 Years of NEITI Reports: What Have We Learnt? Nigerian Extractive Industry and Transparency Initiative, available at: www.neiti.org.ng/sites/default/files/publications/uploads/ten-years-neiti-reports.pdf (accessed 6 December 2012).

⁷⁷⁰ Nations Unies. Programme pour l'environnement. *Energy subsidies: lessons learned in assessing their impact and designing policy reforms*. UNEP/Earthprint, 2003.

⁷⁷¹ Interview with PA014.

It would be hard to dispute the point above considering the effect of energy price on goods and services. This is particularly the case in an oil dependent economy where a little increase in the price of petrol has been proven to have a direct effect on the price of food commodities in the market.⁷⁷² The situation is compounded by the history of failed promises on the side of government resulting in diminishing trust between the government and the governed as stated elsewhere above.⁷⁷³ Iweala noted this position clearly:

“Nigerians were distrustful of the government, fed up with politics and corruption, and therefore clung to these subsidies, feeling they were the only direct benefits they enjoyed from their country’s oil resources.”⁷⁷⁴

As contended by Ibrahim and Unom, to convince the people and to resist subsidy removal, these stakeholders “point to a history of fuel price increases which failed to translate into promised infrastructure and development gains.”⁷⁷⁵ In general, they estimate that the potential danger of subsidy removal on the low income earners “outweighs by far, whatever benefits they can realistically expect.”⁷⁷⁶

Another compelling reason for the objection to deregulation has to do with the deeply entrenched ideology of socialism and shared mutual suspicion of capitalism.⁷⁷⁷ This ideological attachment stems from the failure of previous neo-liberal programmes, especially the unpopular structural adjustment programme whom many blamed for the degeneration of the country’s currency and economic fortune.⁷⁷⁸ Okonjo-Iweala who was in the forefront for deregulation in the

⁷⁷² Rotemberg, Julio J., and Michael Woodford. *Imperfect competition and the effects of energy price increases on economic activity*. No. w5634. National Bureau of Economic Research, 1996.

⁷⁷³ Okoye, P. V., Cletus O. Akenbor, and Lawyer C. Obara. "Promoting sustainable tax compliance in the informal sector in Nigeria." *AFRREV IJAH: An International Journal of Arts and Humanities* 1, no. 1 (2012): 40-54.

⁷⁷⁴ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018. P. 27.

⁷⁷⁵ Ibrahim, Jibrin, and Sam Unom. "Petroleum Subsidy Issue Analysis and Stakeholder Mapping." (2011). p. 39.

⁷⁷⁶ *Ibid.*, p. 39.

⁷⁷⁷ Barchiesi, Franco. "Labour, neoliberalism and democratic politics in Nigeria and South Africa: A comparative overview." *Labour, Capital and Society/Travail, capital et société* (1997): 170-225.

⁷⁷⁸ Woodroffe, Jessica, and Mark Ellis-Jones. *States of unrest: resistance to IMF policies in poor countries*. London: World Development Movement, 2000.

downstream sector has captured this sentiment more accurately when she noted that in spite of the history of state intervention in Nigeria, the intellectual class in the first and second generation universities, together with the press “still believe in the role of the state as producer, employer, and equaliser in society.”⁷⁷⁹ These groups perceive the drive toward deregulation as part of an exogenous agenda that is promoted by multilateral agencies for the benefit of Western societies - a hangover of historical suspicion stemming from colonialism.⁷⁸⁰

However, the support for subsidy policy in Nigeria’s downstream sector has also been attributed to “vested interest.”⁷⁸¹ The general public are not unaware of the manipulations and insider deals that characterised previous attempts at privatisation in Nigeria.⁷⁸² According to Balouga, the Nigerian elites “depend on the privileges and handouts from state-owned enterprises to take care of their dependents and large numbers of hangers-on.”⁷⁸³ Similar opinion has been shared by a senior staff of NEITI who noted the factor of elite influence on subsidy programme as reproduced below:

“The removal of petrol subsidy is equivalent to stepping on the toes of the big sharks in government who have been reaping from it. These are highly placed citizens who have always supported the continuation of the policy in order to safeguard their interest. They mobilise the unions to make it look as if they are with the people. In reality, they are only protecting their selfish interest camouflaged as public interest.”⁷⁸⁴

⁷⁷⁹ Okonjo-Iweala, Ngozi. *Reforming the unreformable: Lessons from Nigeria*. P. 28.

⁷⁸⁰ Tar, Usman A. *The politics of neoliberal democracy in Africa: State and civil society in Nigeria*. IB Tauris, 2008.

⁷⁸¹ Interview PC11.

⁷⁸² For details on this see chapter five of this study. Detail information on the involvement of the political class can be found in Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

⁷⁸³ Balouga, Jean. "The political economy of oil subsidy in Nigeria." *International Association for Energy Economics Second Quarter 2* (2012): 31-35. P. 34.

⁷⁸⁴ Interview with PC23.

Another factor that has sustained the subsidy policy in spite of its noticeable challenges has been the desperation of the political class who have signalled their desire to manipulate the privatisation process. In fact, the tendency for manipulation has “further reinforced the desire of the public to maintain government ownership and intervention.”⁷⁸⁵ This point has been stressed by Okonjo-Iweala more extravagantly when she noted that public suspicion is as a result of lack of transparency and accountability in the privatisation process:

“There has been political interference (leading to reversals of some deals), there has been a lack of transparency, and there have been hints of corruption in the implementation of some privatizations in telecommunications, petrochemicals, steel, aluminium, and other industries.”⁷⁸⁶

To this end, the former vice president during the Obasanjo administration, Alhaji Atiku Abubakar has increasingly come under public scrutiny as a result of massive allegations regarding manipulations of the privatisation programme which he coordinated as vice president.⁷⁸⁷ Though Abubakar has not been convicted in any of the cases brought before the courts, it is widely believed that he used his “political influence to bend the course of justice.”⁷⁸⁸ No doubt, the allegations of manipulating the privatisation process to benefit a section of the elites has adversely affected public thrust in the process however, some of the commentators held the view that the effect do not outweigh the positive results that have been obtained.⁷⁸⁹

Yet, some commentators have advanced the position that the government should instead reduce the take home of political appointees and members of the National Assembly (Nigeria’s legislative arm of government) who are believed to be among

⁷⁸⁵ Interview with PA14.

⁷⁸⁶ Okonjo-Iweala, Ngozi. *Reforming the unreformable: Lessons from Nigeria*. Mit Press, 2014.P. 48.

⁷⁸⁷ Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007.

⁷⁸⁸ Interview with PA07.

⁷⁸⁹ These views appeared prominently in the interview with PA07, PA014 and PC023.

some of the highly paid around the world.⁷⁹⁰ Leading this position are members of the civil society organisations who claimed that reducing the cost of governance through salary cuts to the political class can serve to replace the desire to phase out subsidy.⁷⁹¹ In a sharp response to this proposal, the administration of President Goodluck Jonathan (2009-2015) attempted to reduce the salaries of political appointees by 25 percent.⁷⁹² Also, about 1, 600 mass transport buses were purchased to ease the burden of transportation on the poor as a preliminary step toward subsidy removal.⁷⁹³ However, critics maintained that such measures were grossly inadequate considering the huge population of the country.⁷⁹⁴ Some held the view that the 25 percent reduction in salaries was insignificant as the reduction only affected basic salaries excluding allowances which has been the subject of mass resentment.⁷⁹⁵ For this reason, Barret criticised the move in the *Sunday Sun* (Lagos) of 15th January 2012 as captured below:

“At a point when costs are bound to rise, to simply slash emoluments of workers no matter whether they are aides to the President or not sends a wrong signal to the populace. It suggests that these appointees have either been enjoying totally disproportionate economic benefits so far, or that they will be immunized against the impending economic hardships by special privileges that will replace their withdrawn financial benefits.”⁷⁹⁶

⁷⁹⁰ “El-Rufai, N. "Corruption and Wasteful Spending: Why the Cost of Governance is Unsustainable in Nigeria: The Way Forward", Paper Presented at the Biennial Conference of the Nigeria Hand of Editors in Benin City, December 6, 2012.

⁷⁹¹ Ako, Rhuks, and Eghosa O. Ekhaton. "The civil society and the regulation of the extractive industry in Nigeria." *Journal of Sustainable Development Law and Policy (The)* 7, no. 1 (2016): 183-203.

⁷⁹² Oladesu E. "Reducing Cost of Governance", *The Nation*, Monday, March 12, 2012. pp. 11&21.

⁷⁹³ Fafowora, D. "Public Service and Cost of Governance", *The Nation*, Thursday, September 15, 2011. P. 52.

⁷⁹⁴ Onyishi, Anthony Obayi, Okechukwu Innocent Eme, and Ikechukwu Eke Jeffry Emeh. "The domestic and international implications of fuel subsidy removal crisis in Nigeria." *Kuwait Chapter of Arabian Journal of Business and Management Review* 33, no. 835 (2012): 1-24.

⁷⁹⁵ Fafowora, D. "Public Service and Cost of Governance", *The Nation*, Thursday, September 15, 2011. P. 52.

⁷⁹⁶ Barret, L. "Failing to look Beneath the Surface". *Sunday Sun*, January 15, 2012. pg. 15.

As at 2012, a rough statistic placed the number of political office holders at 17,500.⁷⁹⁷ This number represents only 0.015 percent of the country's 200 million people. However, according to the figures, this insignificant 0.015 percent are reported to "earn more than a quarter of the country's annual national budget."⁷⁹⁸ Worse still, earlier in 2010, Nigeria's revenue sharing agency, Revenue Mobilization, Allocation and Fiscal Commission (RMAFC) maintained that the less than 18,000 raked home about ₦1.12 trillion.⁷⁹⁹ The data released by RMAFC further shows that basic salaries of the political office holders is estimated at ₦94,959,545,401.20 billion while their allowances engulfed large sum of ₦1,031,654,689,033.18 trillion on annual basis.⁸⁰⁰ Therefore, the argument of the backers of petrol subsidy is that these fiscal wastages can be significantly reduced to cater for petrol subsidy instead of withdrawal or phase out as has been argued by the government. More than anything, this report indicates the level of fiscal indiscipline that has affected the delivery of social goods and services including petrol shortages in a major oil producing economy.

5.4.2 Conditional Backers of Subsidy Withdrawal

As with most policies and theories, there are those who can be regarded as centrist or moderates.⁸⁰¹ This group advocates a middle position in regard to the issue of subsidy removal. They maintained that certain conditions should be fulfilled by the government before petrol subsidy can be removed. They noted the challenges confronting the policy but remained adamant in principle that the "government needs to provide certain amenities to caution the effect of subsidy withdrawal."⁸⁰² Among many things, this group noted the need for the government to put in place what one participant described as "mitigation measures."⁸⁰³ Elaborating on the measures to be put in place before withdrawal of subsidy on petrol, another participant contended:

⁷⁹⁷ EL-Rufai, N. "Reforming our Dysfunctional Public Service, *This Day Friday* 1, 2011. P. 50.

⁷⁹⁸ Oshunkeye, S. "At Last, People's Power". *Sunday Sun*, January 15, 2012. p.71.

⁷⁹⁹ Ejubekpokpo, Stephen. "Cost of governance on economic development in Nigeria." *Global Journal of Management and Business Research* 12, no. 13 (2012).

⁸⁰⁰ Nwogwugwu, Ngozi, Kelechi Lilian Wabeke, and David Oladimeji Alao. "Revenue Mobilization Allocation and Fiscal Commission (Rmafrc) And Salaries of National Assembly Members: An Ethical Examination (2007–2013)." *Arabian Journal of Business and Management Review (OMAN Chapter)* 5 (5): 1 12 (2015).

⁸⁰¹ Treier, Shawn, and D. Sunshine Hillygus. "The nature of political ideology in the contemporary electorate." *Public Opinion Quarterly* 73, no. 4 (2009): 679-703.

⁸⁰² Interview with PC26.

⁸⁰³ Interview with PA19.

“The people are not asking too much from their government. All we want from the government is for them to provide us with alternate means of transportation that would reduce the burden of subsidy withdrawal on the cost of transportation. It is not rational to withdraw subsidy on petrol before investing in public transportation. Nigerian people will resist any form of subsidy withdrawal that will further impose hardship on the people without an alternate cheap, effective and robust public transportation system in place.”⁸⁰⁴

Another condition which formed the crux of the debate for subsidy withdrawal relates with the need for the government to devise means through which petroleum can be refined within the borders of Nigeria. This condition requires “government to ensure the turnaround maintenance of the existing refineries”⁸⁰⁵ in order to minimise the risk of Nigeria’s dependence on foreign market for the sale of refined petrol. While this may sound as a simple demand, the task of refurbishing these refineries can be cumbersome considering the deep-rooted culture of corruption perpetuated by “bureaucrats for themselves and also for the benefit of the political class.”⁸⁰⁶ A participant who has knowledge of the challenges inhibiting the turnaround maintenance of Nigeria’s refineries noted the following:

“There are certain forces who have continually benefitted from the poor state of our refineries. Obviously, they would not stand by while the government shakes the table on which they have been feeding. However, with strong political will, these elements can be dealt with and the refineries will resume production at full capacity.”⁸⁰⁷

⁸⁰⁴ Interview with PC12.

⁸⁰⁵ Interview with PA04.

⁸⁰⁶ Akanle, Olayinka, Kudus Adebayo, and Olorunlana Adetayo. "Fuel subsidy in Nigeria: contexts of governance and social protest." *International Journal of Sociology and Social Policy* 34, no. 1/2 (2014): 88-106.

⁸⁰⁷ Interview with PG29.

The position of the conditional supporters of subsidy withdrawal contradicts those of opponents in one fundamental way – they are optimistic that the government can take responsible measures before withdrawal of subsidy can be implemented. Contrary to the views of the opponents of the subsidy removal, these categories of stakeholders are not able to organise protest “to press home their position”⁸⁰⁸ and a reasonable percentage of them remained sceptical of the government’s commitment to the course of decent subsidy removal that would minimise pain on the poor population. Similarly, stakeholders who hold this view are not likely to “organise support for the government in the event of strong opposition against subsidy removal.”⁸⁰⁹

5.4.3 Opponents of Petrol Subsidy

The Nigerian government is the most vocal protagonist of subsidy removal in Nigeria’s downstream sector.⁸¹⁰ In the early 1990s, a Nigerian public finance expert, Bright Okogu started to advocate for subsidy removal in the energy sector.⁸¹¹ Like many others within the period, he was influenced by the global transition from a Cold War Order defined by ideological conflict between two contradictory economic models to the one controlled by capitalism and democracy.⁸¹² He observed the manner in which developing economies were obsessed with the provision of subsidy on energy and argued that such practice was the main cause of energy inefficiency.⁸¹³ Some Nigerian economists including Charles Soludo and Okonjo Iweala further advanced the debate against subsidy by rationalising their position on income distribution when they argued that fuel subsidies typically are inclined to favour the upper than lower classes

⁸⁰⁸ Interview with PC27.

⁸⁰⁹ Interview with PA13.

⁸¹⁰ Majekodunmi, Aderonke. "The political economy of fuel subsidy removal in Nigeria." *International Journal of Management and Social Sciences Research* 2, no. 7 (2013): 76-81.

⁸¹¹ He has written many articles on energy pricing and the need for complete deregulation of the sector among which are; Okogu, Bright Erakpoweri. "Issues in petroleum product pricing in Nigeria." *Journal of African Economies* 4, no. 3 (1995): 378-405; Okogu, Bright Erakpoweri. "Marketing dynamism: an econometric study of the oil pricing policies of selected OPEC members." *Energy economics* 13, no. 3 (1991): 154-162; Okogu, Bright. "Management of Nigeria's natural resources and the national security." *Nigerian Journal of International Affairs* 33, no. 1 (2007): 45-63.

⁸¹² Mkandawire, P. Thandika, and Charles Chukwuma Soludo. *Our continent, our future: African perspectives on structural adjustment*. Idrc, 1999.

⁸¹³ Collier, Paul, Charles Chukwuma Soludo, and Catherine Pattillo, eds. *Economic policy options for a prosperous Nigeria*. New York, NY: Palgrave Macmillan, 2008.

because the former owned more cars and used more fuel.⁸¹⁴ Following from this frame of reference, Nigeria's main oil corporation, NNPC fiercely noted that "the subsidy that would be beneficial would be in health care, mass transit and education."⁸¹⁵

Since Nigeria returned to the path of civil rule in 1999, the Nigerian Governors Forum (NGF), one of the most influential political groups arose as one of the major stakeholders promoting the agenda for subsidy removal.⁸¹⁶ The interest of the governors of the 36 states of the Nigerian federation relate to the manner in which the subsidy policy has shrank the "monthly fiscal allocations to the states in which they governed."⁸¹⁷ As practiced in Nigeria, the earnings generated from activities in the oil industry are shared to three tiers of government – federal, state and local governments.⁸¹⁸ This implies that the funds meant for distribution to the three tiers of government is mostly swallowed by the subsidy policy and it impacts on the development agenda of state governors. Therefore, it is within this angle that the resistance against the continuation of subsidy by state governors can be understood.⁸¹⁹ It is the common agreement among governors of different political persuasion to push for an end to the subsidy policy as a means to improving their allocations from the federation as well as to "close another possible avenue through which the federal tier exercises undue control over the commonwealth."⁸²⁰ This implies that the concern of the governors does not relate to the impact of subsidy on petrol shortages. Rather, their opposition to the policy is informed by their desire to secure greater fiscal allocation to their states.

Thirdly, members of the National Assembly, Nigeria's house of parliament, have equally expressed firm criticism of the subsidy policy. In the course of its oversight

⁸¹⁴ Soludo, CHARLES CHUKWUMA. "Debt, poverty and inequality." Okonjo-Iweala, Soludo and Muhtar (Eds.), *The Debt Trap in Nigeria*, Africa World Press NJ (2003): 23-74.

⁸¹⁵ Nigerian National Petroleum Corporation. *Deregulation of the downstream sector of the Nigerian petroleum industry*. Public Affairs Department of NNPC; 1993. p. 3.

⁸¹⁶ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018. P. 47.

⁸¹⁷ Interview with PC17.

⁸¹⁸ Nwabueze, Benjamin Obi. *Federalism in Nigeria under the presidential constitution*. Vol. 6. London: Sweet & Maxwell, 1983.

⁸¹⁹ Okogu, B. (2005) "The Quest for Transparency in the Petroleum Sector: Case Study of Nigeria in the Context of Ongoing Reforms". Paper presented at Workshop on Good Governance, organised by Chatham House at the Royal Academy, London. 21-23 September.

⁸²⁰ Soyode GA. *Deregulation of the downstream sector: matters arising*. NESG Economic Indicators 2001, AprileJune;7(2):55e60.

function, the National Assembly has instituted different probes relating to the fraudulent payment of the subsidy monies.⁸²¹ The concern of the members of Nigeria's National Assembly was based on the unsustainable nature of the programme.⁸²² Okonjo Iweala provided details of the cost of subsidy payments during the period of her service to Nigeria:

"By 2011, the burden of the subsidies was absurdly heavy on the nation's finances. Net Federation revenues totalled about ₦5.2 trillion, and subsidy payments had ballooned to ₦1.73 trillion (\$11.2 billion), or 33 percent of net revenues."⁸²³

However, the opposition of the National Assembly to the subsidy policy has been interpreted by the mass of the Nigerian people to mean a "declaration of war on the poor people."⁸²⁴ Over the years, there has been a public resentment against the National Assembly, partly due to reports of "corruption and flamboyant lifestyles."⁸²⁵ Added to the public outcry against the National Assembly are the reports on bribery allegations by oil marketers who compromised members of the National Assembly each time such matters appear before the Assembly for debate. This position has been captured by a participant as follows:

"Whatever the stand of the National Assembly maybe, it is instructive to note that they are perceived as beneficiaries of the subsidy scam. Most of their members enjoy rapport with the oil marketers. Therefore, the noise emanating from that chamber regarding subsidy removal is only window dressing. No matter what, the Nigerian people know that the National Assembly is not on

⁸²¹ Akov, Emmanuel Terkimbi. "Fuel subsidy corruption and the illusions of economic reconstruction in Nigeria." *Academic Journal of Interdisciplinary Studies* 4, no. 1 (2015): 395.

⁸²² Ering, Simon O., and Felix U. Akpan. "The politics of fuel subsidy, populist resistance and its socio-economic implications for Nigeria." *Global Journal of Human Social Science* 12, no. 7 (2012): 12-20.

⁸²³ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018. P. 27.

⁸²⁴ Interview with PC26.

⁸²⁵ Kalama, John, Charity E. Etebu, Charles A. Martha, and Sophia M. John. "Legislator's jumbo pay, cost of governance and the state of education in Nigeria: Issues and contradictions." *ISSN 2240-0524 Journal of Educational and Social Research Vol. 2 (4) (2012): 73-77*.

their side and any attempt to remove subsidy constitutes a frontal attack on their livelihood.”⁸²⁶

Lastly, multilateral agencies and international lending institutions such as the World Bank and International Monetary Fund have signalled their opposition to the subsidy policy since the days of the Structural Adjustment Programme.⁸²⁷ Essentially, these international institutions treat the subject of petrol subsidy as anti-market policy that limits the cardinal principles of free market and constrain capitalism.⁸²⁸ Therefore, any government that encourages interventions would have difficult times relating with these institutions. Okogu captured this in his 1993 article when he noted that “since the 1994 budget, there has been a new stand-off with international creditors as a result of a change in policy direction away from those of Structural Adjustment Programme (SAP).”⁸²⁹ However, the same bodies, particularly the World Bank once cautioned policy makers not to conclude that mere deregulation is the only answer to the issue of petrol fuel shortages in regulated markets. The World Bank noted that “liberalizing energy markets, however important, may not be the complete answer...”⁸³⁰ The Bank recognized the need for the government to establish social nets before deregulation to mitigate against the tendency of widening the gap between the rich and poor.⁸³¹

While the debate on subsidy removal continues, the implementation of the policy has been rocked by scandals and allegations of corruption leading to shortages in the supply of petrol. In the following, an attempt is made to explain some of the topical cases of corruption relating to Nigeria’s petrol subsidy.

5.5 Corruption in the Administration of Subsidy Policy

Like most public policies in Nigeria, the administration of subsidy policy in the downstream sector has been plagued by allegations of corruption with negative effect on petrol distribution. As noted by one observer, some of the allegations

⁸²⁶ Interview with PC07.

⁸²⁷ Vagliasindi, Maria. *Implementing energy subsidy reforms: Evidence from developing countries*. The World Bank, 2012.

⁸²⁸ Saunders, Matthew, and Karen Schneider. *Removing energy subsidies in developing and transition economies*. ABARE, 2000.

⁸²⁹ Okogu, Bright Erakpoweri. "Issues in petroleum product pricing in Nigeria." *Journal of African Economies* 4, no. 3 (1995): 378-405.

⁸³⁰ World Bank (2003): “Price Hike, Preparation for Deregulation - Expert”, NOG, June/July, pp.12-17

⁸³¹ *Ibid.*, p. 14.

are masterminded by “highly placed citizens and oil marketers who engage in sharp practices in the distribution of import allocations, approval of subsidy payments and actual release of subsidy cheques.”⁸³² As at 2012, the *Tell* magazine provided an estimate of about 25 oil importing companies facing investigation with the potential for criminal prosecution for bridging agreed terms.⁸³³ This was out of a total of 143 companies officially licensed by the main regulatory agency in the downstream sector, Petroleum Products Pricing Regulatory Agency (PPPRA).

However, the challenge was not with the number of licensed companies as with the amount paid as subsidy. In the third quarter of 2011, the government had committed about ₦1.3 trillion to subsidy payments, which was equivalent to \$8.4 billion at the time.⁸³⁴ The then coordinating Minister of the Economy, Okonjo Iweala expressed shocked at the level of corruption in the administration of subsidy payments as contended below:

“My colleagues in the Finance Ministry and I were alarmed by the size of the payments. When I left office in 2006 after my first stint as Finance Minister, oil subsidies had only been about \$2 billion. Now a figure four times that amount had already been paid, and there were still four months left in the financial year. Something was clearly wrong!”⁸³⁵

At the end of the fiscal year 2011, an overwhelming sum of ₦2.3 trillion was the total amount of money spent as subsidy.⁸³⁶ When the public got a clue of the cost of subsidy, the national dailies had already gone ahead with different versions of allegations of massive fraud in the administration of subsidy policy. Earlier in

⁸³² Akov, Emmanuel Terkimbi. "Fuel subsidy corruption and the illusions of economic reconstruction in Nigeria." *Academic Journal of Interdisciplinary Studies* 4, no. 1 (2015): 395. P. 404.

⁸³³ Eni, H. (2012) “Boom or Bust for Nigeria?” *Tell*, January 9, Pg. 50

⁸³⁴ Martins, O. “Dirty Details of Rot at Nigeria’s Refineries,” *Sunday Sun*. April 29, 2012. pp. 34-35.

⁸³⁵ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018. P. 28.

⁸³⁶ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 29

2010, the NNPC hinted to the public that Nigeria was paying “N77 per litre (as subsidy) in order to ensure petrol is sold at the official pump price of N65.”⁸³⁷

Though there were allegations and rumours of subsidy scam preceding the Jonathan administration, it was not with the same intensity and outrage. These allegations became more intense when the government attempted to phase-out subsidies in 2012. This has been summarised by Okonjo Iweala in the following words:

“These fraudulent dealings went beyond the smuggling of oil shipments over the border into neighbouring countries such as Benin and Niger, where prices were much higher. Allegations were rife that companies were claiming subsidies for shipments of oil never delivered. For shipments of kerosene, allegations swirled that corruption payments were being made to assign the rights to import cargos of subsidized kerosene to certain companies, which then sold the kerosene to consumers at non subsidized prices.”⁸³⁸

However, as noted above, corruption manifested in different forms leading to inefficiency in the implementation of the policy with serious implications on the supply of petrol in Nigeria. The various sub themes try to identify the different forms of corruption and how it has impacted negatively in the distribution of petrol within the domestic economy.

5.6.1 False Claims of Subsidy Fund

In January 2002, the administration of President Goodluck Jonathan decided to end the subsidy programme and completely deregulate the downstream sector.⁸³⁹ Though the timing was not appropriate considering the need for government to engage the stakeholders on the rationale and plans before the

⁸³⁷ CCPA (2012) Nigeria: Fuel Subsidy. New York: Adam Smith International

⁸³⁸ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 48.

⁸³⁹ Godfrey, Nkogbu Oshilim, and O. Oritsematosan. "Deregulation of the downstream sector of the Nigerian petroleum industry: the role of leadership." *European Journal of Business and Management* 7, no. 8 (2015): 2222-2839.

withdrawal of subsidy,⁸⁴⁰ the government made up for this mistake through other means. But because of the sensation that accompanied the news of subsidy withdrawal, the government decided to open a conversation on the topic of subsidy and rationale for its withdrawal.⁸⁴¹ Massive protests were organised by the labour unions and civil societies.⁸⁴² Other supporters of protest and antagonists of subsidy withdrawal were the corporate barons whose companies have benefited from the subsidy programme.⁸⁴³ In fact, the organisation of the protests has been attributed to the corporate barons as captured below:

“Nationwide strikes began, but the epicentre of public agitation was in Lagos. The demonstrations there were massive and extremely well organised, with food and entertainment, including concerts by famous Nigerian artists that kept people on the streets. Demonstrators wore printed T-shirts calling for action against corruption.”⁸⁴⁴

Some of the government officials, including Okonjo Iweala and the management team were specifically targeted by the protesters for defamation. An Article in the *Daily Beast* in December precisely noted that “Okonjo Iweala is a controversial figure who often is blamed for a sudden slash in Nigeria’s fuel subsidy programme early this year.”⁸⁴⁵ As part of the public debate held during the protest, most of the protesters were concerned with the issue of corruption which has been a *cog in the wheel* of the programme. The issues raised during the protest supersedes the usual complaint of smuggling of petrol across the border to neighbouring countries for higher gains. As Iweala puts it, the Nigerian

⁸⁴⁰ Okon-Iweala noted this flaw in her work “*Fighting corruption is dangerous*.”

⁸⁴¹ Nwachukwu, Maxwell Umunna, and Harold Chike. “Fuel subsidy in Nigeria: Fact or fallacy.” *Energy* 36, no. 5 (2011): 2796-2801.

⁸⁴² Egbunike, Nwachukwu, and Anthony Olorunnisola. “Social media and the# Occupy Nigeria Protests: Igniting or damping a Harmattan storm?” *Journal of African Media Studies* 7, no. 2 (2015): 141-164.

⁸⁴³ Interview with PC09.

⁸⁴⁴ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 32.

⁸⁴⁵ Heather Murdock, “Nigeria Given 24 Hours to Rescue Kidnapped Mother of Finance Minister,” *Daily Beast*, December 11, 2012.

people were concerned with “companies that were claiming subsidies for shipments of oil never delivered.”⁸⁴⁶

As a result of the massive allegations, the House of Representatives (the Nigerian lower legislative arm of government, equivalent of British House of Commons) resolved to probe the subsidy payments. Through the resolution of the house (Res. Number HR.1/2012) the committee was code-named “Ad-hoc Committee to Verify and Determine the Actual Subsidy Requirements.”⁸⁴⁷ To handle the task, the house crowned Hon. Farouk Lawan, a vocal anti-corruption advocate in the house as head of the committee. It was decided that the committee should focus on the implementation of subsidy within three years 2009-2011. In its own submission, the parliament regarded the committee in the following words:

“The Federal Government had informed the nation of its inability to continue to pump endless amounts of money into the seemingly bottomless pit that was referred to as the petroleum products subsidy. It explained that the annual subsidy payments were huge, endless and unsustainable. Nigerians were led to believe that the colossal payments made were solely on PMS (petrol) and HHK (Kerosene) actually consumed by Nigerians. Government ascribed the quoted figures to (an) upsurge in international crude price, high exchange rate, smuggling, increase in population and vehicles, etc. However, a large section of the population faulted the premise of the government subsidy figures, maintaining that unbridled corruption and inefficient and wasteful process accounted for a large part of the payments.”⁸⁴⁸

⁸⁴⁶ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 35.

⁸⁴⁷ Ad-Hoc Committee. (2012). Report of the Ad-Hoc Committee to ‘Verify and Determine the Actual Subsidy Requirements and Monitor the Implementation of the Subsidy Regime in Nigeria.

⁸⁴⁸ House of Representatives. “Report of the Ad-Hoc Committee to Verify and Determine Actual Subsidy Requirements under Resolution,” No. HR.1/2012, April 2012, 3, <http://www.nigerianmuse.com>.

As usual with the parliamentary duties, the committee conducted public hearings for a period of three months. These hearings included relevant stakeholders in the oil sector and the public. At the end of its hearings, the committee submitted the result of its investigation alongside a significant number of recommendations. Just like the speculations of the Nigerian public, the committee discovered fraud and mismanagement in the oil-subsidy regime in many aspects including false subsidy claims for petroleum products not delivered, exaggeration of subsidy claims by petrol dealers, diversion of forex meant for subsidy payments to other purposes and unwarranted practices by NNPC and misappropriation of public funds by government officials.⁸⁴⁹ As reported by the Committee, the implementation of the subsidy policy was rocked by bad practices as captured below:

“We found that the subsidy regime as operated between the periods under review (2009-2011) was fraught with endemic corruption and entrenched inefficiency. Much of the amount claimed to have been paid as subsidy was actually not for consumed PMS (petrol). Government officials made nonsense of the PSF (Petroleum Subsidy Fund) guidelines due mainly to sleaze and, in some other cases, incompetence. It is therefore apparent that the insistence by top government officials that the subsidy figures were for products consumed was a clear attempt to mislead the Nigerian people.”⁸⁵⁰

Paradoxically, at the same period when the report of the committee was submitted and details being debated in the house, an influential Nigerian petro-dealer, Mr Femi Otedola claimed that the committee chair, Hon. Farouk Lawan requested for bribe in the course of carrying out the official duties of the investigation committee. According to the petro-dealer, Farouk Lawan specifically asked that \$3 million be paid to him as bribe and in return his (Femi’s) companies (Zenon Oil and Gas Ltd

⁸⁴⁹ Ibid., P. 4.

⁸⁵⁰ Ibid., 4.

& Synopsis Enterprises Ltd) would be expunged “from the list of oil marketing companies to be sanctioned for receiving millions of dollars in foreign exchange for oil imports that were not made.”⁸⁵¹ It appears *bush meat has caught the hunter!* The Nigerian government had sued Lawan after the video footage exposing him began to trend on social media.⁸⁵² The BBC World Service promptly reported that “the Nigerian MP who headed an inquiry which found that a fuel subsidy scam had cost the country \$6.8bn (£4.2bn) has been charged with corruption.”⁸⁵³

However, Lawan denied the allegations and instead argued that he took the cash to present same to the Economic and Financial Crimes Commission (EFCC) and other anti-corruption agencies as evidence of the “type of blackmail and pressure the investigation committee was under by oil marketers and others”⁸⁵⁴ who were desperate to discontinue the parliamentary investigation. But other members of the committee attested to the fact that Lawan as the Chairman of the investigation committee had requested for the delisting of two defaulting companies that have been indicted without any compelling reason. The Nigerian public including the press and civil societies were divided over who to side with in the scandal that was known as “Lawangate.”⁸⁵⁵ Some including members of the House of Representatives and Senate had argued that “Mr Otedola’s attempted bribe of Hon. Lawan was a move by executive branch of government to discredit the report and thereby the House”⁸⁵⁶ with the intent to sabotage the investigation of top businessmen who are close to the corridors of power and have been benefiting from false subsidy payments without delivering petrol to the Nigerian people. Others including government bureaucrats and politicians felt that the report unfairly targeted certain agencies and persons in government and therefore was an unfair and biased report.”⁸⁵⁷ While the matter has been in the court, a participant who is conversant with the case had this to say:

⁸⁵¹ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 36.

⁸⁵² BBC News “Nigerian Farouk Lawan charged over \$3m fuel scam bribe,” available at <https://www.bbc.co.uk/news/world-africa-21294154> (accessed 12 December, 2018).

⁸⁵³ Nigerian Farouk Lawan charged over \$3m fuel scam 'bribe' <https://www.bbc.co.uk/news/world-africa-21294154> accessed on 14 February 2019.

⁸⁵⁴ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 36.

⁸⁵⁵ “Lawangate: DSS Presents Video Evidence In Court” <https://leadership.ng/2017/05/10/lawangate-dss-presents-video-evidence-in-court/> May 10, 2017. accessed

⁸⁵⁶ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 37.

⁸⁵⁷ *Ibid.*, 37

“From the video we saw, Farouq cannot claim innocence as he is seen visibly collecting and hiding bundles of US dollars in what appears to be the residence of the oil dealer. But what is important to me is the fact that the scandal has helped to invalidate the authenticity of the report and made caricature of the house investigation into the corruption surrounding subsidy payments. It has also helped to elongate the subsidy regime, a policy that benefits the oil dealers and partly responsible for petrol scarcity in the country.”⁸⁵⁸

In any case, the matter remains controversial and expose the high degree of corruption in Nigeria’s downstream sector that has continued to militate against steady supply of petrol products in Nigeria. Whoever wins in the court, the crux of the matter remains that subsidy policy has not been helpful and its good intention has been overwhelmed by stupendous corruption leading to petrol shortages in Nigeria.

5.6.2 The Technical Committee/Presidential Committee

Due to the controversy which surrounded the House Committee investigation, the Ministry of Finance (then headed by Okonjo-Iweala) initiated its own investigation to verify claims of subsidy payments from many companies who continue to pressurise them for payments. In this regard, Okonjo-Iweala captured the need to establish another investigation team in her book *fighting corruption is dangerous*:

“I decided we should take the risk and use the cover of the noise still ongoing at the National Assembly to set up a verification committee and find a very brave person to lead it.”⁸⁵⁹

As a result, a technical committee was formed comprising of Mr Aig Imoukhuede (the head of Nigeria’s Access Bank) as the Chairman and other technocrats with sound knowledge of the downstream sector including Bright Okogu (then the head

⁸⁵⁸ Interview with PA25.

⁸⁵⁹ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 37.

of Nigeria's Budget Office) and others drawn from the oil companies, the petrol ministry and the country's government bank – the Central Bank of Nigeria.

Among other things, the main task of the committee was to:

“verify and reconcile the first ₦1.3 trillion (\$8.4 billion) in subsidy claims submitted by the private oil companies for 2011, identify all likely cases of overpayment or irregular payment, identify all likely fraudulent cases for criminal investigations, review any other pertinent issues that might arise from its work, and make appropriate recommendations.”⁸⁶⁰

This would require fieldwork at the petroleum tanks in different locations and depots as well as sea ports (details of the locations and capacity has been discussed in Chapter five of this study) where the shipment and transportation of petrol are conducted and documents on the movement of petrol can be traced. Due to the nature of the assignment, the committee supported by the ministry of finance hired the services of auditors from one of the world's largest service firms, the PricewaterCoopers (PwC) with few others sourced from within relevant ministry and departments of government to conduct forensic examination of subsidy claims.⁸⁶¹ Just a few weeks after the committee commenced its investigation, the interim report already indicated that “many fraudulent transactions and other infractions were uncovered.”⁸⁶² As a result, the President picked interest in the committee and even remodelled the committee to be known as “Presidential Committee” and also provided a more secure and convenient office for it at the country's seat of power – the Presidential villa.⁸⁶³ It was officially inaugurated in early July, 2012 and by the end of the same month, its report was submitted to the president.

⁸⁶⁰ Ibid., P.38.

⁸⁶¹ Ibid., P. 38.

⁸⁶² Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 39.

⁸⁶³ In Nigeria, presidential committees are highly regarded and given serious attention and protection where necessary (depending on the sensitivity of the issue to investigate).

While most of its recommendations were similar to the Ad-Hoc Committee of the House of Representatives whose work was tarnished by allegations of bribery and corruption, it explicitly noted the existence of corruption in the following language:

“The Presidential Committee found subsidy claims for shipments by “ghost vessels” that never supplied any products and for shipments by vessels that were in China and the South Pacific at the times it was claimed they were transhipping off the coast of Cotonou, Benin...there subsidy claims for which there were no shipping documents or evidence of payments for the products in foreign exchange.”⁸⁶⁴

Though the task of the committee appeared difficult to complete within the time frame of less than a month, it appears it relied on the records by *Lloyd’s Register* to trace the shipments of petrol products into Nigeria. The Committee also noted that:

“...of the ₦1.3 trillion (\$8.4 billion) verified, ₦382 billion (\$2.5 billion) was fraudulent or questionable and should be recovered from the 107 oil marketing companies whose activities were verified.”⁸⁶⁵

However, the Committee was not conclusive on some transactions and it gave the companies with questionable transactions to supply further evidence to clear their names or face prosecution.⁸⁶⁶ The report also indicted individuals in charge of responsibilities in the Petroleum Equalisation Fund and auditing firms that were hired to audit these transactions.⁸⁶⁷ However, the indicted firms were later absolved of wrongdoing by a committee of the National Assembly on the grounds that its work did not cover the time period in which the Presidential Committee’s

⁸⁶⁴ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 38.

⁸⁶⁵ FGN “Report of the Presidential Committee”

⁸⁶⁶ *Ibid.*, P. 12

⁸⁶⁷ Akinola Williams Deloitte, and Olusola Adekonola and Associates were the auditing firms that were hired as external auditors by the Ministry of Finance but who could not unravel the eminent fraudulent transactions.

work was based.⁸⁶⁸ Based on the report of the committee and recommendations, the Ministry of Finance refused to pay companies that were indicted in the course of the investigations. The then Minister of Finance explained the implication of the ministry's refusal to pay "oil scammers" as the indicted firms were regarded in the popular parlance:

"The refusal to pay fraudulent marketers – many of whom had powerful connections in government and society – was a difficult and dangerous one, as I soon came to know when my mother was kidnapped, and I was threatened with being maimed to get to leave office."⁸⁶⁹

In the following, attention is given to the use of threats by oil marketers on the family of the then minister of finance who appeared as the government's most significant antagonist of subsidy policy. This explanation would enable the understanding of the danger in the fight against subsidy which has now assumed greater proportion in the estimation of corruption in Nigeria's downstream sector.

5.7 The Danger of Fighting Oil Scammers

The mother of the then Minister of Finance, Okonjo Iweala was reportedly kidnapped in Nigeria on December 9, 2012 at the country home of the Iwealas in Ogwashi-Ukwu in present day Delta State, Nigeria.⁸⁷⁰ It is important to note however, during the period of the kidnap of her mother, there were many reports of kidnapping across the country, mostly in the Southern region.⁸⁷¹ But most of the reported cases of kidnapping were for ransom as unemployment and militancy showed significant increase with dire implications on security of life and property from the period under review to the present.⁸⁷² It appears that the case of Okonjo's

⁸⁶⁸ Some have argued that the exoneration of an indicted firm by the National Assembly require further investigation as some members of the national assembly have the tendency to accept bribes and can be compromised.

⁸⁶⁹ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 39.

⁸⁷⁰ Amaize, Emma et al. "Okonjo-Iweala's mother, 82, kidnapped," Vanguard News online December 10, 2012. Available at: <https://www.vanguardngr.com/2012/12/okonjo-iwealas-mother-82-kidnapped/>

⁸⁷¹ Ezeibe, C. C., and M. O. Eze. "Political Economy of Kidnapping in Nigeria-The South East Experience." *Journal of Liberal Studies* 15, no. 1 (2012): 231.

⁸⁷² Diara, Benjamin CD. "Kidnapping for ransom in Nigeria as a revolutionary effect of capitalism in Africa." (2012).

mother was not inspired by the desire for ransom as she noted in her book *fighting corruption is dangerous*:

“Following the initial contact, we heard nothing for hours. Then the kidnappers called my brother back on Monday evening, and the serious discussions began. Their demand? This was where my brother and those listening in were stunned. It was not about money! They asked my brother to tell me to announce on national television and radio that I was resigning from my job as Finance Minister and leaving the country to go back to the United States, from where I came.”⁸⁷³

The news of the kidnap of Iweala’s mother had gone viral and international media outlets including the *BBC news* had captured it.⁸⁷⁴ Pondering on the possible sets of people she had stepped on their toes in the course of her numerous reforms, Iweala had this to say:

“I knew that the largest vested interest that I had recently offended in my anti-corruption work was an unscrupulous subset of the country’s oil marketers. With the President’s support, I had convened a task force that audited their fiscal accounts, detected fraudulent claims for oil subsidy payments that I, with President Goodluck Jonathan’s backing, had refused to pay.”⁸⁷⁵

Against the demands of the kidnappers, Iweala kept to her feet and refused to bow to the pressure to resign from the government.⁸⁷⁶ While the identity of the kidnappers was still being contemplated and having realise the resilience of

⁸⁷³ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. P. 3

⁸⁷⁴ Will Ross, “Nigeria’s Okonjo-Iweala: Kidnappers ‘Demanded Resignation,’” *BBC News*, December 11, 2012, available at <https://www.bbc.co.uk/news/world-africa-20762630> accessed 22 July, 2018.

⁸⁷⁵ Iweala p. 4.

⁸⁷⁶ In several interviews she granted after leaving office, she reiterated the challenge posed by the kidnappers and the courage to withstand their pressure to leave office.

Okonjo who had refused to bow to the demand to leave office, the kidnappers changed tactics:

“When the kidnappers realised that I was not going to resign, they suddenly changed tack and demanded a ransom of ₦100 million (\$250, 000). My brother negotiated this down to ₦10 million and received instructions to deposit it at a certain venue near Benin City.”⁸⁷⁷

Fortunately, after the payment of ransom, the kidnappers released Okonjo-Iweala’s mother. She narrated her interactions with the kidnappers who confirmed to her that the reason for her kidnap was not far-fetch, “your daughter refused to pay oil marketers, and she did not pay SURE-P money.”⁸⁷⁸ Primarily, SURE-P which stand for Subsidy Reinvestment and Empowerment Programme was formed as part of the programmes through which monies saved from subsidy withdrawal could be reinvested in building physical infrastructure in schools, and also to offer support for social safety nets that would absolve the challenges associated with the vulnerable groups who would be directly affected by the subsidy phase out.⁸⁷⁹ While she returned home unhurt but exhausted, the international media got wind of the news and went further “at a possible political connection to the kidnapping.”⁸⁸⁰ Leading this was the *BBC News* article whose reporter unequivocally noted that:

“Mrs Okonjo-Iweala, 58, is an internationally respected economist who has led a high-profile campaign to clean up corruption, particularly in a controversial fuel subsidy programme. She has

⁸⁷⁷ Iweala p.5

⁸⁷⁸ Udo, Ata “Okonjo-Iweala accuses indicted oil marketers of sponsoring mum’s kidnap” *Premium Times* December 17, 2012. Available at <https://www.premiumtimesng.com/news/111592-okonjo-iweala-accuses-indicted-oil-marketers-of-sponsoring-mums-kidnap.html> accessed on the 2 January, 2018.

⁸⁷⁹ Okoli, Ugo, Laura Morris, Adetokunbo Oshin, Muhammad A. Pate, Chidimma Aigbe, and Ado Muhammad. "Conditional cash transfer schemes in Nigeria: potential gains for maternal and child health service uptake in a national pilot programme." *BMC pregnancy and childbirth* 14, no. 1 (2014): 408.

⁸⁸⁰ Okonjo-Iweala herself has held this opinion and most informed Nigerians feel the same way.

delayed payment to fuel importers, seeking better verification of claims for subsidies.”⁸⁸¹

On its part, *The Times* (London) captured the threats to the Finance Minister more straightforwardly:

“Dr. Okonjo-Iweala, who also served as a managing director at the World Bank, has endured a barrage of death threats for leading a high-profile campaign to purge government fuel subsidies of corruption.”⁸⁸²

Although a few suspects were arrested after the dastardly act, nothing has been done on the side of the authorities to unveil the sponsors as preliminary investigation points to the direction of a highly “powerful perpetrators.”⁸⁸³ Instead, the police have attempted to downplay the connection between Okonjo-Iweala’s fight against subsidy scam which the kidnapers used as the basis for the initial bargain for the release of her mother. The statement accredited to the police in the 23 December 2015 issue of the *Leadership* newspaper which reads that the suspect “had been in the kidnaping business for years and claimed poverty drove him to the crime”⁸⁸⁴ is a prime example of these attempted cover-up.

5.8 Conclusion

As against available literature, the subsidy policy in Nigeria’s downstream sector was initiated in the early days following the construction of oil refineries in Nigeria. But as noted in the chapter, the early phase of subsidy policy was based on political exigency and economic development only appeared as window dressing. This view has appeared prominently in chapter six which focussed on the effect of government’s misplaced priorities and international price volatility on petrol shortages in Nigeria. Similarly, the chapter demonstrates the nature of elite

⁸⁸¹ Will Ross, “Nigeria’s Okonjo-Iweala: Kidnappers ‘Demanded Resignation,’” *BBC News*, December 11, 2012, available at <https://www.bbc.co.uk/news/world-africa-20762630>

⁸⁸² Jerome Starkey “Mother of Finance Minister kidnapped in Nigeria,” *The Times*, December 11, 2012, <https://www.thetimes.co.uk/article/mother-of-finance-minister-kidnapped-in-nigeria-8mlnnf5h3m3>

⁸⁸³ Okonjo-Iweala, p. 8.

⁸⁸⁴ Eke-Ogiugo, Kola. “Nigeria: Okonjo-Iweala's Mother's Kidnap - Suspect Admits Receiving N12 Million Ransom,” *Leadership* 23 DECEMBER, 2015. Available at: <https://allafrica.com/stories/201512230664.html> accessed 12, January, 2019.

conspiracy in the administration of subsidy policy camouflaged as a programme for the masses. Behind this junkyard dog tactics lies the determination to protect and serve the special interest of highly placed citizens and oil marketers.

Besides, whatever good intention the policymakers had in mind when subsidy policy was birthed, its implementation has been challenged by corruption under different guise including false subsidy claims without product delivery, smuggling of subsidised petrol to neighbouring countries for higher gains (discussed in Chapter four), diversion of forex meant for subsidy payments to other use among others. The analysis also involved the employment of threat to life and property of whoever stands in the way of petrol marketers. As analysed above, some of the reports have added to the already damaged image of Nigeria as this policy continues to create conditions for product shortages in an oil producing economy.⁸⁸⁵

While not totally rejecting the policy, available data shows that the country may not be able to sustain the programme taking into consideration the cost implication and its propensity to failure. Drawing from the analysis above, one can readily conclude that the policy has been at the very heart of petrol shortages. Notwithstanding its record of failure and crippling corruption, the beneficiaries continue to frustrate the desire to find a lasting solution to the issue.

In the final analysis, any attempt to phase out subsidy on petrol must take a gradual approach as it has a fundamental battle between the masses who would want a continuation of the programme and the government who may not have the financial strength to fund it. The situation is worse off by the ideological attachment to pro-government intervention programmes that has defined Nigeria's history of development.

⁸⁸⁵ eNC Newsroom. "Oil-rich Nigeria hit by festive fuel shortage," Monday 25 December 2017. Available at: <https://www.enca.com/africa/fuel-shortages-leave-motorists-stranded-in-nigeria>. Accessed 12 January, 2019.

Chapter Six

Oil Marketers, Pipeline Vandalism and Militancy in Nigeria

6.1 Introduction

In this chapter, an attempt is made to answer the third research question, “how has the activities of petrol/oil marketers engender petrol shortages in Nigeria?” Also, the chapter attempts to explain the effect of pipeline vandalism and militancy in the Niger Delta region on the downstream sector and how these activities constrain or induce petrol shortages. To do this, the researcher draws from various sources including, archival materials, newspaper articles, report of government commissions of inquiry and interviews with stakeholders to explain the role played by non-state actors in the politics of petrol shortages in Nigeria. The central position of this chapter relates to the inherent character of capitalism that is driven by ‘obsession for profiteering’⁸⁸⁶ that characterised the activities of petrol marketers in the downstream sector of Nigeria’s petroleum industry. As the major agents through which the Nigerian public accessed petrol, the activities of oil marketers have remained problematic.⁸⁸⁷ The chapter also notes that the transformation of the relationship between the people of the Niger Delta and the Federal Government and oil majors from largely peaceful agitation to militant confrontation has bolstered the capacity of the oil marketers to engage in all forms of unethical practices leading to petrol shortages. Though the conflict in the oil rich Niger Delta affects almost all sectors of petroleum industry, the petrol marketers have devised ways through which to benefit from it.

Based on the results of interviews as well as archival and secondary sources, the chapter identified various forms of unethical practices through which the petrol marketers inhibit adequate supply of petrol to the Nigerian economy. These include smuggling of petrol through the porous borders in the major regions to other countries for higher gains, oil theft, hoarding, adjustment of pumps at filling stations among other sharp practices. Apart from the above listed practices, the chapter also explained the advantage derived by marketers in the violent conflicts

⁸⁸⁶ Smith, Dennis. *The Chicago School: A liberal critique of capitalism*. Macmillan International Higher Education, 1988.

⁸⁸⁷ Ogwo, Ogwo E. "Comparative assessment of the pre and post subsidy removal marketing performance of petroleum products marketers in Nigeria." *African Journal of Education, Science and Technology* 3, no. 1 (2016): 116.

in the Niger Delta. In order to make meaning of the chapter, the explanation is done under four major sub themes which are briefly explained below.

The first part of the chapter is focussed on the evolution of the downstream sector in Nigeria. Under this subsection, the emergence of indigenous actors in the marketing segment of the Nigerian downstream sector is discussed. Again, attention is given to how the Nigerian military government in the 1970s introduced the indigenisation policy as a measure to encourage the growth of local entrepreneurs to take charge of the Nigerian economy. Following from the general framework of the policy, an attempt was made to identify the specific measures that were taken to guarantee local participation in the downstream sector of the Nigerian petroleum industry.

In the second section of this chapter, attention is given to the activities of oil marketers and the downstream sector from the 1980s to the period of democratic transition in 1999. In order to understand the gravity of the activities of oil marketers and how it has constrained the supply of petrol in Nigerian economy, the study chronologically discussed the different periods starting from the 1980s down to the present times. The periodisation would enable the reader to understand the growing trend and why the government has not been able to resolve the challenges posed by petrol marketers. The third section traced the negative activities of oil marketers from 1999 (democratic transition) to 2015. The last section of the chapter explained the phenomenon of pipeline vandalism and how this has further worsened the effective distribution of petrol in Nigeria, leading to petrol shortages.

6.2 The Evolution of the Downstream Sector of the Nigerian Oil Industry

The urge to use petrol in Nigeria became eminent with the penetration of the colonialists who needed to actualise the mandate to evacuate local produce from the hinterland to the coastal region in the early period of colonial enterprise.⁸⁸⁸ In the first place, the structure of organisation of the colonial system in Nigeria, as it were in India and other British colonies, was designed to fulfil the strategic objective of integrating the local Nigerian economy into the global capitalist system.⁸⁸⁹ Arguably, this explains the colonial authority's massive involvement in

⁸⁸⁸ Maxwell Graduate School of Citizenship, and Public Affairs. *Foreign and Comparative Studies: African series*. No. 42-45. Maxwell School of Citizenship and Public Affairs, 1986.

⁸⁸⁹ F. D. Lugard, *The Dual Mandate in British Tropical Africa* (Edinburgh, 1922), p. 5.

the development of transport infrastructure that linked the hitherto isolated hinterland with the coastal regions for easy movement of goods to the industrial hubs of Manchester and Liverpool.⁸⁹⁰ However, diesel, a petroleum product, served as the only source of energy through which the *locomotives* that powered the trains were fed.⁸⁹¹ Even the automobiles reserved for exclusive use by *colonial overlords*⁸⁹² and the mass public buses depended and are still mainly powered by petrol.⁸⁹³ As a result of the near total dependence on petrol, the colonial authorities relied on imported petrol to power their activities during the colonial era.

Although, petrol was an essential commodity which was needed for the general administration of the Nigerian colony, the marketing and distribution of petrol was left entirely in the hands of the “oil majors”⁸⁹⁴ who pioneered the building of filling stations across Nigeria.⁸⁹⁵ For Instance, as early as 1907, Socony-Vacuum (the face of US-registered Mobil in Nigeria at the time) in conjunction with British Petroleum (BP) are on record as the first marketers of petroleum products in Nigeria in the first decade of the 20th Century.⁸⁹⁶ Similarly, *Companie Francaise de L’Afrique Occidentale* (then partners of Texaco) later joined the business of selling petrol in the second decade of the 20th Century.⁸⁹⁷ But by the fourth year into Nigeria’s independence, Texaco became directly involved in marketing of petrol through its subsidiary (Texaco Africa).⁸⁹⁸ The Royal Dutch/Shell joined the business of marketing petrol in Lagos in the summer of 1927. Other big players like Esso (enlisted in the US), Agip (registered in Italy) and Elf (registered in France) entered the Nigerian market for the sale of petrol in 1956, 1962 and 1983 respectively.⁸⁹⁹

⁸⁹⁰ Hawkins, Edward Kenneth, *Road transport in Nigeria: a study of African enterprise*. Routledge, 1958.

⁸⁹¹ Basically, during the early part of the 20th century, diesel was the major source of fuel. However, diesel is also a petroleum product.

⁸⁹² The British colonial masters who coordinated the colonial system.

⁸⁹³ In Nigeria as in almost all African countries, petrol still remains the most dependable source of energy.

⁸⁹⁴ Drabble, Margaret. *The seven sisters*. Houghton Mifflin Harcourt, 2003.

⁸⁹⁵ Otherwise known as petrol stations or gasoline stations in some parts of the world.

⁸⁹⁶ The Government of Nigeria, *Colonial Records on Oil sales*, File number 7208, the National Archive Kaduna.

⁸⁹⁷ *Ibid.* p. 4.

⁸⁹⁸ “78 Years of Texaco in Nigeria,” *Guardian* [Lagos] (6 November 1991), 12.

⁸⁹⁹ “Nigeria Can Run Refineries Efficiently, Says Abba Gana,” *Guardian* [Lagos] (7 April 1997),

However, it is important to note that the petroleum products sold in the Nigerian market before 1965 (the year in which the first refinery was built) were imported from outside the country because of the absence of a local refinery.⁹⁰⁰ One estimate claimed that the major oil companies mentioned above established more than “eight dozens of filling stations” before 1980.⁹⁰¹ Though none of the people I interviewed had the exact figures of refineries in the country before 1980, PG019 said “over eighty filling stations” were in operation in the period under consideration.⁹⁰² In any case, the spread of the filling stations reflected the structure of “colonial infrastructure,”⁹⁰³ where the Southern region had more than the North.⁹⁰⁴ Aside from the need to locate the filling stations closer to the sea ports in the South, proximity to market (more car owners in the South than in the North during this period) explains the focus in the South.

With more discoveries of oil in the Mid-Eastern region, today’s Niger Delta region, and the commissioning of the first Nigerian refinery in 1965 (through a joint venture agreement between Shell-BP and the Nigerian Federal and Regional Governments), one of the earliest scientist in Nigeria’s oil industry remarked, “the prospects of a fast track to all-round development loomed very large indeed.”⁹⁰⁵ However, as a result of the Civil War that raged between 1967 and 1970, Nigeria began to experience petrol shortages.⁹⁰⁶ The *Economist Intelligence Unit* (London) reported the effect of the Civil War on both oil production and refining in Nigeria noting the disruption that accompanied the war in the Eastern and Mid-Western Nigeria that led to petrol scarcity throughout the duration of the war.⁹⁰⁷ In fact, a memo which was written to the Nigerian Ministry of Petroleum Resources, (then known as the Ministry of Mines and Power) from the London Office of BP, specifically noted that the Port Harcourt refinery was vandalised and

⁹⁰⁰ The first refinery was built in 1965 through a joint venture agreement between Shell-BP and the Nigerian Government.

⁹⁰¹ Interview with PM011.

⁹⁰² Interview with PG19

⁹⁰³ Falola, Toyin, ed. *Britain and Nigeria: exploitation or development?* Zed Books, 1987.

⁹⁰⁴ Acemoglu, Daron, Simon Johnson, and James A. Robinson. "The colonial origins of comparative development: An empirical investigation." *American economic review* 91, no. 5 (2001): 1369-1401.

⁹⁰⁵ Interview with PG020.

⁹⁰⁶ Freund, Bill. "Oil boom and crisis in contemporary Nigeria." *Review of African Political Economy* 5, no. 13 (1978): 91-100.

⁹⁰⁷ EIU, *Quarterly Economic Review—Nigeria*, No. 1 (London: EIU, 1970), 13.

later closed between August and mid-1970.⁹⁰⁸ As a result, petrol shortages ensued as soberly reflected by a pioneer Group Managing Director of the Nigerian National Petroleum Corporation (NNPC) and reproduced below:

“Although Nigeria’s civil war and thereafter, a petroleum products’ shortage crisis built, primarily because the Port Harcourt refinery was out of commission and largely because the marketers were unwilling to make capital commitments, and cautiously held back from investing in the expansion of infrastructures that were so vitally crucial for coping with the exponentially growing products’ demand.”⁹⁰⁹

What is important to this study is not the political economy of the war, after all, many academic researchers have almost exhausted the link between oil (as a causal factor) and the Nigerian Civil War.⁹¹⁰ It is important to note the later part of this chapter benefitted from studies by Paul Collier,⁹¹¹ Michael Ross,⁹¹² Cyril Obi,⁹¹³ and Kenneth Omeje,⁹¹⁴ all of which try to study the conflicts in the Niger Delta. But before establishing the connection between conflicts and petrol shortages, the following will specifically look at the rise of indigenous entrepreneurs in the downstream sector and how these indigenous actors created unhealthy conditions which further worsen the problem of petrol scarcity in Nigeria.

⁹⁰⁸ Nigerian Petroleum Refining Co. Ltd. –Valuation of Business to Establish Prices to Be Paid for Shares which Government Wish to Acquire,” memo from BP (London) to Nigerian Ministry of Mines and Power, 5 May 1971, PRO FCO 38/321, 1.

⁹⁰⁹ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. Macmillan Nigeria Publishers Limited, Lagos, 2008. p. 290.

⁹¹⁰ Uche, Chibuiké. "Oil, British interests and the Nigerian civil war." *The Journal of African History* 49, no. 1 (2008): 111-135; Uche, Chibuiké. "Oil, British interests and the Nigerian civil war." *The Journal of African History* 49, no. 1 (2008): 111-135.

⁹¹¹ Collier, Paul. "Natural resources, development and conflict: Channels of causation and policy interventions." *World Bank* 28 (2003).

⁹¹² Ross, Michael. "A closer look at oil, diamonds, and civil war." *Annu. Rev. Polit. Sci.* 9 (2006): 265-300.

⁹¹³ Obi, Cyril. "Nigeria’s Niger Delta: Understanding the complex drivers of violent oil-related conflict." *Africa Development* 34, no. 2 (2009).

⁹¹⁴ Omeje, Kenneth. *High stakes and stakeholders: Oil conflict and security in Nigeria*. Routledge, 2017.

6.2.1 Indigenisation in Nigeria's Oil Industry

Writing under the title *An economic history of Lagos*, Hopkins had earlier documented the rivalry between expatriate businessmen and local players from 1880 to 1914.⁹¹⁵ But due to the entrenched nature of “capitalist penetration”⁹¹⁶ of the local economy and the “level of organisation and experience of foreign capitalists,”⁹¹⁷ local actors were unable to withstand the pressure from outside forces leading not only to the domination of the economic life of the Nigerian state but even its social and political life.⁹¹⁸ However, after independence the local actors, supported by some radical elements among the political elites, began to demand for greater control of the economic and political life of the Nigerian state. With increased potential for oil export, the military regime of Colonel Yakubu Gowon created the “Quota Allocation Board (QAB) in 1967 and Decree No. 51 passed in 1969.”⁹¹⁹ While the Decree No. 51 mandated oil companies operating in Nigeria to hire about 70 percent of indigenous workforce,⁹²⁰ the mandate of the QAB as contended in the establishment memo was to limit the amount of businesses as well as bank accounts of expatriate businesses.⁹²¹ However, these law set the timeline of “seven years” within which non-compliance could be interpreted as violations as stressed by Mr Philip Asiodu, the then Permanent Secretary of the Ministry of Mines and Power:

“all the oil companies under our Petroleum Regulation Decree of 1969 are required to attain at least 70% indigenisation of their manpower within seven years of their operation and therefore to indigenise completely as rapidly as possible. The Ministry is now receiving the

⁹¹⁵ Hopkins, Anthony Gerald. "An economic history of Lagos, 1880-1914." PhD diss., SOAS, University of London, 1964.

⁹¹⁶ Hopkins, Anthony G. "Economic Imperialism in West Africa: Lagos, 1880-92." *The Economic History Review* 21, no. 3 (1968): 580-606.

⁹¹⁷ Hopkins, Tony. *An economic history of West Africa*. Routledge, 2014.

⁹¹⁸ Dike, Kenneth Onwuka. *Trade and politics in the Niger Delta, 1830-1885: an introduction to the economic and political history of Nigeria*. Oxford: Clarendon Press, 1956.

⁹¹⁹ Genova, Ann. "Oil and nationalism in Nigeria, 1970-1980." PhD diss., University of Texas, 2007.

⁹²⁰ Onoh, James K. *The Nigerian oil economy: From prosperity to glut*. Routledge, 2017.

⁹²¹ Biersteker, Thomas J. *Multinationals, the state and control of the Nigerian economy*. Vol. 498. Princeton University Press, 2014.

results achieved by the oil companies in applying these regulations.”⁹²²

But while the government was pushing for greater control of the oil and other sectors of the economy, its indigenisation programme looked in the opposite direction as it was bent on raising indigenous but private capitalists. As it was understood, indigenisation policy was instituted to encourage the growth and development of “indigenous capitalism.”⁹²³ This grand objective became more pronounced when informed business and political elites realised that the dividends accrued from economic activities in Nigeria were evacuated to Europe and America causing indignation from among the locals. This can be seen in official records which show an increase in popular agitations for local control of the economic life of the state especially after Nigeria’s Civil War.⁹²⁴ Nonetheless, Mr Asiodu threw more light on the rationale of the government in the following words:

“the government desires to ensure public sector dominance and control of the industry. It will be the State that will own the bulk of the oil wealth and use it as it sees fit for the benefit of all.”⁹²⁵

A closer look, however, at the staff composition of key transnational corporations in the oil sector revealed that the Decree exists only on paper. For example, in an article published in the *Daily Times* issue of 9th March 1972, the Permanent Secretary of the Ministry of Mines and Power lamented that out of a dozen management staff, Shell-BP which was the most dominant of the transnational corporations had but a single Nigerian.⁹²⁶ He further complained of “racial overtones and other vexations”⁹²⁷ that characterised the practice of other companies in the oil sector. Further to the point above, a managerial staff of the

⁹²² Asiodu, P. Bulletin on Foreign Affairs vol. 4, May 1972 p . 45, *Nigerian Institute of International Affairs* 1972.

⁹²³ This sentiment was captured explicitly in the Editorial of the *New Nigerian* (Kaduna) 1 March 1977. Governments were encouraged to purchase shares in foreign oil companies to support indigenous capitalist at the appropriate time.

⁹²⁴ Federal Government of Nigeria – “The Policy of Federal Government on Statutory Corporations and State-owned Companies 1968, p. 3.

⁹²⁵ Asiodu, P. “Understanding Indigenisation policy” *Africa Confidential* vol. 14 No. 23 November 16th 1973, P. 5.

⁹²⁶ Asiodu, “Some Aspects of Indigenous Control of the Oil Industry,” *Daily Times* (Lagos), 9 March, 1972, p. 7-8.

⁹²⁷ Asiodu, P. “Comment: Oil Firms and indigenisation,” *West African Pilot* (Lagos) (10 June 1972), 1.

NNPC granted an interview to *Sunday Concord* on 2nd December 1984 criticising the poor implementation of the indigenisation programme claiming that “oil firms still beat indigenisation law.”⁹²⁸ Notwithstanding the challenges of enforcement, one of the influential bureaucrats in the Nigerian oil industry during the 1970s argued:

“Irrespective of the challenges of indigenisation programme, the government encouraged the growth of indigenous entrepreneurs in the oil industry and particularly in the downstream sector which was dominated by the transnational corporations.”⁹²⁹

Our concern is with the emergence of the indigenous actors within the Nigerian downstream sector and whether or not it helped in resolving the challenge of petrol shortages in the domestic economy.

6.2.2 Indigenisation Policy in the Downstream Sector.

Right into the 1970s, the marketing (downstream sector) of petroleum products, including its production (upstream sector) which, according to conservative estimates, stood at about “eighty million tons” was essentially dominated by transnational corporations.⁹³⁰ In order to checkmate the overwhelming dominance of the sector by foreign companies, Dr R. B Dikko, who was the Federal Commissioner of Mines and Power (equivalent to today’s Minister of Petroleum Resources) advocated for greater participation of Nigerians in the sector; argued that it was necessary for government “to mitigate the paradox of seemingly less indigenous control and economic independence in a situation of increasing national prosperity.”⁹³¹ The statement accredited to Dr Dikko unequivocally shows the government’s preference for indigenous entrepreneurs to participate in the oil sector, especially with increasing revenue gains being recorded. However, the government was also aware of the “technical deficiency”⁹³² of the indigenous actors. The challenge of technical know-how which was the only way to ensure the integration of Nigerians (indigenous actors)

⁹²⁸ Oyibo, C.O. “oil firms still beat indigenisation Law” *Sunday Concord*, 2/12/84.

⁹²⁹ Interview with PG020.

⁹³⁰ Genova, Ann. “Oil and nationalism in Nigeria, 1970-1980.” PhD diss., 2007.

⁹³¹ Dr. R.B. Dikko - reported in *Nigeria Today* (London) October 1971

⁹³² Lack obvious of local capacity

into the downstream sector has been noted by two sources. First, Mohammed contended that:

“Most Nigerians remained ignorant about the complexities of oil exploration, extraction and its marketing in spite of the inescapable significance of oil to the country's economy.”⁹³³

Second, an opinion piece published in the *Nigerian Tribune* of 27 June 1972 noted the need for the government to prioritise training of indigenous entrepreneurs to enable them to compete with their foreign counterparts.⁹³⁴

In fact, the Gowon regime expressed the desire to train indigenous actors in the relevant fields (especially petroleum engineering) with focus on the downstream sector.⁹³⁵ Understandably, the marketing of petroleum products does not require much technical training, at least, not to the extent of the upstream sector. However, refining petrol which is within the downstream sector requires serious technical training as much as the case in the upstream sector. In the period after the Nigerian civil war, the transnational marketing firms offered training opportunities for interested indigenes as reported in the *Nigerian Tribune*.⁹³⁶ On its part, the federal government began to involve indigenes in the training as a measure to ensure transfer of technology through the creation of the first indigenous Petroleum Training Institute that commenced operation in 1975.⁹³⁷ It also made funds available to support students whose researches were geared toward petroleum engineering or related aspects of technology as contended in the government's press release of 14th September, 1973 and also the *Daily Times* issue of 8 September 1979.⁹³⁸

⁹³³ Mohammed, Ismaila. "The Nigerian Enterprises Promotion Decrees (1972 and 1977) and Indigenisation in Nigeria." PhD diss., University of Warwick, 1985. P. 88.

⁹³⁴ "Manpower Training in the Oil Industry in Nigeria," *Nigerian Tribune* [Ibadan] (27 June 1972), 4.

⁹³⁵ Federal Ministry of Information, Abuja.

⁹³⁶ "Manpower Training in the Oil Industry in Nigeria," *Nigerian Tribune* [Ibadan] (27 June 1972), 4.

⁹³⁷ Zakariya, Hasan S. "Transfer of technology under petroleum development contracts." *Journal of World Trade* 16, no. 3 (1982): 207-222.

⁹³⁸ Federal Ministry of Information, "Press Release –Petroleum Development Fund Awards Scholarship," 14 September 1973; Yemi Abimbowe, "The Oil Industry and Manpower," *Daily Times* [Lagos] (8 September 1979), 7.

The impact of the indigenisation programme was felt in the Nigeria Petroleum Refining Company (a joint venture company that pioneered refining in Nigeria). After Nigeria increased its shareholding to 50 percent, the staff composition of expatriate workers had reduced to only forty eight compared to indigenous staff strength of four hundred.⁹³⁹ In fact, the number of expatriate employees further decreased to 26 at the end of 1972.⁹⁴⁰ In the same period, the company had its first Nigerian chairman of the management board leading some observers to conclude that the key strategic decisions were taken by Nigerians.⁹⁴¹ However, the Nigerian government criticised the foreign companies that appoints Nigerians in ceremonial positions while reserving managerial powers to the foreign nationals.⁹⁴² Worse still, the government was critical of foreign companies within the oil sector that pressured indigenous staff to offer “voluntary resignation.”⁹⁴³

In the end, no matter the challenge of the indigenisation programme, one essential fact is that the military government showed greater interest in taking over ownership of the downstream sector and other sectors of the Nigerian economy. Our focus in the flowing sub-theme is to explain the evolution of independent marketers and how these class of businessmen/women further entrenched corruption in the sector leading to petrol shortages.

6.2.3 The Emergence Indigenous and Independent Oil Marketers

As part of government strategy to increase domestic participation in economic activities in Nigeria, the Military Government of General Yakubu Gowon initiated the *Second National Development Plan* which covered the period 1970 to 1974.⁹⁴⁴ In order to ensure effective implementation, the Federal Government promulgated the *Nigerian Enterprises Promotion* decree which took off in 1972.⁹⁴⁵ But because British Petroleum (BP) had earlier witnessed the passage of a similar legislation in Guinea (with focus on the downstream sector), they

⁹³⁹ “Daily Times Opinion –Realistic!” *Daily Times* [Lagos] (8 May 1972), 3.

⁹⁴⁰ *Ibid.* p. 3.

⁹⁴¹ Austin Osunde, “Oil Industry Given a Boost,” *Business Times* [Lagos] (12 October 1976), 8.

⁹⁴² EIU, *Quarterly Economic Review –Nigeria*, no. 1 (London: EIU, 1971), 13.

⁹⁴³ “Sacking of Nigerians in Oil Firms Halted By Govt,” *Daily Times* [Lagos] (8 March 1972), 1; “NECA

Plans to Kill FMH Order on Oil Firms,” *Morning Post* [Apapa] (21 March 1973), 1.

⁹⁴⁴ *Nigeria’s Second National Development Plan 1970-74*, National Archive Kaduna, Federal Government Files 2312, 1969.

⁹⁴⁵ Nigerian Enterprises Promotion Decree 1972.

perceived such a programme as antithetical to their interest.⁹⁴⁶ Notwithstanding the position of BP, the regime showed determination to challenge foreign dominance in some selected economic activities and to protect and secure business spheres for “Nigerians and to ban foreign firms,” especially companies that had more than £200,000 investments.⁹⁴⁷ While the *First Schedule* of the development plan authorised Nigerians to take full control of businesses in which they have sufficient skills,⁹⁴⁸ the *Second Schedule* appropriated 40 per cent shares to Nigerians.⁹⁴⁹ From the prescription above, activities in the downstream sector were covered in the second schedule of the plan.

However, the huge capital requirement set aside as precondition for participation became a serious challenge to intended local actors.⁹⁵⁰ Both Nnoli⁹⁵¹ and the *New Nigerian Newspaper*⁹⁵² observed that local entrepreneurs of Igbo origin who were interested but lacked the required capital protested what they felt was an “exclusionary policy.”⁹⁵³ The flaws became obvious by the discouraging outcomes and unnecessary delay in the implementation of the plan as reported in the editorial of 25 October issue of *West Africa*, 1982.⁹⁵⁴

Perhaps, this explains why immediately after the dethronement of Gowon, the Murtala/Obasanjo’s regime introduced tougher measures aimed at taking over activities from the foreign corporations in the downstream sector of the Nigerian oil industry.⁹⁵⁵ To this effect, the new regime initiated two additional programmes namely, the *Third National Development Plan 1975-1980* and an amended *Nigerian Enterprises Promotion Decree*. The terms of the *Third National*

⁹⁴⁶ Unauthored memo, 30 June 1970, BP 8377.

⁹⁴⁷ C.S. Pickard, “Indigenisation: The Nigerian Enterprises Promotion Decree,” 19 February 1972, PRO BT 24/2558, 1.

⁹⁴⁸ Olusegun Obasanjo, “Nigeria on the Forward March,” speech, 29 June 1976, in Embassy of Nigeria, *Federal Nigeria* Vol. 1, no. 1 (Washington, DC: Embassy of Nigeria, 1976), 2-3.

⁹⁴⁹ *Sunday Concord*, 2/12/84

⁹⁵⁰ Dr. R.B. Dikko - reported in *Nigeria Today* (London) October 1971

⁹⁵¹ Nnoli, Okwudiba. *Ethnicity and development in Nigeria*. Aldershot: Avebury, 1995. p. 142.

⁹⁵² *New Nigerian* 15/8/79.

⁹⁵³ *New Nigerian* 15/8/79.

⁹⁵⁴ Count Lambsdorff - in *West Africa* 25/10/82, p. 2,766.

⁹⁵⁵ Egbule, Philip Onyekachukwu. “Appraising the role of military governments towards nation building in Africa: a focus on Murtala-Obasanjo administration in Nigeria.” *Journal of Nation-building & Policy Studies* 3, no. 1 (2019): 103-115.

Development Plan were couched to promote a more robust domestic participation:

“For the sake of national security, national investment decision, and managerial opportunities to enable Nigerians to take effective control of the oil industry eventually, it has become mandatory that the government should be directly involved in the oil industry. To this end, during the plan period, the government will participate in the three phases of the oil industry, namely exploration, refining, and distribution. A National oil corporation together with an associated public quoted company will be established for this purpose.”⁹⁵⁶

In line with the observation made above, the Military government of General Yakubu Gowon bowed to the dual pressures exerted by domestic nationalist forces on the one hand and the urge to conform to the requirement of international institution (OPEC), promulgated Decree no. 18 of 1971. The Decree, specifically came to force on April 1, 1971 - established Nigeria’s premiere holding company (Nigeria National Oil Company) tasked with the responsibility to oversee Nigeria’s oil industry.⁹⁵⁷ As captured in the decree, the organisation was to ensure the country “participate in all aspects of petroleum including exploration, production, refining, marketing, transportation, and distribution.”⁹⁵⁸

In addition, the new agency was given the powers to train indigenous workforce; regular inspection and supervision of pipelines to ensure adequate supply of petroleum for domestic consumption through proper organisation of the then “Port-Harcourt refinery and any other matters relating to the organisation of allied industries.”⁹⁵⁹ As would be expected, the editorial of virtually all the major

⁹⁵⁶ Federal Government of Nigeria, “Third National Development Plan, 1970-1974,” (Lagos: Federal Ministry of Information, 1970)

⁹⁵⁷ Decree no. 18 1971.

⁹⁵⁸ Part 1, Section 5 (a) of Decree no. 18 1971.

⁹⁵⁹ Nigerian National Oil Corporation (NNOC) (2004) now the NNPC act Cap N123, Vol 12 LFN. Laws of the Federal Republic of Nigeria.

newspapers in the country expressed great hope and optimism in the establishment of the agency.⁹⁶⁰ However, whether these ambitious objectives were realised is another thing altogether.

Notwithstanding, the corporation immediately swung into action after a series of negotiations resulting in the execution of Joint Operating Agreements (JOA) with International Oil Companies. First, it secured about 33.33 percent and another 35 percent share interest with Nigerian Agip Oil Company and Safrap (branch of Elf in Nigeria) respectively.⁹⁶¹ Under this arrangement, the OICs are by law, the known operator of the stake while the licensed area is operated by the NNOC.⁹⁶² In furtherance of its pursuit of greater share of participation in domestic oil dealings and to encourage the NNOC, the Federal Government released an official notice, specifically Government Notice No. 311 declared on February 24, 1972 the authorisation of NNOC to undertake exploration and production of petroleum resources in all parts of Nigeria apart from areas which may have been covered by previous licences.⁹⁶³

In furtherance of Nigeria's participation programme under NEP which mandated the retention of a minimum of 60 percent equity stake in all investing companies within its territory, the Nigerian government secured shares in the oil majors (Gulf, Mobile and Shell-BP) in 1973, precisely on the 1st of April 1973 (marking the second year of the establishment of NNOC).⁹⁶⁴ Additionally, it obtained sixty percent shareholding in the first refinery and subsequently altered its name to "the Nigeria Petroleum Refining Company (NPRC) in 1972."⁹⁶⁵ Though the government obtained the required sixty percent shares, the refinery maintained

⁹⁶⁰ The *New Nigeria* 2 April 1971; The *Punch Newspaper* of 10 June 1971.

⁹⁶¹ Nigerian National Petroleum Corporation, *NAPETCOR: Quarterly Magazine of the NNPC* Vol. 2, no. 1 (January-March, 1981).

⁹⁶² This has appeared in the Memo from British High Commission (Lagos) to British Foreign and Commonwealth Office, 18 February 1972, (PRO FCO 65/1226).

⁹⁶³ Government Noticed No. 311 of 1972 can be found in the Federal Government Files located in the Ministry of Information Archive in Kaduna, specifically file no. 7123/FG.

⁹⁶⁴ Shehu M. Yar'Adua, was the Nigerian Chief of Staff, Supreme Headquarters During the Obasanjo regime. Addressed the members of the then vibrant Management Institute of Nigeria (MIN) where he announced that the "Government was going to embark on creeping Nationalisation", September 1976.

⁹⁶⁵ NPRC Company reports 1972

its identity as a Joint Venture Company that was managed as a private company.⁹⁶⁶

From 1970 to 1978, the government continued to push for indigenous participation in both the upstream and downstream sectors that were hitherto controlled by foreign corporations. In what one observer described as “smart business strategy,”⁹⁶⁷ the government brokered a deal that saw the complete takeover of BP stakes in NPRC in 1978.⁹⁶⁸ The aggressive take-over of NPRC was informed by the need to reduce the persistent increase in the price of fuel in the country which has imposed severe economic hardship on the people, especially in Northern Nigeria.⁹⁶⁹ As a result of the sharp variation in the pump price of petrol in Nigeria (with the Northern consumers having to pay higher prices), pundits in the oil business encouraged the government to possibly take over the refining, transportation, marketing and any other aspect of the downstream sector.⁹⁷⁰

It seems the few indigenous experts who have been engaged by the government in various capacities also supported the move to take over control of the downstream sector.⁹⁷¹ The pioneer Managing Director of the Nigeria National Petroleum Corporation (NNPC) made similar points:

“As part of the National Development Plans of the government, it recognised the fact that the country needed to take a quantum leap in the provision of infrastructure needed to cope with the debilitating shortages standing in the way of projected economic development. The private sector made excuses for their inability to cope with the pace. It was then that participation in the

⁹⁶⁶ Ibid. p. 16.

⁹⁶⁷ Interview with PA07

⁹⁶⁸ In a BP's internal memo, G.C. Butcher communicated J.W.R. Sutcliffe of these developments on 19 October 1978, BP 4821, 1.

⁹⁶⁹ Industry experts pressured the government to completely take over the downstream sector to help in mitigating the challenge of scarcity which has become a recurrent decimal in the country. The report containing this was captured in the *New Nigerian* of 20 May 1973, 1

⁹⁷⁰ Bamigbele, Stephen “Take Over of Petrol Marketing,” *New Nigerian* [Kaduna] (20 May 1973), 1.

⁹⁷¹ Genova, Ann. "Nigeria's nationalization of British Petroleum." *The International Journal of African Historical Studies* 43, no. 1 (2010): 115-136. p. 154.

downstream sector became a critical part of our National Economic Development Plans.”⁹⁷²

Consequently, the federal government took total control of Eso at the end of 1976 and changed its name to Unipetrol.⁹⁷³ In line with the government’s determination to seize control of petroleum marketing, workshops and training sessions were organised to oriented intended domestic marketers on the *modus operandi* of the sector.⁹⁷⁴ Preparatory to the total take-over of Eso Standard Limited in 1976, the government secured 60 per cent control of the marketing unit of Shell in 1975 and immediately altered the name of operational filling stations at the time to National Oil and Chemicals Marketing Company (NOLCHEM).⁹⁷⁵ Below is the response of an insider to the question of “what was the rationale for the introduction of local entrepreneurs in the downstream sector?”

“We had thought the indigenous marketers would demonstrate high level patriotism in the business of selling oil. This was born out of the frustration with foreign firms who were not ready to invest in the downstream sector. Instead of allowing foreign businessmen to take away the proceeds of oil in the downstream sector, we felt the need to bring in local actors to benefit from the business.”⁹⁷⁶

This grand objective became more pronounced when informed business and political elites realised that the dividends accrued from oil activities in Nigeria were evacuated to Europe and America causing indignation from among the locals.⁹⁷⁷ This can be seen in official records which show an increase in popular agitations for local control of the economic life of the state especially after

⁹⁷² Marinho, F. R. A. *Nigeria’s Petroleum Industry: A maverick Pioneer*. Macmillan Nigeria Publishers Ltd., p. 290.

⁹⁷³ The announcement of government’s take-over of Eso was made by Federal Ministry Government and reported in the *Daily Times* 23 December 1976,1-2; 1

⁹⁷⁴ One of the sessions was reported to have taken place in the city of Benin as covered by the *Nigerian Observer* [Benin] of (18 September 1978), 3.

⁹⁷⁵ *Business Times* [Lagos] (27 September 1977), 9 – the name of the new operator to National Oil Marketing Company.

⁹⁷⁶ Interview with PG05.

⁹⁷⁷ Khan, Sarah Ahmad. "Nigeria: The political economy of oil." (1994).

Nigeria's Civil War.⁹⁷⁸ In fact, a former federal commissioner in the early 1970s had made it clear that the main objective of the drive for indigenisation was the pursuit of "economic decolonisation."⁹⁷⁹ Olusegun Obasanjo would later stressed similar sentiment in an address to participants of the Senior Executive Course at National Institute for Policy and Strategic Studies (NIPSS), Jos claiming that "the idea of a self-reliant and self-sufficient nation is something which must be pursued."⁹⁸⁰

Therefore, through deliberate government policy, the ownership structure of the major oil companies was indigenised.⁹⁸¹ However, the top bureaucrats of the Nigerian oil company industry still felt that foreign domination was essentially the problem that generated frequent scarcity of petroleum products in Nigeria. Marinho, who was pioneer Managing Director of the Nigeria National Petroleum Corporation (NNPC) noted that "the structure of the petroleum products' marketing environment had contributed greatly to the products' crisis in the mid-1970s."⁹⁸² Extravagantly, he further noted that:

"Even though they have been indigenised, in terms of their ownership structure, the rumps of the seven sisters still exercised a stifling influence in the sub-sector. I had hoped that the transfer of their local management to Nigerians would lead to better rapport with them. Unfortunately, that was not the case."⁹⁸³

According to the Sunday Concord, an attempt to swap staff among companies that had been taken over by the Nigerian government through increased shareholdings failed largely because the management staff of the indigenised companies were still loyal to their foreign proprietors.⁹⁸⁴ Perhaps more important to this study is the fact that instead of displaying the attribute of patriotism which

⁹⁷⁸ Federal Government of Nigeria – "The Policy of Federal Government on Statutory Corporations and State-owned Companies 1968, p. 3.

⁹⁷⁹ Adedeji, A. *Indigenisation of African Economies* (London, Hutchinson), 1981. p. 30.

⁹⁸⁰ Teriba, O. et al. *The Structure of Manufacturing Industry in Nigeria* (Ibadan University press Ibadan), 1981. p. 95.

⁹⁸¹ Madujibeya, S.A. - "Oil and Nigeria's Economic Development" in *African Affairs*, vol. 75 No. 300, July 1976, p. 287.

⁹⁸² Marinho, F. R. A. *Nigeria's Petroleum Industry: A maverick Pioneer*. p. 291.

⁹⁸³ *Ibid.*, p. 294.

⁹⁸⁴ Sunday Concord, 2/12/84.

informed the indigenisation policy, the independent marketers engaged in some of the most gruesome patterns of malpractices leading to continuous shortages in the supply of petrol in Nigeria. Another sourced made similar accusation:

“It soon became obvious, those managements were more inclined to the foreign technical partners, the original foreign owners who still controlled their well-being and career prospects. They continued to be less amenable to be used as instruments for the progression of government’s objectives in the sector and tended to ally with the minority share-holders cum technical partners in continuing to exploit the fuel crisis situation and to press other advantages.”⁹⁸⁵

Consequently, indigenous actors that were introduced into oil marketing as a result of the measures analysed above culminated in the creation of a new class of “middlemen” known today as “independent marketers” by 1978.⁹⁸⁶ It soon became an attractive venture as the number of those who were attracted soared from less than 10 in 1980 to over 1000 by the beginning of 1993.⁹⁸⁷ A close review of official records indicates an overwhelming increase in the number of independent marketers which stood at over 7, 500 as at 2010.⁹⁸⁸ With the emergence of local actors in the downstream sector, especially in the marketing of oil products, one would expect improvement in the performance of the sector. As would be seen, however, it seems the introduction of local actors only birthed a class of new exploiters as the activities in the downstream sector continue to deteriorate with persistent scarcity of fuel as a constant feature.⁹⁸⁹ The new business class, otherwise known as middlemen (oil marketers) “continue to grow not only in size but in influence.”⁹⁹⁰ Sometimes, they used trade union platforms

⁹⁸⁵ Hoogvelt, Ankie. "Indigenisation and foreign capital: industrialisation in Nigeria." *Review of African Political Economy* 6, no. 14 (1979): 56-68. P. 59.

⁹⁸⁶ For details on how this class emerged within the sector, see *National Daily* March 18, 1978. Pp. 36-37.

⁹⁸⁷ Ehinomen, Christopher, and Adepoju Adeleke. "An assessment of the distribution of petroleum products in Nigeria." *E3 Journal of Business Management and Economics* 3, no. 6 (2012): 232-241.

⁹⁸⁸ PPPRA Records shows that the number of independent marketers exceeds 7000 by 2010.

⁹⁸⁹ Nkem Agetua, "NNPC Renews Contract with Oil Marketers" Friday 13 May 1983, p. 1

⁹⁹⁰ Interview with PA08

to “pressure the government on their selfish demands that would benefit their members while adding to the already precarious economic condition of the 1980s.”⁹⁹¹

However, a closer review of the implementation of indigenisation policy in the Nigerian downstream sector would reveal glaring contradictions as “state officials and their cronies in business became the major beneficiaries of whatever good intentions the policy was meant to generate.”⁹⁹² In the quest to enhance what Schwarz described as “nurturing capitalism,” the privileged class that constitute a minute percentage of Nigeria’s population became the major beneficiaries.⁹⁹³ Adejugbe observed how the shares in the newly acquired companies were unevenly sold, a practice that led to the concentration of shares in the hands of few persons.⁹⁹⁴ Even Mr. G.A. Akamiokho (Chief Executive Officer of the Nigeria Securities and Exchange Commission as at then) accused the Lagos Stock Exchange of engaging in favouritism rather than providing a fair and plain level ground for investors, including in the downstream sector of Nigeria’s petroleum industry.⁹⁹⁵ Though there is no sufficient data to support this claim, the fact that Mr. G.A. Akamiokho was an insider who provided a clear indication of some wrong doings. But at a general level, the report of the Industrial Panel (1976) corroborated the speculation of inappropriate practices.⁹⁹⁶

This can be seen from a major revelation published in the *New Nigerian* newspaper of 1983 entitled “Ugly Nigerians” which quoted verbatim Mr. Minso Gadzama, who then was the Chairperson of NEPD:

“Many Nigerians participate in tearing apart the fabric and have hastened the collapse of our economy. Regrettably, they are the ones that shout the loudest about our so-called lack of leadership in the management of the economy. Yet they are the same people in the lead in

⁹⁹¹ Akpoghomeh, Osi S., and Dele Badejo. "Petroleum product scarcity: a review of the supply and distribution of petroleum products in Nigeria." *OPEC review* 30, no. 1 (2006): 27-40.

⁹⁹² Interview with PA08.

⁹⁹³ Schatz, Sayre P. *Nigerian capitalism*. Univ of California Press, 1977. p. 2.

⁹⁹⁴ Adejugbe, Michael. "The myths and realities of Nigeria's business indigenization." *Development and Change* 15, no. 4 (1984): 577-592. Pp. 582-583

⁹⁹⁵ West Africa (London), 16/6/1972, p. 777.

⁹⁹⁶ Hoogvelt, Ankie. "Indigenisation and foreign capital: industrialisation in Nigeria." *Review of African Political Economy* 6, no. 14 (1979): 56-68.

contravening the laws designed to bring about prosperity and progress of the people of this country."⁹⁹⁷

This remark, if anything, served as a glaring indictment of the local entrepreneurs who have been integrated following indigenisation policy including those within the Nigerian downstream sector. For a detailed review of the activities of the independent marketers within Nigeria's downstream sector, the following have been divided into three sub themes to cover the period from the 1980s to the 2015.

6.3 The Oil Marketers and the Downstream Sector in 1980s

In the beginning of 1980, the marketing of petrol in Nigeria was carried out by two main marketing groups. Firstly, the "major oil marketers"⁹⁹⁸ comprising the major oil companies that have sold out a significant percentage of their stakes to Nigerians (with a handful population of Nigerian citizens in the management and other strategic units of the companies). The second group of oil marketers are known as "independent marketers"⁹⁹⁹ who are private individuals who had embraced the participation agenda of governments in the 1970s and entered the business of marketing petroleum products across Nigeria. Though consulted sources including the files of the Nigerian Labour Congress (NLC) finds only the Petroleum and Natural Gas Senior Staff Association of Nigeria (PENGASSAN) as the duly registered trade union in the oil sector before the 1980s, the oil marketers enjoy high degree of solidarity among themselves since the earliest period of their integration into the downstream sector.

The oil marketers became significant players in the downstream sector after the creation of a government fund known as the Petroleum Equalisation Fund (PEF) that was initiated in mid-1970 with the solid objective of ensuring equity in the prices of petrol across the country.¹⁰⁰⁰ Though the detail of the fund has been

⁹⁹⁷ The Editorial "Ugly Nigerians" *New Nigerian* Newspaper of 27 July 1983. pp. 23-24.

⁹⁹⁸ These are the major marketing segments of the major oil companies operating in Nigeria who have now formed an umbrella union known as Major Oil Marketers Association of Nigeria (MOMAN).

⁹⁹⁹ These are operators of filling stations beside the major oil marketers.

¹⁰⁰⁰ Ezeoha, Abel, Anthony Igwe, Chibueze Onyeke, and Chibuike Uche. "Relevance lost? The petroleum equalization fund in Nigeria." P. 153.

discussed in chapter four of this study, the pioneer General Manager of the NNPC hinted on the rationale for its creation in the following words:

“Until that time, there had been total deregulation, and prices varied from one geographical location to the other, based on the added transportation costs and other ancillary inputs needed to get the products there. It was considered that one of the critical parameters that could facilitate the achievement of government’s policy objectives would be the relative prices of petroleum products. Thus, the policy to have a uniform pricing of petroleum products across the country came under serious consideration.”¹⁰⁰¹

As a result of the policy, the major marketers were engaged by the government and paid transportation costs for lifting oil to the Northern region of the country that was (is) far detached from the oil producing region – the Niger Delta region.¹⁰⁰² In the beginning of the 1980s, the government agreed to pay the major oil marketers the sum of ₦8 million to upset the additional transportation cost incurred for supplying petrol to the Northern consumers.¹⁰⁰³ According to the head of the NNPC at the time of commencement of the equalisation policy, “the simple model I employed used a weighted national products’ prices’ average for each product.”¹⁰⁰⁴ Though there was less anxiety in terms of compliance with the adopted model for the payment of freight charges, the man behind the initiative had some reservation as he observed the following:

“That rough and ready solution sufficed at the time when only the major oil marketers were involved. It was a crude solution that subsequently assumed a bizarre dimension.”¹⁰⁰⁵

¹⁰⁰¹ Ibid., p. 57.

¹⁰⁰² Ibid., p. 55.

¹⁰⁰³ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A maverick Pioneer*. p. 297.

¹⁰⁰⁴ Ibid., p. 296.

¹⁰⁰⁵ Marinho, p. 301.

However, with three refineries already in place at the beginning of the 1980s and the initiation of equitable petrol pricing policy in place, many had thought that the severe shortages which characterised the 1970s would have been resolved. However, by the second quarter of 1983, the *New Nigerian* reported acute shortages of petrol in the domestic economy. During the shortage, “a tin of fuel cost as much as ₦30 Naira as against the normal ₦3 Naira before the fuel scarcity in parts of the affected areas.”¹⁰⁰⁶ And for the first time, the blame for the shortages across the country was put on the marketers who according to the *New Nigerian* newspaper had pressed for increased transportation charges. This is captured below:

“The persistent scarcity of fuel in the Northern parts of the country is due to stalemate between the Nigerian National Petroleum Corporation (NNPC) and the oil marketing companies. The seven oil companies concerned have insisted that the freight charges for lifting the short-fall of two million litres of fuel from Warri and Port-Harcourt be raised to 10 million Naira a month while the NNPC is adamant that it be left at eight million Naira.”¹⁰⁰⁷

The marketers embarked on a strike action in the second quarter of 1983 which paralysed economic activities in Nigeria, with severe consequences to the already deteriorating socio-economic posture of the general economy of the country.¹⁰⁰⁸ The total fuel requirement in the North has been put at five-and-a-half million litres daily.¹⁰⁰⁹

During the strike action, the General Manager of the Kaduna Refinery (the only petrochemical plant in the Northern part of the country), Alhaji Muhammadu Sani Bello, had told the *New Nigerian* that the continued petrol shortages in the North

¹⁰⁰⁶ Agetu, Nkem. “End to fuel shortages in sight: NNPC Renews contract with oil marketers,” *New Nigerian* 13 May, 1983. P.

¹⁰⁰⁷ Zakka, Tawey “NNPC, Oil Marketers Disagree Over Freight Charges” *New Nigerian* Wednesday 8 June 1983 p.1.

¹⁰⁰⁸ Guyer, Jane I., and LaRay Denzer. “Prebendalism and the people: The price of petrol at the pump.” In *Democracy and Prebendalism in Nigeria*, pp. 53-77. Palgrave Macmillan, New York, 2013.

¹⁰⁰⁹ Zakka, Tawney “NNPC, Oil Marketers Disagree Over Freight Charges” *New Nigerian* Wednesday 8 June 1983. p. 2

was solely attributable to the “refusal of the oil marketing companies to bridge the shortfall between what the refinery produced and the demand.”¹⁰¹⁰ The NNPC succumbed to the pressure mounted by the oil marketers culminating in renewal of better terms of contract with the then seven oil marketing companies who were the solid lifters of petrol.¹⁰¹¹

6.3.1 Smuggling and Other Forms of Malpractice

The initial policy of the Petroleum Equalisation Fund has been found to have “encouraged the marketers to divert petroleum products to neighbouring countries in search of higher prices while receiving payments for the additional transportation cost that have been the subject of disagreement with the government.”¹⁰¹² As revealed in the new contract following discrepancies in 1983, the government expressed concern over sharp practices such as diversion of fuel to neighbouring countries for greater profit and instituted measures to “monitor the movement of tankers to ensure that they are delivered to the proper destinations.”¹⁰¹³ Also, the government demanded for proper verification of the “actual quantities that would be allotted for each marketing company.”¹⁰¹⁴ Against the expectation that indigenous marketers would be patriotic in the discharge of their businesses to end petrol shortages, the marketers, like all capitalist businesses, have demonstrated the desire for profiteering, sometimes against the rule of the petroleum equalisation fund.

But the practice of smuggling petroleum across Nigeria’s borders for greater profit in neighbouring countries was contemplated by one of the top management staff of NNPC. Read the thoughts of one of the technocrats:

“I was not in favour of the idea ...For me, it was very clear that large scale uncontrollable smuggling of products across our very extensive and porous borders would be encouraged by such high and compelling ‘economic rent’

¹⁰¹⁰ Ibid, 1.

¹⁰¹¹ “NNPC Renews Contract with Oil Marketers” *New Nigerian* Newspaper Friday 13 May 1983.

¹⁰¹² Interview with PA03.

¹⁰¹³ “NNPC Renews Contract with Oil Marketers” *New Nigerian* Newspaper Friday 13 May 1983. P. 13.

¹⁰¹⁴ Ibid. 13

created by cross-the-border price differentials, especially in the distant Northern areas.”¹⁰¹⁵

This made him oppose the move. But he could not have succeeded considering the influential backers who were supporting the move, most of whom were members of the Northern Oligarchic circle known as “Kaduna Mafias.” The role of this powerful circle has been discussed somewhere below. However, some have argued that the policymakers at the time did not consider “the temptation that would endear marketers to take advantage of the large stretch of Nigeria’s unmanned borders.”¹⁰¹⁶ Though the immigration and custom services were stationed at some selected border locations in the Northern region, these services have shown the propensity to receive bribes as exemplify in the case involving *Reliance* (a British Vessel) in which they were compromised by “bottles of whisky and cartons of cigarettes to allow for passage against an existing prohibition order.”¹⁰¹⁷ Prior to the equalisation policy, Marinho had further warned:

“There (petrol price), differentials would become so large that would become so large that even the most patriotic entrepreneur in the business would give in to the temptation to engage in petroleum products’ smuggling. I saw, fairly clearly, that it would be problematic to satisfy our own side of the border with products until most of the needs of the neighbouring countries had been met.”¹⁰¹⁸

On the contrary, the planners of the programme were interested in the aspect of even development across all regions of the country as captured by the then Head of State, Yakubu Gowon at the launch of the equalisation fund:

“Differentials in prices of petroleum products should not hamper dispersal of industries throughout the country. Also, industries will no longer use it as an excuse for not wishing to

¹⁰¹⁵ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A maverick Pioneer*. p. 297.

¹⁰¹⁶ Interview with PG02.

¹⁰¹⁷ Memo from Shell (London) to BP (London), 14 May 1979, BP 4822.

¹⁰¹⁸ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A maverick Pioneer*. p. 302.

establish far afield nor government will it impede the speedy implementation of various development projects of the state governments.”¹⁰¹⁹

Perhaps, another angle to look at the issue that led to the implementation of the equalisation fund was the overwhelming influence of the Northern Oligarchy who masterminded the coup that brought Gowon to power. Arguably, the *Kaduna Mafia*¹⁰²⁰ as they were called, exercise dominant control of the Nigerian state in the same way Mearsheimer and Walt talked about the Israel lobby,¹⁰²¹ albeit not without resistance from other regions of the country especially the minority groups in the Middle Belt and Niger Delta regions who regard themselves as the unifiers and undisputed hosts of Nigeria’s oil treasure, respectively.¹⁰²² Whatever, may be the reason, and it is difficult to ascertain the reality considering the heavy weight of politics involved, the policy has created serious damage to the distribution of petrol as marketers continue to divert petrol to neighbouring markets for higher prices.

Apart from the smuggling and diversion of petroleum products to the neighbouring states of Chad, Niger and in some rare occasions Benin Republic leading to shortages of petrol, the marketers also engaged in the “manipulation of fuel pumps and cheated consumers.”¹⁰²³ The *New Nigerian* published complaints of consumers who were allegedly cheated by improper adjustments of fuel pumps by oil marketers. In one of the complaints, Mr J. Samuel, a consumer who held from Barnawa area of Kaduna metropolis observed shady practices:

“I noticed that the money counter of the standard fuel pump was running faster than normal, such that at 10 litres, the amount it

¹⁰¹⁹ Daily Times 1973 pp. 1 and 31.

¹⁰²⁰ Ogunjimi, Bayo. "The Herd Instinct and Class Literature in Nigeria Today." *African Issues* 20, no. 2 (1992): 12-16.

¹⁰²¹ Mearsheimer, John J., and Stephen M. Walt. *The Israel lobby and US foreign policy*. (2006).

¹⁰²² The Middle Belt region comprise of states in North Central Nigeria where over 100 ethnic groups settled and have significant number of its people in the armed forces of country. While the Niger Delta region is arguably the wealthiest region hosting the oil wealth of the country.

¹⁰²³ Interview with P08.

indicated was ₦3 Naira instead of 2
Naira.”¹⁰²⁴

The observation above indicted the Department of Petroleum Resources (DPR), being the inspectorate division within the NNPC, saddled with the responsibility of monitoring compliance and curtailing sharp practices within the nation’s oil industry, especially the protection of consumers of petroleum products.¹⁰²⁵ The failure of the Department of Petroleum Resources (DPR) to act against manipulations of marketers and the general failure of DPR and other governmental agencies has been explained in chapter three. However, the point being made is that by “the mid-1980s, it has become glaring that corruption has penetrated Nigeria’s downstream sector.”¹⁰²⁶ While this was not entirely surprising considering the massive “allegations of corruption”¹⁰²⁷ that has emerged within the upstream sector, it requires serious consideration because unlike in other sectors, the downstream sector was dominated by indigenous actors.

In a related report on fuel pump adjustments in 1986, the *New Nigerian* newspaper reported that marketers attributed the problem to bribery and corruption within the country’s regulatory agency itself – the NNPC. The following is attributed to Eddie Iroh:

“The attendant then confessed to me that they had no choice but to adjust the fuel pump to discharge fuel at a higher price per litre, because they had to bribe at the Kaduna NNPC Refinery before they could obtain fuel!!”¹⁰²⁸

The photograph below shows the huge crowd of intending buyers during the period of product scarcity. The kind of improper adjustment of the pump machines

¹⁰²⁴ “NNPC, Please, check fuel pump on Suleja-Abuja road” published in *New Nigerian* of Monday, 20 June 1983.

¹⁰²⁵ The establishment Decree of NNPC (including 2004 amendment) mandate the DPR to regulate the oil industry.

¹⁰²⁶ Interview with PA03.

¹⁰²⁷ Oil sales scandal had rocked the country leading to the constitution of a Panel of Enquiry known as the Irikefe Tribunal. The matter first broke out in the Punch Newspaper of 10th September 1979 under the title “₦2.841 billion oil money missing”.

¹⁰²⁸ Iroh, Eddie. “Bribery and Corruption at NNPC” *New Nigerian* 20 June, 1983. P. 4.

described Eddie Iroh above can easily occur when this kind of huge crowd overwhelms a filling station.

Photograph 2

A Large Crowd of People Struggling to Buy Petrol



Source: Katie Pisa “App will deliver on-demand fuel straight to Nigerians' cars” *CNN News* available at <https://edition.cnn.com/2016/04/08/africa/nigeria-fuel-fueledup-app/index.html> April 8, 2016. Accessed 12 December, 2019.

As a normal practice in Nigeria as elsewhere, following public outcry as with the case above, the affected agency would release public statements aimed at calming public outrage.¹⁰²⁹ However, the NNPC opted for a nationwide survey aimed at “determining demand and consumption pattern of petroleum products”

¹⁰²⁹ However, a perusal of national dailies did not show any such publication.

throughout the country to start on July 1 of 1983.¹⁰³⁰ According to the NNPC release, data obtained from the survey would aid the NNPC in “scheduling pipeline products movements, refinery production schedules, off-shore processing schemes and in order to enhance the availability and distribution of petroleum products.”¹⁰³¹ Again, the results of the first survey evaluation conducted a year and half before 1983 was not curiously implemented and there was no practical measures to curtail future occurrence of similar happenings.

By 1988, following recommendations from previous regimes and the crude oil sales tribunal, the government boosted the oil industry with the commissioning of additional petrochemical plants in Ekpan, Bendel State (today’s Delta State) and Kaduna, Kaduna State.¹⁰³² One analyst attributed the success of establishing petrochemical plants to “firm determination of NNPC management over the past 10 years” and the efforts of spirited individuals backed by corporate will.”¹⁰³³ The news of the commissioning of the petrochemical plants was greeted with enthusiasm in the court of public opinion who anticipated immediate “end to the long years of petrol shortages which has become a dent in the image of Nigeria.”¹⁰³⁴

Similarly, the Federal Government announced the reorganisation of NNPC.¹⁰³⁵ Under the new arrangement, NNPC would become financially autonomous in its operations and its procedures would be such as to ensure efficiency and profitability.¹⁰³⁶ Among the new subsidiaries created in the downstream sector includes the Pipelines Product Marketing and Company (PPMC). This move was part of the Structural Adjustment Programme which the IBB regime reluctantly accepted and which required substantial privatisation of public enterprises and

¹⁰³⁰ Okpara, Mike “NNPC’s Nationwide Consumption Survey begins on July 1” *New Nigerian*, Wednesday 29 June, 1983. P. 1.

¹⁰³¹ *Ibid.* p. 1.

¹⁰³² Onojake MC, Osuji LC, Oforka NC “Preliminary hydrocarbon analysis of crude oils from Umutu/Bomu fields.” *Egypt J Pet* 22(2):217–224, 2002.

¹⁰³³ “Establishment of Petrochemical Industry for Nigeria” *New Nigerian* Friday, March 18, 1988.

¹⁰³⁴ Interview with PA02.

¹⁰³⁵ Federal Government of Nigeria, (Government Release) No. 234800, Ministry of Information. Lagos, Victoria Island.

¹⁰³⁶ “NNPC Goes Commercial” *New Nigerian* Tuesday, March 22, 1988.

other liberal reforms.¹⁰³⁷ In spite of the attempt to deregulate the downstream sector, PA02 saw it differently:

“The regime was not committed to the reform of the downstream sector but took some steps to convince multilateral agencies in order to access structural facilities. The little reform that was executed was not for the purpose it was touted for but to keep the flow of external support for the survival of the regime.”¹⁰³⁸

No wonder, the attempted deregulation of the downstream sector did not last beyond two years.¹⁰³⁹ By the end of the 1980s, the activities of the marketers including smuggling, fuel pump adjustments and bribery within NNPC had become entrenched.¹⁰⁴⁰ In the following section, I showed the souring influence of the oil marketers and how their activities continue to impact the distribution of petrol in Nigeria.

6.3.2 The Oil Marketers in the 1990s

In the early 1990s, Nigeria recorded huge gains from the windfall attributed to the Gulf War in the Middle East.¹⁰⁴¹ The literature on resource curse thesis including Mehlum et al. noted the tendency for firmer hold on power as an essential element of resource rich states.¹⁰⁴² The interest in power is induced by the desire to have access to state wealth. Osoba observed that during the days of the military regime of General Ibrahim Babangida, resource corruption became the dominant form of state culture.¹⁰⁴³ IBB or the evil genius as he was widely regarded, ruled Nigeria as a kleptocratic or vampire state, where the ruler and his

¹⁰³⁷ Reno, William. "Old brigades, money bags, new breeds, and the ironies of reform in Nigeria." *Canadian Journal of African Studies/La Revue canadienne des études africaines* 27, no. 1 (1993): 66-87.

¹⁰³⁸ Interview with PA02.

¹⁰³⁹ Osoba, S O (1993), 'Cronyism and Subversion: The case of Military Rule in Nigeria', public lecture delivered under the auspices of Government College Ibadan Old Boys Association (Ijebu Branch) at Ijebu-Ode on Sunday 12 September, 1993.

¹⁰⁴⁰ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386.

¹⁰⁴¹ Cole, Othman, Terence Tse, and Mark Esposito. "Did Nigeria and Angola manage their oil windfalls well between 1970 and 2000: what lessons can be learned for new oil producers?" *International Journal of Economic Policy in Emerging Economies* 8, no. 1 (2015): 1-19.

¹⁰⁴² Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

¹⁰⁴³ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386.

associates viewed the state as a source of personal fortune.¹⁰⁴⁴ First, in a desperate move to control the treasury of the state, the IBB regime introduced reforms at the apex bank to “achieve its agenda of primitive accumulation.”¹⁰⁴⁵ The organisational restructuring empowered the head of state to have direct control over the affairs of the bank and the entire banking processes were now placed under the office of the head of state. As noted by one of the former Director of Research of the Bank, the CBN Decree of 1991 officialised the enthronement of personal will (of the Head of State) as no other authority could question the action of the near supreme head of state. One critic noted that:

“In practical terms the 1991 CBN Decree made the President the sole authority for deciding the nations’ monetary and banking policy, and for issuing directives for its implementation. The Central Bank of Nigeria (CBN) had become the ‘Central Bank of the President’ (CBP), a unit or department in the office of the president carrying out the president’s binding directives on monetary and banking policy.”¹⁰⁴⁶

While reforms were ongoing in the Central Bank, the regime also made attempts to reorganise the NNPC, especially the downstream sector together with the refineries to ensure what it termed as “optimal performance.”¹⁰⁴⁷ However, a former senior management staff of NNPC at the time expressed misgivings on the commitment of the government:

“The man did not mean any of what he said in public. In fact, he preferred to dine with the most corrupt elements as far as they remain loyal to him. He shielded whoever was ready to be used for shady deals. The reforms gave him the opportunity to recruit and appoint either close associates or friends of his cabinet members.

¹⁰⁴⁴ Rose-Ackerman, Susan. "Political corruption and democracy." *Conn. J. Int'l L.* 14 (1999): 363.

¹⁰⁴⁵ Interview with PA02.

¹⁰⁴⁶ Enuenwosu, C (1994), 'The Babangida monetarism: how not to use a Central Bank', *African Guardian*, 7 March 1994, pp.10-13 (Enuenwosu was former Director of Research at the CBN)

¹⁰⁴⁷ Federal Military Government Bulletin, Ministry of Information, Abuja. 1990.

Those of us who were seen as dry bones and uncompromising were either maligned or given minimal roles.”¹⁰⁴⁸

The observations of the insider quoted above have been echoed in the report of the *Pius Okigbo Panel* that was instituted to investigate the activities of the Central Bank during the IBB era.¹⁰⁴⁹ Among other revelations, the report contended that over \$12.4 billion of oil revenue which was largely proceeds of the Gulf War windfall were expended in what it regarded as “unproductive ventures.”¹⁰⁵⁰ According to the report, IBB and his cronies (including a certain Alhaji Abdulkadir Ahmed) operated secret accounts known as “*Dedicated Accounts*.”¹⁰⁵¹ These accounts, according to the report, were not subjected to auditing because its status was not reflected in the national budget and thus opened the floodgate through which public funds were drained.¹⁰⁵²

In a desperate move to cover the report of massive looting of state treasury, the IBB regime brusquely deported on 30 June 1991, one Mr William Keeling of the *Financial Times* London who unravelled depletion of oil revenue accrued from the oil windfall in the era of Gulf War.¹⁰⁵³ Though the report was quashed by the well-funded propaganda machine of the dictator, the Central Bank Governor, Charles Ugwuma confirmed through an interview granted to *Tell Magazine* that under General Abacha:

“The signature of the Head of State is law, refusal to honour it is regarded as sabotage. The Central Bank of Nigeria, therefore, respects lawful authority.”¹⁰⁵⁴

¹⁰⁴⁸ Interview

¹⁰⁴⁹ Okigbo Report was stolen by suspected members of the IBB Junta who were not pleased with the report.

¹⁰⁵⁰ Star Response: “We’ll find Okigbo report, Obasanjo assures *Punch*” November 20, 2003

¹⁰⁵¹ These dedicated accounts were part of the sweeping reforms of the IBB era which allowed the head of state and the CBN Governor to be the holders of the account on behalf of the Nigerian people.

¹⁰⁵² Ikechukwu Nnochiri “\$12.4bn oil windfall: SERAP kicks over stalled judgment on Okigbo’s report”, Vanguard Newspaper, June 13 2012. Available at <https://www.vanguardngr.com/2012/06/12-4bn-oil-windfall-serap-kicks-over-stalled-judgment-on-okigbos-report/> accessed 12 January 2019.

¹⁰⁵³ The reporter had revealed gross misappropriation of public fund after the reform of the CBN Decree.

¹⁰⁵⁴ *Tell Magazine*, 4 December 1999.

As part of the reform package during the IBB regime, the NNPC was authorised to save all its earnings with the Central Bank.¹⁰⁵⁵ By subjecting NNPC to hand over its treasury to the Central Bank, such a directive contravenes the provisions of the establishment decree of NNPC which required the body to be autonomously run. On this basis Ogbuigwe noted that politics became entrenched in the management of refineries and it “became increasingly subjected to interference and directives by politicians.”¹⁰⁵⁶ Political interference meant not only that professional decisions about the best contracting firms to hire for turnaround maintenance were taken without consultations with experts but that marketers, “most of who were close to the top echelon of power”¹⁰⁵⁷ took advantage of the corrupt atmosphere to engage in malfeasance in virtually all sectors of the oil industry. Perhaps more than any other factor, the romance of power holders with oil marketers laid the foundation that continued to induce *petrol thirst* in Nigeria throughout the 1990s.

An example of how the IBB regime perpetuated corruption in the nation’s downstream sector leading to petrol shortages was the case involving Len Adesanya, an independent oil dealer, allegedly a close business friend of the IBB family and Chief Executive Officer of Lenoil Limited.¹⁰⁵⁸ The issue which culminated in the arrest of many top management staff of NNPC began in 1992 when Adesanya received “unauthorised payments”¹⁰⁵⁹ for the supply of fuel storage facilities. Though the project was received with mixed feelings among the management because Mr Philip Asiodu (then Minister of Petroleum) did not approve the payments for the plan, it was said that he had influential backers within the regime’s top echelon of power. Even though the renegotiated storage facilities were not supplied and the “strategic reserve never supplied fuel,” Lenoil was paid the loom sum of \$62 million.¹⁰⁶⁰ Len and top management staff of the NNPC including Edmund Daukoru who was the chief executive officer of the corporation were subsequently arrested and suspended.¹⁰⁶¹ Apart from the views

¹⁰⁵⁵ Euenwosu, C (1994), "The Babangida monetarism: how not to use a Central Bank', African Guardian, 7 March 1994, pp.10-13 (Euenwosu was former Director of Research at the CBN

¹⁰⁵⁶ Ogbuigwe, Anthony. "Refining in Nigeria: history, challenges and prospects." *Applied Petrochemical Research* 8, no. 4 (2018): 181-192.

¹⁰⁵⁷ Interview with PG021.

¹⁰⁵⁸ Adams, Paul "Nigeria's Burden of Proof" *Financial Times* (London)

¹⁰⁵⁹ The payments were believed to be shielded in secrecy.

¹⁰⁶⁰ Adams, Paul "Nigeria's Burden of Proof" *Financial Times* (London), p. 23.

¹⁰⁶¹ *The Tell Magazine*, 1993.

of participants, specifically PG012, PG05 and PG017 who noted the connection between Len and the power elites, the Lagos reporter for the *Financial Times* of London established the link between Len and the ruling elites at the time in the following manner:

“Industry analysts say that close links between Mr Adesanya’s operations and Mr Babangida’s military regime went right to the top and the two main operators.”¹⁰⁶²

One would wonder why the insiders in the deal, who were alleged to be close to the top hierarchy of power were rewarded with an arrest for effecting a deal in which the authorities were somewhat beneficiaries? A participant who was a staff of NNPC at the time had this to say:

“IBB has vacated the seat of power and an interim government headed by Shonekan, a fine Nigerian with a high sense of accountability has been inaugurated. I bet you, the IBB regime would not have opposed what it adores.”¹⁰⁶³

Arguably, there was wide endorsement of the personality of Shonekan and his determination to make “transparency in government revenue one of his main targets” but this agenda did not go down well with the military cabal who have long enjoyed the proceeds of corruption within an unaccountable corporation with strings of oil marketers fronting for the military elites.¹⁰⁶⁴ In fact, multiple sources have linked the overthrow of Shonekan in the Abacha led coup to his penchant desire to transform the oil industry.¹⁰⁶⁵ Perhaps a more elaborate insight on the nature of the IBB regime, especially its capacity for condoning corruption and punishing bureaucrats with accountable work culture can be gleaned from an insight provided by Segun Osoba, a revered critic of military regimes:

“Those who backslide or waver in their loyalty and commitment, like Professor Tam David-

¹⁰⁶² Ibid., p. 23.

¹⁰⁶³ Interview with PG016

¹⁰⁶⁴ Interview with PA01.

¹⁰⁶⁵ NWOKEJI, GUGO. "The Nigerian National Petroleum." (2007).

West, were terrorised with all the coercive instruments of state power, even when they had done no wrong. Since the Babangida junta operated like a mafia with a strict code of *omerta* (or silence), they were able to broaden and deepen the scope of corruption in Nigeria's public life almost to a limitless extent, and without fear of detection or punishment."¹⁰⁶⁶

Considering the numerous cases of public corruption which characterised the military era, what was (is) more disturbing in the case under consideration is not whether monies were stolen *per se* (even though it is unjustifiable) but the fact that the problem of shortages of petrol on which basis the contract was awarded had less to do with storage facilities as with the activities of smuggling (perpetrated by marketers with support from within government) and the government's neglect of "turnaround maintenance of existing refineries."¹⁰⁶⁷ Nowhere has this view been stressed than in the following:

"Nigeria has adequate storage capacity on shore but its fuel shortages stem from large scale smuggling, and crumbling refineries and distribution systems run by subsidiaries of NNPC."¹⁰⁶⁸

Truly, the report of protesters who had taken to the street in reaction to biting petrol shortages in 1992 noted the fraud which has become predominant in the marketing sector of Nigeria's oil industry and smuggling of oil by marketers and their collaborators.¹⁰⁶⁹ More so, the report of the *Belgore Commission of Inquiry into Fuel Crises in 1992* noted that the "heinous activities of smugglers of petroleum products have created an unimaginable challenge" and contradicts rational calculations.¹⁰⁷⁰ Though the regime had quickly suspended some staff of NNPC whom it accused of relenting in their duties to ensure adequate supply of

¹⁰⁶⁶ Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386. p. 382.

¹⁰⁶⁷ Bob Majirioghene, Nigeria's Rusty Refineries, TELL, November 17, 2008, p.25

¹⁰⁶⁸ Adams, Paul "Nigeria's Burden of Proof" *Financial Times* (London), p. 24.

¹⁰⁶⁹ Maier, Karl "Nigeria Riots Continue as Youths, Police Clash; Fuel Shortages, Inflation Spark Violence," *The Washington Post* 15 May 1992.

¹⁰⁷⁰ *Belgore Commission of Inquiry into Fuel Crises in 1992.*

petroleum products, “the reports of the various commissions of inquiry was not acted upon and the suspended staff had their way back into the system.”¹⁰⁷¹ It seems the system does not have a mechanism to punish offenders, especially those who are considered to be highly placed.

Some of the participants I interviewed attempted to link the sour relationship between General Abacha with two of the service chiefs (he inherited from Shonekan) to a previous attempt to investigate Abacha’s oil deals in the period.¹⁰⁷² Another source speculated that Abacha’s action (sacking of service chiefs) was a response to neutralise the capacity of opposition within the army including an attempt to “plot a coup against him.”¹⁰⁷³ No matter the case and it is difficult to ascertain, the culture of silencing opposition voices has a long history in Nigeria. Additionally, Jensen and Wantchekon observed the political culture in resource rich states where power holders have the tendency to utilise all machinery of government to ridicule any attempt to reduce their influence.¹⁰⁷⁴

From the foregoing analysis, the 1990s witnessed the relationship between power holders and oil marketers. Their romance as explained above shows the extent of involvement of the political heavyweights and how their activities inflame the menace of petrol shortages in Nigeria. As it is contended in the literature on resource curse, particularly the work of Beblawi and Luciani, the attitude of political elites to maintain and secure political control at all courses in order to have access to the rent accrued to the state.¹⁰⁷⁵

Besides, the report of the *Abisoye Panel of Inquiry on NNPC* aimed at reforming and re-organising the NNPC was constituted in 1994 largely due to persistent public outcry following severe shortages throughout 1993.¹⁰⁷⁶ Among many revelations and recommendations, the panel found out that oil dealers had sufficient network with bureaucrats who were reaping from the perennial shortages and made a strong case for deregulation.¹⁰⁷⁷ Similarly, the reviewed

¹⁰⁷¹ Interview with PC010.

¹⁰⁷² Interview with PG014, PG029 & PG06.

¹⁰⁷³ Isa-Onilu, Lanre "Chris Alli, the Man, the General". *ThisDay*. 19 May 2004, p. 14.

¹⁰⁷⁴ Jensen, Nathan, and Leonard Wantchekon. "Resource wealth and political regimes in Africa." *Comparative political studies* 37, no. 7 (2004): 816-841.

¹⁰⁷⁵ Beblawi, Hazem, and Giacomo Luciani, eds. *The rentier state*. Routledge, 2015.

¹⁰⁷⁶ Federal Government of Nigeria, *Report of Abisoye Panel of Inquiry on NNPC*. Federal Ministry of Information, Abuja, 1993. p. 23.

¹⁰⁷⁷ Adefaka, Bashir "Subsidy: Revisit Abisoye Panel's report, Gen Olanrewaju tells Jonathan", *Vanguard Newspaper*, 22 October, 2011. Available at

Panel Report of the Abisoye inquiry headed by General Tajudeen Olarewaju (now retired) also touched on the issue of smuggling which it noted was “draining the country dry of petrol.”¹⁰⁷⁸ However, one aspect of the revelation was the phenomenon of oil bunkering which at the time had moved beyond small scale activities associated with robbery to large scale “organised crime.”¹⁰⁷⁹ Marinho who had left the service of the NNPC in a bizarre manner defines these not so new phenomenon as a:

“Nigerian style ‘bunkering’ (euphemism for irregular sales and purchases or outright theft of products through pipeline sabotage) and the contrivance of local artificial shortages that enable products racketeering.”¹⁰⁸⁰

At the time, independent marketers who entered the business with the hope of making “cool money” as the public soon termed it, had gone into different mechanisms of perfecting the art of cheating unassuming consumers.¹⁰⁸¹ This was done with remarkable repercussions on the car engines of the consumers; in many cases, it “caused damages to industries or even small households.”¹⁰⁸² One participant noted that “marketers adulterated petrol using other cheaper products with the intention to increase the quantity for greater gain.”¹⁰⁸³ On the other hand, PG011 noted that the major oil marketers indulged in the “adulteration at the ports even before the imported petroleum products are distributed across the country.”¹⁰⁸⁴ But unlike other challenges in the sector, the problem of cheating consumers through adulteration of petrol with other substandard products only began in the 1990s.¹⁰⁸⁵ During his time in office before retiring in 1985, Marinho noted that:

<https://www.vanguardngr.com/2011/10/subsidy-revisit-abisoye-panel%E2%80%99s-report-gen-olanrewaju-tells-jonathan/> accessed 12 December 2018.

¹⁰⁷⁸ Ibid., p. 1.

¹⁰⁷⁹ Ingwe, Richard. "Illegal Oil Bunkering, Violence and Criminal Offences in Nigeria's Territorial Waters and the Niger Delta Environs: Proposing Extension of Informed Policymaking." *Informatica Economica* 19, no. 1 (2015). P. 13.

¹⁰⁸⁰ Marinho, F. R. A. *Nigeria's Petroleum Industry: A maverick Pioneer*. p. 297. 307.

¹⁰⁸¹ Onwioduokit, E. A., and A. O. Adenuga. "Empirical analysis of the demand for petroleum products in Nigeria." (2000).

¹⁰⁸² Lawal, Yekini Olawaiye. "Kerosene adulteration in Nigeria: causes and effects." *American Journal of Social and Management Sciences* 2, no. 4 (2011): 371-376.

¹⁰⁸³ Interview with PA09

¹⁰⁸⁴ Interview with PG05

¹⁰⁸⁵ Interview with PG01

“At the time, low priced ‘social welfare’ products, like domestic kerosene, were used to adulterate higher priced gasoline to increase profits. The phenomenon of ‘toxic’ fuels in the General Abacha era was due to the blatant blending of lower value products into imported cargoes, to increase bulk and inflate values and profits.”¹⁰⁸⁶

However, this phenomenon was done “mostly during scarcity”¹⁰⁸⁷ but one can argue that such practices could have been avoided with prompt and adequate supply of petrol in the market as consumers would have the opportunity to choose from among other options.

6.4 Oil Marketers, Democratic Transition, and Resource Curse

With the collapse of the USSR and consequent end of the Cold War, there was global upsurge toward the embrace of democracy described by Huntington as the ‘third wave.’¹⁰⁸⁸ Like many other countries across the global south, Nigeria started the move for democratization in the late 1980s.¹⁰⁸⁹ However, Nigeria’s democratic transition was aborted in 1992 when the result of the presidential election was cancelled by the “powerful ruling cabals.”¹⁰⁹⁰ Nonetheless, many events culminated in ending military rule in Nigeria including popular agitation from within and pressure from external powers.¹⁰⁹¹ Consequently, the Nigerian people who have lost trust with the military “heaved a sigh of relief” and hope for development.¹⁰⁹² However, a school of thought which appears critical of transitioning states suggest that some former non-democratic states only transitioned to semi-authoritarian regimes.¹⁰⁹³ According to Ottaway, semi-

¹⁰⁸⁶ Marinho 307

¹⁰⁸⁷ Admin “Curbing Petroleum Products Adulteration in Nigeria”, *Oil and Energy* January 30, 2012. Available at <http://www.thetidenewsonline.com/2012/01/30/curbing-petroleum-products-adulteration-in-nigeria/> accessed 13 August 2018.

¹⁰⁸⁸ Huntington, Samuel P. *The third wave: Democratization in the late twentieth century*. Vol. 4. University of Oklahoma press, 1993.

¹⁰⁸⁹ Ihonvbere, Julius, and Olufemi Vaughan. "Nigeria Democracy and civil society: The Nigerian transition programme, 1985–1993." In *Democracy and political change in sub-Saharan Africa*, pp. 83-103. Routledge, 2002.

¹⁰⁹⁰ Welch Jr, Claude E. "Civil-Military Agonies in Nigeria: Pains of an Unaccomplished Transition." *Armed Forces & Society* 21, no. 4 (1995): 593-614.

¹⁰⁹¹ Aka, Philip C. "The Dividend of Democracy: Analyzing US Support for Nigerian Democratization." *BC Third World LJ* 22 (2002): 225.

¹⁰⁹² Momoh, Abubakar. "Democracy, de-democratisation and development in Nigeria." *Nigerian Journal of International Affairs* 32, no. 2 (2006): 61-85.

¹⁰⁹³ Ottaway, Marina. *Democracy challenged: The rise of semi-authoritarianism*. Carnegie Endowment, 2013.

authoritarian regimes demonstrate a combination of democratic as well as authoritarian values:

“They are ambiguous systems that combine rhetorical acceptance of liberal democracy, the existence of some formal democratic institutions, and respect for a limited sphere of civil and political liberties with essentially illiberal or even authoritarian traits.”¹⁰⁹⁴

While semi-authoritarian regimes struggle for media attention to be seen or recognised as ‘democracies,’ its leaders are “intimidated” by the will of the people.¹⁰⁹⁵ In effect, the behaviour of leaders of semi-authoritarian regimes threatens the growth of democracy. Yet, like democracies, elections are the medium through which power is accessed.¹⁰⁹⁶ However, the elites who make up the establishment leading to the ‘transition’ to ‘democracy’ would not tolerate or embrace any move that would “threaten their power base.”¹⁰⁹⁷ It is within this perspective that one can explain the relationship between the elites and the Nigerian people. This is particularly fitting for Nigeria considering the views of scholars like Robinson et al. who noted the poor conduct of elections in countries that exhibit trends of resource curse.¹⁰⁹⁸

On the contrary, scholars like Sen have established the link between “democracy” and “freedom” noting the importance of “political freedom” or the mechanism that empowers the people to participate as well as “scrutinise” government policies.¹⁰⁹⁹ The hope that democracy may after all be the answer to the daunting task of development can be drawn from the equation of freedom as the channel through which development, and in the specific case of this study, petrol shortages, can be resolved. Considering the long years of military misrule with accompanying destruction of socio-economic and political structure, the optimism

¹⁰⁹⁴ Ibid., p. 12.

¹⁰⁹⁵ Olcott, Martha Brill, and Marina Ottaway. "The challenge of semi-authoritarianism." *Carnegie Paper No 7* (1999).

¹⁰⁹⁶

¹⁰⁹⁷ Knight, W. Andy. "Democracy and good governance." In *The Oxford Handbook on the United Nations*. 2007. p. 2.

¹⁰⁹⁸ Robinson, James A., Ragnar Torvik, and Thierry Verdier. "Political foundations of the resource curse." *Journal of development Economics* 79, no. 2 (2006): 447-468.

¹⁰⁹⁹ Sen, Amartya. "Development as freedom (1999)." *Roberts, JT, Hite, AB & Chorev, N. The Globalization and Development Reader: Perspectives on Development and Global Change 2* (2014): 525-547.

expressed by the Nigerian people on the eve of its transition to civilian rule was understandable.

According to PGA016, democratic transition has not influenced any positive change in service provision in Nigeria.¹¹⁰⁰ In fact, instead of a positive change, the “service sector has deteriorated.”¹¹⁰¹ Perhaps the explanation that best suits the inability of democracy to have strong influence over the activities of oil marketers and other negative forces within Nigeria’s oil industry can be linked to the resource curse. In the following, I argue that the return to transition did not have much impact on the menace of petrol shortages. Instead, the transition empowered the power holders and oil marketers to exploit the freedom that comes with it to continue and in some cases, exacerbate the precarious challenge posed by their activities further “engendering petrol shortages.”¹¹⁰²

6.4.1 The NNPC Cabals and the Nigerian Ports Authority

At the very least, the transition to ‘democracy’ was met with great enthusiasm from the Nigerian people who have suffered many years of military mis-governance, the result of which ‘birthed’ “fuel scarcity and deepening economic crisis.”¹¹⁰³ As noted by PG012 and PA023, the refineries were “not producing at maximum level and the monies budgeted for repairs were squandered.”¹¹⁰⁴ While the importation of petroleum products had fully resumed in 1997, the case was worse between 1999 and 2003 (Obasanjo’s first tenure after the transition) as a result of the state of the refineries noted above and also in the *Tell Magazine* issue of 17 November 2008.¹¹⁰⁵ This means that the local economy depended on the importation of petrol. As in the period before the transition in 1999, the only channel available for conducting international business involving oil was the Nigerian ports located within Nigeria’s coastal regions. Though the Nigerian Ports Authority (NPA) was set up in the second half of the 1950s, like many other public

¹¹⁰⁰ Interview with PA016.

¹¹⁰¹ Kayode, Asaju, S. Adagba, and Silas Felix Anyio. "Corruption and service delivery: the case of Nigerian public service." *Wudpecker Journal of Public Administration* 1, no. 1 (2013): 001-006.

¹¹⁰² Interview with PA017.

¹¹⁰³ Ihonybere, Julius O. "Organized labor and the struggle for democracy in Nigeria." *African Studies Review* 40, no. 3 (1997): 77-110.

¹¹⁰⁴ Interview with PA23.

¹¹⁰⁵ Bob Majirioghene, Nigeria’s Rusty Refineries, *TELL*, November 17, 2008, p.25

sectors, it was not effectively managed and the lack of up to date facilities constrained its operations.¹¹⁰⁶

During this period, marketers and NNPC deliberately impede the clearing of petroleum products at the various ports of entry.¹¹⁰⁷ As a result of delay in the discharge of ships loaded with petroleum petrol, the NNPC would be forced to pay for daily demurrage calculated at ₦12 million per day.¹¹⁰⁸ Demurrage is the fee charged by ports authority on goods such as petroleum products that overstay beyond the required number days.¹¹⁰⁹ As a standing rule, a vessel has three days to be cleared from the day of arrival at the Nigerian ports.¹¹¹⁰ According to a report published in the 3rd December 2007 issue of the *Newswatch* magazine, NNPC committed a huge sum of money for demurrage as “\$10, 000 was charged for every single vessel.”¹¹¹¹ Though the number of vessels differ, the average cleared in a day ranges from five and ten.¹¹¹² During the period under review, a dollar exchanged for ₦121:88.¹¹¹³ This implies that NNPC paid ₦1,218,000 for a single vessel. Official documents revealed the overstaying of vessels importing petroleum products for as long as three months.¹¹¹⁴ NNPC bore all the enormous charges as observed by a senior staff who was in charge of clearing demurrage:

“Usually, the poor state of facilities at the ports constrained fast discharge of vessels. This is one area in which the NNPC spent its revenue as the demurrage keeps piling up. Days into weeks, weeks into months. On our part, we are helpless as we have written to the authority to look into the issue.”¹¹¹⁵

There are a number of internal memos requesting the Ministry of Transportation to expedite action on clearing NNPC vessels when petrol shortages hit Nigeria in

¹¹⁰⁶ Emeka Okwuosa. (2006). "Nigeria Ports Concessioning Policy and Legal Implications." *Thisday*, 7 Mar. 2006.

¹¹⁰⁷ Interview with PC010.

¹¹⁰⁸ Interview with PG01.

¹¹⁰⁹ Wanke, Peter. "Ship-berth link and demurrage costs: evaluating different allocation policies and queue priorities via simulation." *Pesquisa Operacional* 31, no. 1 (2011): 113-134.

¹¹¹⁰ Interview with PA02.

¹¹¹¹ Mikali Mumuni, "Scandal on the High Sea", *Newswatch*, December 3, 2007. p48

¹¹¹² *Ibid.* p. 48.

¹¹¹³ Central Bank of Nigeria, *Bullion*, 23 February, 2002. P. 14.

¹¹¹⁴ The NNPC Archive, file No. 29370, NNPC Towers, Abuja

¹¹¹⁵ Interview with PG017.

2002 and 2004 but as I understood, the issue of infrastructural development at the ports require the full support of the presidency considering the cost, rigours and politics of budgeting.¹¹¹⁶ Besides, the oil marketers and NNPC officials took advantage of the inefficiency of the operations at the ports to “perpetuate corruption through creating artificial scarcity to force price hike as petroleum products are held up at the seaports.”¹¹¹⁷ Few months after Yar’adua came to power in 2007, the vessel *MT Minerva Xanthe* loaded with petroleum products overstayed for over ninety four days at the Rivers Port Complex, Port Harcourt.¹¹¹⁸ During the same period, *MT NS Silver* had overstayed for an accumulated eighty eight days (fully charged).¹¹¹⁹ Closely, *MT Overseas Allenmar* was charged for overstaying for about eighty three days.¹¹²⁰ Additionally, the report shows that *MT Zygi*, an oil tanker vessel registered in Cyprus, had remained at the Lagos Port Complex for ninety two days and fully charged.¹¹²¹ Again, *MT Freja Atlantic* (with evidence of registration in Malta) had been booked for overstaying with ninety three days.¹¹²² A rough calculation of the demurrage runs into billions of Nigerian currency but as noted by Audu and Osuala, “the number of days spent were often inflated and the differences shared between members of the cabals and vessel operators.”¹¹²³ This point has also been observed by a top ranking staff of NEITI, a civil society with interest in the extractive industry as seen below:

“The ports are insufficient and pressured. The state of the facilities has somehow added to the state of poor public management of the ports. All these factors also aid to sustain the interest of the ‘NNPC sharks’ who are bent on reaping from every form of challenge in the administration of

¹¹¹⁶ Ojo, Emmanuel O. "Constraints on budgeting and development plan implementation in Nigeria: An overview." *European Journal of Sustainable Development* 1, no. 3 (2012): 445-456.

¹¹¹⁷ Interview with PC010.

¹¹¹⁸ Mumuni, Mikali Scandal on the High Sea, *Newswatch*, December 3, 2007, p. 48.

¹¹¹⁹ *Ibid.*, p. 49.

¹¹²⁰ *Ibid.*, 47.

¹¹²¹ *Ibid.*, 48.

¹¹²² *Ibid.*, p. 46.

¹¹²³ Osuala, U. S. "The sublimeness of sleaze in the NNPC in the fourth republic, 1999–2007: A historical conspectus." *Journal of Culture, Society and Development* 2 (2013): 52-59. p. 28.

the downstream sector. It is in their interest to see the ports remain bad.”¹¹²⁴

6.4.2 Smuggling of Petroleum Products in the Fourth Republic

With the return to democratic rule in 1999, one would expect that the state would respond to the menace of smuggling that has constrained the supply of petrol during the military regimes. More so that the problem has been identified and mentioned in the reports of previous commissions of inquiry that were set up by previous administrations including the famous *Abisoye Commission of Inquiry* in 1994.¹¹²⁵ However, against the expectation of a proactive response that would be supported by democratic structures of governance, PC018 remarked that the “smuggling of petroleum products assumed a greater proportion.”¹¹²⁶

The damaging effect of the activities of smugglers got the attention of the Central Bank of Nigeria when the *Bullion* of September 2002 documented unreservedly the following:

“The smugglers have organised their dirty dealings by engaging even the security outfits at the less secured borders in the Northern and Southern regions of the country. As a result of the huge gains involved, these unpatriotic elements have insiders within the nation’s agencies who provide cover for the truck drivers delivering to neighbouring countries while neglecting local demand.”¹¹²⁷

In Nigeria, as it is in many parts of the world, the Central Bank reports capture the essential aspect of the economy including monetary policies but as noted by Downes and Vaez-Zadeh, there has been growing interest in the general framework of the economy.¹¹²⁸ This implies that the smuggling of petrol may have created a direct or indirect shortfall in the distribution of petrol within Nigeria with

¹¹²⁴ Interview with PC18.

¹¹²⁵ *Abisoye Commission of Inquiry 1994* was instituted to investigate the challenges of petrol shortages in Nigeria in 1994.

¹¹²⁶ Interview with PC18.

¹¹²⁷ Central Bank of Nigeria, “Smuggling on the rise” *Bullion* September 12, 2002. p. 9.

¹¹²⁸ Downes, Mr Patrick, and Reza Vaez-Zadeh, eds. *The evolving role of central banks*. International Monetary Fund, 1991.

attendant effect on the overall “health of the economy” to justify its inclusion in the Central Bank report. In 2003, the *Newswatch* magazine estimated the quantity of smuggled petrol to neighbouring states to about thirty million litres.¹¹²⁹ Again, the cost of the thirty million litres was rated to cost over a billion naira.¹¹³⁰ This report was limited to suspected cases of smuggling within the southern borders to countries such as “Cameroon, Togo and Benin Republic.”¹¹³¹

Both the CBN report and the *Newswatch* noted specific regions and routes through which petrol is smuggled across to other countries, especially within the bordering states. For example, the CBN report claimed that most of the smugglers originate from “Benue, Taraba and Adamawa.”¹¹³² An independent marketer mentioned some routes through which the business of petrol smuggling flourished to include the famous Birnin Konni town of Niger state through which petrol is driven in large trucks to Maradi-Gaya to Kondi in Sokoto across the border into Niger Republic.¹¹³³ Since Niger Republic is a major destination of Nigeria’s smuggled petrol, smugglers used another route emanating from the same Niger State to Kano through to Jigawa and Yobe, down to the border town of Gaidam and across into Niger Republic.¹¹³⁴ Yet, others prefer to go through Kano to the border town of Kongolam in Mai’adua Local Government Area of Katsina to Niger Republic (Jibia in Katsina to Maradi).¹¹³⁵ Within the Southern region of Nigeria, petrol smugglers manoeuvre from Otta, an industrial town in Ogun state (South-Western Nigeria) to Owode down to Idiroko from where they negotiate into Benin Republic.¹¹³⁶ During the 1990s, smuggling of petrol was not a popular practice among marketers but they have since join in the “capitalist greed”¹¹³⁷ of looking for ‘sources’ of greater return on petrol. For instance, notorious smugglers use the not so friendly route in the Niger Delta region, traversing “from Abuloma Jelty through Ikwerre (and in some cases Ogoni) to sale in Benin Republic.”¹¹³⁸ In fact, some of the petro-dealers who have made

¹¹²⁹ Sam Adzegeh, Nigeria’s Oil Smuggling Rings, *Newswatch*, October 13, 2003, p.33

¹¹³⁰ *Ibid.*, p. 34.

¹¹³¹ *Ibid.*, p. 36.

¹¹³² Central Bank of Nigeria, “Smuggling on the rise” p. 10.

¹¹³³ Interview with PM025.

¹¹³⁴ Leading Reporters, “Nigeria/Niger Republic Border: A New Route for Smuggling and Money Laundering” available at <https://www.leadingreporters.com/investigation/nigerianiger-republic-border-a-new-route-for-smuggling-and-money-laundering/> accessed 12 September, 2018.

¹¹³⁵ *Ibid.*, p. 2.

¹¹³⁶ Interview with PM20.

¹¹³⁷ Interview with PG10

¹¹³⁸ Interview with PM08.

fortunes from this illegal business of smuggling established “strong business presence in the neighbouring states of Niger, Chad and Benin Republic.”¹¹³⁹ The photograph below shows Nigeria Custom officials who discovered a smuggling syndicate at the Owode-Apa border communities.

Photograph 3

Compt. Mohammed Aliyu A of the Nigeria Customs Service



Source: “Fuel Scarcity: Nigeria Customs Discover Fuel Smuggling Syndicate” *ElombahNews* Jan., 23, 2018. Available at <https://elombah.com/fuel-scarcity-nigeria-customs-discover-fuel-smuggling-syndicate/> (accessed on 9 January 2020).

However, one would wonder why the smugglers of petroleum products have had unhindered access to foreign markets considering that the country has numerous border guards like custom officials with the mandate for checkmating anti-smuggling activities.¹¹⁴⁰ While the simple answer would be that the “borders are too wide with few personnel”, a closer look at the peculiar case of petrol

¹¹³⁹ Interview with PM22.

¹¹⁴⁰ The Nigeria Custom Service is principally established to check goods coming in and going out of the country.

smuggling reveals a different answer entirely. Perhaps more than anything, the following response to a question of why have the paramilitary forces failed to checkmate the activities of petrol smugglers would help to clarify the inherent challenges confronting the border agencies:

“The smugglers are shielded by high interest cabals, mostly from the nation’s oil sector. Although I have not tried to smuggle petrol, many of those involved enjoy reasonable protection. Nothing bad succeeds in this business except some high-class personalities profit from it.”¹¹⁴¹

This is not entirely new considering the manner in which highly placed citizens abuse the privilege of power stretching back to the long years of military rule has been studied by Turner.¹¹⁴² Some scholars including Mehlum et al. have long established the link between resource rich states and “weak institutions of government.”¹¹⁴³ Likewise, many scholars including Leite and Weidmann have attempted, albeit successfully to establish the connection between “resource curse and corruption.”¹¹⁴⁴ The challenge however, is the expansive influence of petrol marketers in the specific case of Nigeria which this chapter attempted to do.

On the contrary, some have argued that the smugglers do not need any form of “support from the power elite to execute their heinous business.”¹¹⁴⁵ While not exonerating the power elite, this school of thought blamed the “paramilitary organisations for providing protection or cover or accepting bribes”¹¹⁴⁶ to enable the petrol marketers to smuggle petrol across the Nigerian borders while the domestic economy suffocates from petrol thirst. Besides, Mehlum et al. contradicted the findings of Sachs and Warner that institutions have no significant influence on the curse of resource when they conclude that “institutions are

¹¹⁴¹ Interview with PM012

¹¹⁴² Turner, Terisa. "Commercial capitalism and the 1975 coup." *Soldiers and oil: The political transformation of Nigeria* (1978): 166-197.

¹¹⁴³ Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

¹¹⁴⁴ Leite, Mr Carlos, and Jens Weidmann. *Does mother nature corrupt: Natural resources, corruption, and economic growth*. International Monetary Fund, 1999.

¹¹⁴⁵ Interview with PM04.

¹¹⁴⁶ Interview with PM012

decisive for the resource curse.”¹¹⁴⁷ In the same manner as stated by Mehlum et al., a participant observed the critical role of border agencies in the flourishing business of smuggling petrol in Nigeria in the following words:

“The men at the borders are the gatekeepers. They collect bribes from smugglers in exchange for outside markets. This is the reason they struggle to influence their postings to the borderlands in order to have access to such bribes. We pay directly to them. Sometimes cash and sometimes to their bank accounts.”¹¹⁴⁸

It is possible that the custom and immigration officers at the borders are coerced into taking decisions against their will. But it is also possible that the custom and immigration officials at the border may only be part of an organised gang. There are instances where petrol marketers defy government directive not to smuggle petrol to neighbouring countries as reported by the *News Agency of Nigeria* on January 2nd 2015.¹¹⁴⁹ In any case, resource curse has been proven to be a negative force against effective governance and the case in question provides a classic example. However, there are other unwanted practices that the petrol marketers are notorious for and which forms the basis of the following analysis.

6.4.3 Unethical Practices and Price Discrimination

One of the issues that the consumers of petrol have had to grapple with is the challenge of price discrimination. According to Philips, the phenomenon of price discrimination is a situation where marketers unjustifiably sale a commodity at different prices.¹¹⁵⁰ In their work “price discrimination and social welfare” Robinson et al. noted that marketers of essential or basic commodities such as petrol have the tendency to engage in price discrimination to make more gains.¹¹⁵¹ However, price discrimination occurs more in markets with lesser

¹¹⁴⁷ Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

¹¹⁴⁸ Interview with PM21.

¹¹⁴⁹ Odumodu, J. "Petroleum marketers defy government's directive", 2nd January, 2015. Available at <http://nannews.com/2015/11/fuel-sells-for-n1600-at-black-market-in-maiduguri-as-filling-stations-refuse-to-sell/> accessed 28 December, 2018.

¹¹⁵⁰ Philips, Louis. *The economics of price discrimination*. Cambridge University Press, 1983.

¹¹⁵¹ Robinson, Joan, and Richard Schmalensee. "Price discrimination and social welfare." *Readings in Microeconomic Theory* (1997): 227.

regulatory mechanisms where “monopoly” reigns.¹¹⁵² In Nigeria, the marketers are united together under an umbrella (union) that have proven to be very cooperative, sometimes winning over serious negotiations against the government.¹¹⁵³ Unlike other practices that create petrol shortages, price discrimination in Nigeria occurs mostly in the eve of eminent petrol shortage.¹¹⁵⁴ This may be during festive seasons such as “Christmas, Easter, New Year, Sallah or any other period that the supply of petrol cannot meet the demand.”¹¹⁵⁵ The case of severe petrol shortage in 2012 led to increase in the pump price of petrol from ₦97 per litre to over ₦140 naira in different parts of the country. In spite of the wide variation in cost, the quality of the petrol was the same.

The prevalent type of price discrimination that have been found to add to the challenge of “petrol shortages during festive seasons is premium pricing.”¹¹⁵⁶ “Prestige pricing”¹¹⁵⁷ as it is commonly referred to in Nigeria involves hiking the price of goods or services with the objective to boost or heighten the status among the target population, usually the potential buyers.¹¹⁵⁸ However, the value of such “prestigious” product or services may not necessarily reflect the value as it is a mere strategy aimed at making more profit. As summarised by Wright:

“The strategy is intended to exploit the tendency for buyers to assume that expensive items enjoy an exceptional reputation or represent exceptional quality and distinction.”¹¹⁵⁹

Apart from the exploitation of petrol consumers, the practice of price discrimination has also been associated with the “adulteration of petroleum products” by marketers in order to increase the quantity for greater gain.¹¹⁶⁰ As noted above, the practice of mixing petrol with other products to increase the

¹¹⁵² Aguirre, Inaki, Simon Cowan, and John Vickers. "Monopoly price discrimination and demand curvature." *American Economic Review* 100, no. 4 (2010): 1601-15.

¹¹⁵³ This the 1980s, the Marketers have always pressured Government to increase the cost of transportation of petrol across the regions.

¹¹⁵⁴ Fajana, Sola. "Industrial relations in the oil industry in Nigeria." (2005).

¹¹⁵⁵ Interview with PM09.

¹¹⁵⁶ Interview with PM09.

¹¹⁵⁷ Yeoman, Ian, and Una McMahon-Beattie. "Luxury markets and premium pricing." *Journal of Revenue and Pricing Management* 4, no. 4 (2006): 319-328.

¹¹⁵⁸ Kumcu, Erdogan, and James E. McClure. "Explaining prestige pricing: an alternative to back-bending demand." *Marketing Education Review* 13, no. 1 (2003): 49-57.

¹¹⁵⁹ Wright, Patrick A. "7 Regulation of Petroleum Product Pricing in Africa." *Regulation* (1996).

¹¹⁶⁰ Interview with PC015.

quantity began in the 1990s with the introduction of indigenous actors, but at the turn of the new millennium, it seems it has assumed a “crisis proportion.”¹¹⁶¹

Consequently, a random survey of petrol samples in the six geopolitical zones in the country conducted by the Standard Organisation of Nigeria (SON) exposed a serious frightening degree of adulteration of petroleum products.¹¹⁶² A study of the adulterated gasoline by Osueke and Ofondu revealed the different levels at which the adulteration of petroleum products is done.¹¹⁶³ A participant explained the different levels of adulteration:

“The marketers are not alone in this greed. In fact, adulteration of petrol originated by engineers within NNPC who are lured by marketers at either the entry point or at the point of disembarkation. In effect, the operators of filling stations are the least in the strata of adulterators.”¹¹⁶⁴

The *Nigerian Tribune* reported a dire situation when Nigerians were alerted by the umbrella association of petroleum workers (PENGASSAN) about the large quantity of adulterated petrol, causing public panic in 2010.¹¹⁶⁵ Similar incident was reported by the *Vanguard Newspaper* in 2011 when accusations were thrown at the “greedy marketers.”¹¹⁶⁶ There are also cases of adulteration accredited to the filling station operators reported in the 5 January 2011 issue of *Vanguard Newspaper*.¹¹⁶⁷ Regardless of the mastermind, marketers are the beneficiaries while the innocent public bears the consequence.

In a study on the effect of adulterated gasoline in Europe, Muralikrishna and Venkata established the danger to public health through pollution and how

¹¹⁶¹ Interview PA027.

¹¹⁶² DPR “Adulterated fuel, diesel flood markets, DPR admits,” 27 September, 2013 Available at <<http://newsherald.com.ng/2013/09/27/adulterated-fuel-diesel-flood-markets-dpr-admits>> accessed 10 January 2019.

¹¹⁶³ Osueke, C. O., and I. O. Ofondu. “Fuel adulteration in Nigeria and its consequences.” *International Journal of Mechanical & Mechatronics Engineering* 11, no. 4 (2011): 32-35.

¹¹⁶⁴ Interview with

¹¹⁶⁵ Fasuyi, Adunola, “Adulterated diesel in circulation”, *Nigerian Tribune*, 05 October 2010.

¹¹⁶⁶ Uzor, N. (2011). Nigeria: Greed, Major Reason for Fuel Adulteration, Moman, Vanguard 5 January 2011, p5.

¹¹⁶⁷ Uzor, N. “Nigeria: Greed, Major Reason for Fuel Adulteration” *Vanguard* 5 January 2011, p. 5.

governments have responded to the challenge.¹¹⁶⁸ On the contrary, the need to take proactive measures toward curbing it has not occupied a “priority seat in the vehicle of development in Nigeria.”¹¹⁶⁹ Notwithstanding the negative effect of pollution, what is central to the adulteration has been the “great loss of revenue to motorists” and “fire explosion”¹¹⁷⁰ estimated by the DPR to be around ₦10 billion in cost on annual basis.¹¹⁷¹ No doubt, businesses all over the world sometimes engage in unethical practices in order to make profit.¹¹⁷² However, to achieve the goal of making profit, businesses “prioritise customer satisfaction.”¹¹⁷³ Unfortunately, where regulations are weak and the governance system is poor, businesses take advantage of the situation to exploit consumers.¹¹⁷⁴ The situation is worse because the activities of the militants further exposed consumers to informal sources of petrol. The case in Nigeria is further compounded by the prevalence of corruption induced by oil wealth. In the following, attention is given to the phenomenon of pipeline vandalism and how this has created difficulty in the supply chain of petrol within Nigeria’s economy leading to shortages.

6.5 Sabotage and Pipelines Vandalism

Since the 1960s, the people of the Niger/Delta from whence cometh Nigeria’s oil wealth have had significant disagreement with the Federal Government on issues related to resource allocation to the region.¹¹⁷⁵ The federal allocation to the region from the federal government has not been satisfactory to the aborigines who not only felt neglected but were convinced that the majority ethnic groups (Hausa, Igbo and Yoruba) were united against the minorities.¹¹⁷⁶ As a result of what the

¹¹⁶⁸ Muralikrishna, K. K. & Venkata, R. D. (2006). Studies on exhaust emissions of catalytic coated spare ignition engine with adulterate Gasoline. *Journal on Environmental Science Engineering*. 48(2), 97-102

¹¹⁶⁹ Interview with

¹¹⁷⁰ NAN, (2011), *Kerosene Explosion Kills Five in Port Harcourt*. By News Agency of Nigeria 08/02/2011

¹¹⁷¹ Siham, B. (2013). Marketing mix: An area of unethical practices. *British Journal of Marketing Studies*. 1(4), 20-28.

¹¹⁷² Hegarty, W. Harvey, and Henry P. Sims. "Some determinants of unethical decision behavior: An experiment." *Journal of applied Psychology* 63, no. 4 (1978): 451.

¹¹⁷³ Anderson, Eugene W., Claes Fornell, and Donald R. Lehmann. "Customer satisfaction, market share, and profitability: Findings from Sweden." *Journal of marketing* 58, no. 3 (1994): 53-66.

¹¹⁷⁴ Achrol, Ravi S., and Philip Kotler. "Frontiers of the marketing paradigm in the third millennium." *Journal of the Academy of Marketing Science* 40, no. 1 (2012): 35-52.

¹¹⁷⁵ Orogun, Paul S. "Resource control, revenue allocation and petroleum politics in Nigeria: the Niger Delta question." *Geo Journal* 75, no. 5 (2010): 459-507.

¹¹⁷⁶ A confidential Report of an advisory visit to Nigeria by British A. R. Melville (Ministry of Overseas Development) 22/May/1965. OD30/43 Public Record Office, Kew, London.

people of the Niger Delta felt was a conscious and deliberate act of exploitation by outside forces, Isaac Idaka Boro and other leaders like Sam Owonaro and Nottingham Dick have tried unsuccessfully to secede from Nigeria to what they named as “Niger Delta Republic” in the eve of the Nigerian Civil War in 1967.¹¹⁷⁷ Though the quest for a sovereign state was not realised, the grievances between the oil producing communities on the one hand and the government and multinational oil companies on the other hand continued sometimes leading to pipeline sabotage right from the period of oil production in 1958.¹¹⁷⁸ In the following, a close review of some of the major scenarios related to sabotage of oil facilities causing severe pressure on petrol distribution are explained.

6.5.1 Pipeline Networks in Nigeria

The distribution of Petroleum Products in Nigeria, as the case in other parts of the world is done mainly through pipelines.¹¹⁷⁹ However, the case in Nigeria is challenged by the large geographical area of 923,768 square kilometres and a large distribution mechanism across the six geopolitical zones.¹¹⁸⁰ Though exploration for oil has continued in “other parts of the country,”¹¹⁸¹ the “bulk of the country’s oil resources” is concentrated in the Niger Delta region.¹¹⁸² As a result, pipeline systems have been developed to enable the distribution of petrol and other essential petroleum products across the wide expanse of the Nigerian state. The distribution system is done through a design of pipeline systems and routes managed by the Pipeline and Product Marketing Company (PPMC).¹¹⁸³ As at 2015, the pipeline system covers an approximated 5,001 kilometres out of which 4,315 kilometres contend all kinds of petroleum products with the remaining 666 kilometres for crude oil.¹¹⁸⁴ Aside the pipelines, the country also developed 22 petroleum storage depots through which the pipelines are linked.¹¹⁸⁵

¹¹⁷⁷ Junger, S., 2007, ‘Crude Awakening’, *The Observer Magazine*, 15 April.

¹¹⁷⁸ Ukiwo, Ukoha. "From “pirates” to “militants”: A historical perspective on anti-state and anti-oil company mobilization among the Ijaw of Warri, Western Niger Delta." *African Affairs* 106, no. 425 (2007): 587-610.

¹¹⁷⁹ Pipelines distribution system has been the major means through which the distribution of petroleum products is done.

¹¹⁸⁰ Aside its huge population approximated at about 200 million people, the country is wide in scope with different topographical features.

¹¹⁸¹ Lanre Ola and Alexis Akwagyiram, “Nigeria to continue oil exploration in Lake Chad Basin despite kidnapping” *Reuters* July 31, 2017.

¹¹⁸² Ejibowah, John Boye. "Who owns the oil? The politics of ethnicity in the Niger Delta of Nigeria." *Africa Today* (2000): 29-47.

¹¹⁸³ Pipeline and Product Marketing Company (PPMC) is a subsidiary of NNPC.

¹¹⁸⁴ Okoli, Al-Chukwuma, and Sunday Orinya. "Oil pipeline vandalism and Nigeria's national security." *Global Journal of Human Social Science* 13, no. 5 (2013): 67-75.

¹¹⁸⁵ *Ibid.*, p. 70.

Similarly, the pipelines serve as the means through which crude oil is supplied to feed the four refineries, one each in Kaduna and Warri while two in Port Harcourt.¹¹⁸⁶ In all, an estimated distance of 719 kilometres is the coverage of interlinks between the pipelines, refineries and storage depots.¹¹⁸⁷ These pipelines are not equal in size or capacity. According to information available on the website of the PPMC, the sizes of the pipelines ranges from 6 to 18 thickness measured in inches.¹¹⁸⁸ In all, the storage facilities has 1,266,890 capacity for the storage of Premium Motor Spirit (PMS) or petrol, 676,400 storage capacity for the storage of Dual Purpose Kerosene (DPK) and 1 007 900 storage capacity of Automotive Gas Oil (AGO).¹¹⁸⁹ Additionally, the depots have 74 000 storage capacity dedicated to the storage of Aviation Turbine Kerosene (ATK) m3.¹¹⁹⁰ Table 2 below provides a brief description of the pipeline systems in Nigeria, including their locations and routes across the country.

¹¹⁸⁶ Ogbuigwe, Anthony. "Refining in Nigeria: history, challenges and prospects." *Applied Petrochemical Research* 8, no. 4 (2018): 181-192.

¹¹⁸⁷ *Ibid.*, p. 186.

¹¹⁸⁸ Pipelines Product Marketing Company (PPMC) available at <http://ppmc.nnpcgroup.com/Pages/Home.aspx>

¹¹⁸⁹ Federal Government of Nigerian, *Report of the Special Committee on the Review of Petroleum Product Supply and Distribution 2000*, Ministry of Petroleum Resources, Abuja. p. 10.

¹¹⁹⁰ *Ibid.*, p. 33.

Table 2**Oil Pipelines System in Nigeria**

| | |
|---------------|---|
| 1. System 2A | Warri Benin-Ore-Mosimi |
| 2. System 2AX | Auchi-Benin |
| 3. System 2B | (a) Atlas Covc-Mosimi-Ibadan-Ilorin (b) Mosimi-Satellite (Ejigbo in Lagos) (c) Mosimi-Ikeja |
| 4. System 2C | Escravos-Warri –Kaduna (crude lines) |
| 5. System 2D | (a) Kaduna-Zaria-Kano-Zaria-Gusau (b) Kaduna-Jos-Gombe-Maiduguri |
| 6. System 2E | PH-Aba-Enugu-Makurdi |
| 7. System2EX | PH-Aba-Enugu-Makurdi-Yola |
| 8. System2CX | (a) Enugu-Auchi (interconnection) (b) Auchi-Suleja-Kaduna (c) Suleja-Minna |
| 9. System 2DX | Jos-Gombe |

Source: Website of Pipelines Product Marketing Company (PPMC) (<http://ppmc.nnpcgroup.com/Pages/Home.aspx>)

From inception in the 1970s, the government ensured that it obtained a specific design of 3.5 metres as “right of way” on all the pipeline routes for the sole purpose of protecting the pipelines from intruders.¹¹⁹¹ This 3.5 metre space is on both sides of the pipeline routes. Besides, the pipelines are covered up about a metre below the ground to prevent sabotage or accidental contacts that may be dangerous to human life.¹¹⁹² However, these measures have not prevented attacks on the pipelines as the *Report of the Special Committee on the Review of Petroleum Product Supply and Distribution* have indicated that the “integrity and safety” of the pipelines have been compromised, adding pressure to the challenge of adequate and prompt supply of petrol in Nigeria.

6.6 Pipeline Vandalism and Sabotage

During the second phase of the activities of vandals, militancy has been introduced to the struggle for greater resource allocation to the region, compounding the challenge of petrol distribution, mostly leading to petrol shortages.

¹¹⁹¹ Ibid., p. 19.

¹¹⁹² NNPC Archives, File no. 903657, Federal Capital Territory, Abuja.

The democratisation project in the late 1980s which was part of the general framework of the structural adjustment programme supported by the International Financial Institutions (IFI) had failed to dislodge the military in power, especially after the annulment of the presidential election by Babangida Junta.¹¹⁹³ In spite of the bewilderment caused by the annulment of the general election to the democratic project as a whole, the public, especially civil liberty organisations (CLOs) seized the opportunities of the little freedom to debate issues that bothers on the “national question”¹¹⁹⁴ which were previously denied. The failed democratic project however dashed the hope of the minority groups and the Niger Delta who were convinced beyond reasonable doubt that confronting the federal might on the injustices that have suffocated the people of the region. Saro-Wiwa, a revered environmentalist, described the nature of the exploitation of the region as equivalent to “killing the goose that lays the golden egg.”¹¹⁹⁵

As a result of many years of perceived suppression, the people of the Niger Delta and Ogoni in particular started a movement for a separate state.¹¹⁹⁶ The mobilisation began when in 1990, the clan heads of the Ogoni people summoned courage and presented to the then military regime of General Babangida, what was code-named “Ogoni Bill of Rights.”¹¹⁹⁷ Aside the formal lamentation of political and economic neglect of the communities by both the federal and state authorities, lack of political inclusion, and the question of a vague federal system, were among other issues that birthed the “Ogoni Bill of Rights” which proposed “political autonomy” for the Ogoni people, “to participate in the affairs of the Republic as a distinct and separate unit.”¹¹⁹⁸ The referral to the marginalisation of the Ogoni people through coordinated actions of the majority ethnic groups, as understood by Saro-Wiwa, was nothing short of genocide.¹¹⁹⁹ No doubt, some of

¹¹⁹³ Nwosu, Humphrey N. *Laying the Foundation for Nigeria's Democracy: My Account of the June 12, 1993 Presidential Election and Its Annulment*. Page Publishing Inc, 2017.

¹¹⁹⁴ The 'national question', as used by the leaders of different ethnic and social organizations dissatisfied with the structure of power sharing and resource allocation in the federation, refers to how to restructure the federation in a manner acceptable to the constituent sections.

¹¹⁹⁵ Saro-Wiwa, Ken. *Genocide in Nigeria: the Ogoni tragedy*. Vol. 18. Saros International Pub, 1992.

¹¹⁹⁶ Osaghae, Eghosa E. "The Ogoni uprising: oil politics, minority agitation and the future of the Nigerian state." *African affairs* 94, no. 376 (1995): 325-344.

¹¹⁹⁷ Garrick Leton quoted in E. Efeni “Agony of Ogoni” *The Guardian* (Lagos), 28 December 1992, p. 7

¹¹⁹⁸ The Ogoni Bill of Rights was a well-articulated declaration of the philosophy and motive of the Ogoni people which was adopted by the Ogoni people on 26 August 1990 and presented to the then Federal Military Government in November 1990.

¹¹⁹⁹ Saro-Wiwa, Ken. *Genocide in Nigeria: the Ogoni tragedy*. p. 2.

the demands of the organisation are legitimate concerns that would later dominate national discourse, especially the quest for restructuring that has become the most popular topic for national dialogue.¹²⁰⁰

Unfortunately, the demands of the “Ogoni people in one hand and the Niger Delta in general felt on deaf ears.”¹²⁰¹ This was not surprising considering the posture of the military juntas who perceived popular agitations as a threat to their continuous stay in power. To make matters worse, Saro-Wiwa and eight others were killed by the regime of General Sani Abacha.¹²⁰² The killing of environmental activists created greater animosity between the Niger Delta people and the Nigerian government and multinational corporations who are arguably the “ultimate beneficiaries of the oil wealth in the region.”¹²⁰³ Our concern with this section is with the increased animosity between the region and the government which was partly caused by the killings and continuous suppression of the region leading to massive security challenges. With the degeneration of security conditions, vandalism of oil pipelines assumed greater proportion and added to the pressure of petrol shortages in the larger Nigerian state as discussed below. In Table 2 below, the phenomenon of pipeline vandalism increased significantly in the 1990s following the killing of Ken Saro-Wiwa.

Table 3
Reported Cases of Pipeline Vandalism and Rupture in the 1990s

| Case | 1993 | 1994 | 1995 | 1996 | 1997 |
|-----------|----------|---------|----------|---------|-----------|
| Rupture | 10 (58) | 10 (55) | 9 (55) | 16 (34) | 11 (24.5) |
| Vandalism | 7 (31.2) | 8 (45) | 7 (45.2) | 33 (68) | 54 (75.5) |
| Total | 17 | 18 | 16 | 49 | 45 |

| Case | 1998 | 1999 | 2000 | Total |
|-----------|-----------|------------|------------|--------------|
| Rupture | 24 (296) | 27 (52) | 36 (4.5) | 179 (7.6) |
| Vandalism | 57 (70.4) | 497 (70.4) | 764 (95.5) | 2,191 (92.4) |
| Total | 81 | 524 | 1,600 | 2,350 |

Source: PPMC Archive

NB: Figures in round brackets represent the percentage of the occurrences.

¹²⁰⁰ Today, restructured is perhaps one of the most used words in Nigeria’s politics. It has assumed prominence from decades of agitations like the case of the Ogonis.

¹²⁰¹ Interview with PA026.

¹²⁰² Pegg, Scott. "Introduction: On the 20th anniversary of the death of Ken Saro-Wiwa." *The Extractive Industries and Society* 2, no. 4 (2015): 607-614.

¹²⁰³ Interview with PC03.

The tension which was mounted as a reaction to the killing of Saro Wiwa and nine others transformed the relationship between the region and the federal government/oil corporations from accommodation to militant agitation, constraining petrol supply. Another table (4) provided below, shows significant increment in the cases of pipeline vandalism in Nigeria, rising from a negligible seven cases in 1995 to about 500 at the end of the 1990.

Table 4
Yearly Representation of the Cases of Pipeline Vandalism from 1995 to 1999

| Year | Number of Incidents | Remarks |
|-------------|----------------------------|---------------------|
| 1995 | 7 cases | Reported cases only |
| 1996 | 33 cases | Reported cases only |
| 1997 | 34 cases | Reported cases only |
| 1998 | 57 cases | Reported cases only |
| 1999 | 497 cases | Reported cases only |

Source: *Report of the Special Committee on the Review of Petroleum Product Supply and Distribution 2000*. p. 4.

The effect of pipeline vandalism has been noted as a major constraint to the regular supply of petroleum products by Akpoghomeh and Badejo:

“Oil pipeline vandalism/sabotage is the most disturbing threat to the regular supply and distribution of petroleum products in Nigeria and one of the causes of the perennial fuel scarcity in many parts of Nigeria. This is because wherever pipelines are vandalized, petroleum products supplies are cut off on that segment. In other words, product supplies to the affected destination will be temporarily disrupted when the vandalized points are shut out.”¹²⁰⁴

¹²⁰⁴ Akpoghomeh, Osi S., and Dele Badejo. "Petroleum product scarcity: a review of the supply and distribution of petroleum products in Nigeria." *OPEC review* 30, no. 1 (2006): 27-40. p. 30.

The photograph below shows how oil is gotten from a vandalized pipe.

Photograph 4

Vandalized Pipeline in Delta State, Nigeria



Source: "Pipeline vandalism rises by 91% in one month" *Orient Energy Review* 2, 2017.

As discussed below, a close study of the sabotage and vandalism of oil facilities reveals two motivations; criminal elements and political vandalism. According to one participant, both the political vandalism and criminal syndicates exploit the security situation created by the unhealthy relationship between the federal government and the exploited Niger Delta region. In seeking to make meaning of the internal variations among the insurgent groups, one can relate Michael Ross thesis on the dual outcome of vandalism, namely "lootability and obstructability."¹²⁰⁵ That is to say, they either are part of a criminal syndicate or are a political force but all acting to produce two outcomes; to either loot the oil or obstruct production (refining processes), leading to petrol shortages. The

¹²⁰⁵ Ross, Michael L. "Oil, drugs, and diamonds: The varying roles of natural resources in civil war." *The political economy of armed conflict: Beyond greed and grievance* (2003): 47-70.

following subsections explained these two channels through which petrol shortages in Nigeria can be understood.

6.6.1 Criminal Syndicates

The transition to civilian rule in 1999 may have opened the hitherto closed doors of freedom to conduct legitimate businesses but it has not closed the door for criminal activities as Okoli noted that the activities of criminal elements relating to “pipeline vandalization has been on geometrical increase.”¹²⁰⁶ Records from the Annual Report of the Nigerian Extractive Industry Transparency Initiative for the year 2004 shows that the NNPC pipeline network in the Port Harcourt axis alone has been subjected to six hundred attacks.¹²⁰⁷ In each of the pipeline attacks, suspected criminal elements were blamed. However, three years later (2006), the number of recorded cases have been close to triple as a figure of about 1, 650 pipeline vandalism has been documented.¹²⁰⁸ More robustly, the *Thisday* (Lagos) noted that the activities of pipeline vandalism in the Warri axis of the Niger Delta increased from about 100 to 600 reported cases in 2007.¹²⁰⁹ Multiple sources confirmed that the attacks have led to the loss of millions of barrels of oil with significant implication on steady supply of petrol to the Nigerian market.¹²¹⁰ Unfortunately, the phenomenon of pipeline vandalism which was perceived as limited to and associated with the Niger Delta in almost exclusive terms, “have spread to other regions of the country.”¹²¹¹ The NNPC pipeline which runs through Kaduna and Jos to Gombe state and up to Maiduguri became the target of the vandals. Rationalising the spread to the Northern part of the country, a participant noted the following:

“In the North just like in the South, we have recorded an increasing attack on the pipelines by disgruntled elements who are desperate to make

¹²⁰⁶ Okoli, Al-Chukwuma, and Sunday Orinya. "Oil pipeline vandalism and Nigeria's national security." *Global Journal of Human Social Science* 13, no. 5 (2013): 67-75.

¹²⁰⁷ NEITI Annual Report of the Nigerian Extractive Industry Transparency Initiative, 2004. p. 23-44.

¹²⁰⁸ Ikelegbe, Augustine. 2008. Popular and criminal violence as instruments of struggle: The case of youth militia in the Niger Delta region. Paper presented at NAIIPRIO Workshop on Violent Conflict in the Niger Delta, Oslo, August 18-19.

¹²⁰⁹ Amanze-Nwachukwu, Chika, and Ahamefule Ogbu. "Kupolokun cries over pipeline vandalisation." *Thisday* (Lagos) 15th November, 2007. p. 14.

¹²¹⁰ Komolafe, Funmi & Hector Igbikiowubo "Nigeria: FG Loses \$1bn to N-Delta Militants", *Vanguard* 21 March 2006. P. 14.

¹²¹¹ Interview with Part PC13.

money by any means possible. The only difference may be in the quantity being stolen. The effect on fuel scarcity however, seems to be constant.”¹²¹²

It appears there are two compelling theories that explain the spread of the activities of vandals to almost all the major areas hosting petroleum product pipeline systems in Nigeria. The first theory accredited the spread of vandalism to the growth in the knowledge of criminal activities and expertise on the side of the vandals. This view is shared by many commentators including Okoli and Orinya as quoted below: ¹²¹³

“The vandals appear to have acquired more criminal discipline, sophistication and efficiency in perpetrating oil pipeline vandalism with apparent ease and impunity. So, the incidence has been escalating.”¹²¹⁴

While it is true that the techniques employed by vandals have been nearly perfected as a result of the increased number of graduates who are specialists in the knowledge of the oil industry and have not secured jobs, it is also true that vandalism has been associated with “risks of lives and property.”¹²¹⁵ For example, the *Times* (London) reported the case of the “Jesse fire disaster” which occurred in 1998 as a result of the activities of vandals scampering for petrol leading to the killing of about 1,082 persons including the vandals.¹²¹⁶ Similarly, the Egborode, “Oviri Court fire” incident was also accredited to the nefarious activities of vandals, killing over 250 people.¹²¹⁷ The point being made is that the disastrous consequences would have been avoided if the skills and sophistry of the vandals is anything but true.

¹²¹² Interview with PA11.

¹²¹³ Okoli, Al-Chukwuma, and Sunday Orinya. "Oil pipeline vandalism and Nigeria's national security." *Global Journal of Human Social Science* 13, no. 5 (2013): 67-75.

¹²¹⁴ Okoli, Al-Chukwuma, and Sunday Orinya. "Oil pipeline vandalism and Nigeria's national security." *Global Journal of Human Social Science* 13, no. 5 (2013): 67-75.

¹²¹⁵ Onuoha, Freedom C. "Vandals or victims? Poverty, risk perception and vulnerability of women to oil pipeline disasters in Nigeria." *Gender and Behaviour* 6, no. 2 (2008): 1897-1924.

¹²¹⁶ Orr, David (October 20, 1998). "Blast victims were scrambling for fuel". *The Times* (London). p. 14.

¹²¹⁷ Adekeye, Fola "Nigeria: Month of Death: Pipeline Explosions in Delta State Kill More Than 500", *Newswatch* (Lagos) 31 July, 2000. P. 17.

The position above does not seem to provide an elaborate perspective on the phenomenon as even the Nigerian press have not specifically mentioned the factor of 'increased knowledge' on pipeline vandalism on the side of the perpetrators. However, it is safe to assume that those in the North may have been lured to the act by the huge prosperity that accompanies it in spite of the occasional risks that the deal is increasingly being associated with. In fact, many commentators including Okpo and Eze¹²¹⁸ as well as Onuoha¹²¹⁹ have attributed the spread of pipeline vandalism to poverty. The attraction it provides has been cogently captured by Adeniyi in an interview he conducted with a member of one of syndicates, published in the *Thisday Newspaper* editorial of 18 January 2007:

“If we don’t scoop fuel from here, hunger will kill us. If we die from an explosion here, it is still death out of want. We might as well stay here, scoop and hope to survive.”¹²²⁰

Arguably, the bulk of the country’s revenue have been squandered by the elites and most recently it has been named as the “poverty capital of the world,”¹²²¹ a position earned as a result of hosting the highest number of poor people in the world.¹²²² Therefore, the value of the poverty thesis derives its strength and relevance from the large pool of poor people and rising unemployment among the youths.

Though the theses on the cause of widespread pipeline vandalism in Nigeria appears convincing, the empirical data introduced an alternate view or thesis. The added perspective argues that “independent oil marketers are indirectly related to the phenomenon of pipeline vandalism because they “act in proxy or sponsor vandals in order to sale to them at cheap rates for the benefit of greater profit margins”¹²²³ - a familiar capitalist orientation. The central position of this view is

¹²¹⁸ Okpo, Oteh Chukwemeka, and R. C. Eze. "Vandalization of oil pipelines in the Niger Delta region of Nigeria and poverty: An overview." *Studies in Sociology of Science* 3, no. 2 (2012): 13-21.

¹²¹⁹ Onuoha, Freedom. "Poverty, pipeline vandalisation/explosion and human security: Integrating disaster management into poverty reduction in Nigeria." *African Security Studies* 16, no. 2 (2007): 94-108.

¹²²⁰ Adeniyi, Olusegun "Playing with fire (1)", *Thisday* (Lagos), 18 January 2007. p. 15.

¹²²¹ Emejor, Chibuzor "Nigeria As The Poverty Capital Of the World Very Embarrassing—Group", *DCF Global Reporters*,

¹²²² Aiyedogbon, John O., and Bright O. Ohwofasa. "Poverty and youth unemployment in Nigeria, 1987-2011." *International Journal of Business and Social Science* 3, no. 20 (2012).

¹²²³ Interview with PC030.

that pipeline vandalism and related activities has prospered many individuals and its booming prosperity has attracted powerful members of the Nigerian society regarded as “vandalism barons.”¹²²⁴ The foundation of this perspective can be traced to the position of the *Special Committee on the Review of Petroleum Product Supply and Distribution* set up by the Obasanjo administration in 2000 which linked the activities of vandals to powerful entrepreneurs in the Nigerian oil sector.¹²²⁵ Also, this sentiment has been shared by a member of the research team of the NEITI who made the following observation:

“Some of the filling station operators now rely on cheap supply deals from the vandals. There are those who have gone further to support the vandals and protect them from being prosecuted in the event they are caught by the civil defence corps. In some regions like the south, it is a well organised syndicate with so much gain to the perpetrators.”¹²²⁶

Table 5 below provides a brief summary of a decade of pipeline vandalism linked to criminal elements fronting for oil marketers around the vast expansion of the Nigerian pipeline system earlier discussed in section 6.5.1 (Pipeline Networks in Nigeria) above.

Table 5
Reports on Pipeline Vandalism Between 2002 to 2012

| PIPELINE SYSTEM | PIPELINE ROUTE | NO OF BEAKS (%) |
|------------------------|--|------------------------|
| System 2E/2Ex | Port-Harcourt-Aba-Enugu-Markudi-Yola | 8.105 (50.3%) |
| System 2A | Warri-Benin-Suleja/Ore | 3.295 (20.2%) |
| System 2B | Atlas Cove-Mosimi-Satelite-Ibadan-Ilorin | 2,440 (%not indicated) |
| System 2c-1 | Warri-Escravos | 74 (%not indicated) |
| Gas System | Trans-Forcado | 55 (%not indicated) |

Source: NNP Magazine, 12 April, 2014. p. 23.

¹²²⁴ Interview with PA04.

¹²²⁵ Special Committee on the Review of Petroleum Product Supply and Distribution 2000: 11.

¹²²⁶ Interview with PA03.

It will be difficult to dispel the opinion linking the activities of the vandals with “oil marketers because they usually sell whatever they got from pipeline vandalism to the marketers; the petrol gotten from vandalism ends up in the filling stations.”¹²²⁷ More worrisome is the increase in the activities of the vandals in the face of increased federal allocations (huge sums of money are budgeted) to contain it.¹²²⁸ Even the transnational corporations have devoted significant resources toward curbing the menace of vandalism.¹²²⁹ Perhaps the marketers are not acting alone as revealed in the following observation made by one participant who extravagantly linked the marketers with powerful members of the establishment in the following:

“It takes an insider to know the pipeline network and the places to vandalise. This insider may either be working directly with vandalism syndicates or are themselves the organisers of the nefarious acts. On the other hand, when you consider the technicalities involved in breaking a product pipeline, it would be hard to convince anyone that there is no collusion between NNPC staff, powerful demigods and the perpetrators.”¹²³⁰

According to Njoku, the challenge pose by the activities of the pipeline vandals has assumed an “international dimension,”¹²³¹ by the first two years of democratic transition. Perhaps more challenging has been the obstruction of the supply of petrol to the Nigerian consumers as reported in the *Punch* newspaper of 21, May 2019.¹²³² While the activities of local vandals are targeted at local facilities within the territorial boundaries of Nigeria, the international syndicate of pipeline vandalism essentially focussed on “scooping crude oil for sale on the international

¹²²⁷ Interview with PA02.

¹²²⁸ Okere, R. “NNPC spends N103.4 billion to protect oil pipelines in one year”, *The Guardian*, Monday, March 28, 2016, p. 1.

¹²²⁹ “Pipeline sabotage: Chevron deploys resources to tackle spill”, *The Guardian*, Wednesday, May 11, 2016, p51.

¹²³⁰ Interview with PA02.

¹²³¹ Njoku, Alphonsus O. "Oil pipelines vandalism and its effects on the socio-economic development in Nigerian society." *International Journal of Multidisciplinary Academic Research* 4, no. 4 (2016): 47-60.

¹²³² Aluko, Olaleye “Pipeline vandalism: Nigeria loses N163.17bn in six years”, *Punch* May 21 2019. P.2.

market.”¹²³³ Again, while local vandalism is conducted by vandals spread throughout the regions, the activities of international vandalism is dominated by “unscrupulous elements in the Niger Delta” in collaboration with external forces.¹²³⁴ This phenomenon has heighten in past eight years leading to the loss of billions of dollars (estimated \$12 billion dollars was loss within two years)¹²³⁵ as noted by the then Minister of Finance:

“NNPC said that an average of about 150,000 barrels per day were being lost to theft via siphoning from the pipelines. But the impact was well beyond the amounts stolen. Pipeline vandalization, using increasingly sophisticated underwater equipment was causing companies to implement large shut-ins (shut-down of an entire pipeline that is carrying petroleum products), up to an average of about 400,000 barrels per day, leading to huge revenue losses of 1 billion per month.”¹²³⁶

The position that Nigeria loses about a billion dollar a month was reiterated by *Oil Change International* which quoted Iweala, Nigeria’s former finance minister.¹²³⁷ Unfortunately, not enough steps were taken beyond the usual engagement of security forces who have been “complicit actors in the act of pipeline vandalism.”¹²³⁸ Perhaps the growing speculation of the involvement of security forces in the act of vandalism (the very act they are meant to guard against) informed Tamonu’s contention that the soldiers and the powerful political elements were responsible for the major cases of pipeline vandalism in Nigeria.¹²³⁹ By 2016, the *New Telegraph* reported that Nigeria may risk the loss

¹²³³ Yusuf, A., “Nigeria loses 150,000 barrels of oil export daily”, *New Telegraph*, October 1, 2015, p.1.

¹²³⁴ Tamuno, T.N., *Oil wars in the Niger Delta 1849-2009*, Ibadan: Stirling-Horden, Publishers Ltd, 2011, p. 199.

¹²³⁵ Yusuf, A., “Nigeria loses 150,000 barrels of oil export daily”. p. 198.

¹²³⁶ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018. p. 41.

¹²³⁷ Rowell, Andy “Nigeria Loses \$1 billion a Month in Oil Theft,” *Oil Change International* June 27 2012. <http://priceofoil.org/2012/06/27/nigeria-loses-1-billion-a-month-in-oil-theft/> accessed in 22 January 2018.

¹²³⁸ *Ibid.*, p. 1.

¹²³⁹ Tamuno, Tekena N. *Oil wars in the Niger Delta 1849-2009*, Ibadan: Stirling-Horden Publishers Limited (2011). P. 199.

of over ₦1.4 billion a day to the activities of oil theft.¹²⁴⁰ An investigation conducted by the Royal Institute for International Affairs otherwise known as the *Chatham House* established that most of the stolen oil from Nigeria are sold in countries such as the United States, a handful of countries within the West African community, Asian states of China, Thailand and even the Balkans.¹²⁴¹

Similarly, in 2016, the *Vanguard* (Lagos) quoted Nigeria's junior minister of petroleum resources lamenting the loss of 800,000 barrels of oil to pipeline vandalism on daily bases.¹²⁴² But perhaps what is most surprising is how stolen oil from the Nigerian shore has been accepted in Western countries and the proceeds lodged in major banks within the destination countries. Possibly the answer may not be far from the position of a Nigeria academic who noted the following:

“In business as in politics, countries are mainly driven by gains from interacting with others. In spite of the verbal expression by Western countries to stem out ‘dirty oil businesses on the high seas, the reality is that they are not committed to helping to resolve the challenge because of the gains derived from it.”¹²⁴³

The position above stands in contrast to the familiar scepticism of Collier, who has long held the view that oil cannot be subjected to looting.¹²⁴⁴ Therefore as seen above, like any resource, oil can be looted and in the specific case in Nigeria, it has constrained the supply of petrol in Nigeria.

6.6.2 Politically Motivated Vandalism

While the case of criminal vandalism linked to the oil marketers and highly influential members of the Nigerian upper class has been discussed above, the

¹²⁴⁰ Yusuf, A., “Nigeria risks N1.4bn daily oil income losses”, *New Telegraph*, Tuesday, May 12, 2016, p. 4.

¹²⁴¹ *Chatham House Report*, “Collective Action on Corruption in Nigeria, a Social Norms Approach to Connecting Societies and Institutions” 19 May, 2017.

¹²⁴² akintayo eribake “Crude oil: Nigeria loses 800,000 barrels daily to pipeline vandalism”, <https://www.vanguardngr.com/2016/05/crude-oil-nigeria-loses-800000-barrels-daily-to-pipeline-vandalism-kachikwu/>

¹²⁴³ Interview with PA06.

¹²⁴⁴ Collier, Paul. "Bottom billion." *The Blackwell Encyclopedia of Sociology* (2007): 1-3.

following identified some elements of vandalism that may not be essentially motivated by politics but have been associated with the struggle for resource control in the Niger Delta region. As noted in section 5.6 entitled “the Second Phase of Pipeline Vandalism and Sabotage” in the Niger Delta, the transformation of the Niger Delta struggle from a hitherto peaceful demonstration to militant engagement against the state, birthed “political vandalism.”¹²⁴⁵ The politically motivated vandalism is coordinated by organised groups such the Niger Delta People’s Volunteer Force (NDPF) headed by Asari Dokubo; Niger Delta Vigilante (NDV) steered by Ateke Tom; Movement for the Emancipation of the Niger Delta (MEND) led Goodswill Tamuno, among other smaller ethnic platforms which formed the basis for mobilisation.¹²⁴⁶ At the centre of the struggle is the desire by these groups to push for greater political and economic benefits for the region as captured below:

“...militant activities between 1999-2009 were essentially political actions directly against Nigerian state and multinational oil companies aimed at creating greater awareness about the environmental degradation in the Niger Delta region. It also served as a pressure point for the purpose of ultimately compelling the government to improve the socio-economic conditions of the people of the Niger Delta region.”¹²⁴⁷

It is within the mandate of the various militant groups to fight for the people of the region through engaging in violent attacks on the pipelines of the NNPC and transnational corporations as means of pressing for greater attention.¹²⁴⁸ The motives of the different militant groups are not entirely the same but not too different from the general interest of a fairer deal with the federal government and

¹²⁴⁵ Njoku, Alphonsus O. "Oil pipelines vandalism and its effects on the socio-economic development in Nigerian society." *International Journal of Multidisciplinary Academic Research* 4, no. 4 (2016): 47-60. P. 54.

¹²⁴⁶ Asuni, Judith Burdin. *Understanding the armed groups of the Niger Delta*. New York: Council on Foreign Relations, 2009.

¹²⁴⁷ Njoku, Alphonsus O. "Oil pipelines vandalism and its effects on the socio-economic development in Nigerian society." P. 54

¹²⁴⁸ Obi, Cyril. "Nigeria's Niger Delta: Understanding the complex drivers of violent oil-related conflict." *Africa Development* 34, no. 2 (2009).

the oil companies.¹²⁴⁹ These different militant groups are supported by “high ranking political elements”¹²⁵⁰ who have held years of grievances and are opposed to the Northern oligarchies and their conspirators who have continued to “politicise the distribution of oil revenue.”¹²⁵¹ In other words, the politicians who support the militant groups are not pleased with what Watts saw as the complex complications between ‘Big Oil’ and Nigerian ‘Oilgachies.’¹²⁵² While these attacks no doubt created a shortfall in the projected revenue of the state, more importantly, it has continued to induce ‘petrol thirst’ as most of the “pipelines are subjected to violent attacks on almost persistent basis.”¹²⁵³

According to the Department of Petroleum Resources, the attacks on pipelines by these militant bodies increased in 2006 when an estimated \$2.18 billion was lost.¹²⁵⁴ If the figure supplied is true, then it represented about 32 percent of the annual revenue for the year 2006. Before then, government estimates show that about \$6.8 billion were lost to insurgent activities in the period 1999 to 2005.¹²⁵⁵ The significant increase in the loss of national wealth is attributed to “unrest and violence” was recorded by Shell to be within the range of 60 to \$61 million on a daily basis in the months of the last quarter of 2006.¹²⁵⁶ Even Mr Edmund Dokoru who had been reinstated following the 1993 saga which led to his suspension (noted in section 5.3.2 entitled “The Oil Marketers in the 1990s”) and later elevated to the position of the GMD of NNPC noted that ₦7.5 billion was lost to the activities of the militants in the Niger/Delta. The severity of the upsurge in militant attacks on oil facilities became obvious when an amalgamation of militant groups warned of an eminent “all-out attack on oil operating companies.”¹²⁵⁷

¹²⁴⁹ Ikelegbe, Augustine. "Beyond the threshold of civil struggle: youth militancy and the militia-ization of the resource conflicts in the Niger Delta region of Nigeria." (2006).

¹²⁵⁰ Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." *Review of African Political Economy* 34, no. 114 (2007): 637-660.

¹²⁵¹ Courson, Elias. *Movement for the emancipation of the Niger Delta (MEND): Political marginalization, repression and petro-insurgency in the Niger Delta*. Nordiska Afrikainstitutet, 2009.

¹²⁵² Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." *Review of African Political Economy* 34, no. 114 (2007): 637-660. p. 648.

¹²⁵³ Onoyume, J., "Vandals, Cultists, Political war affecting our operations – Total", *Vanguard*, Thursday, May 19, 2016, p. 33.

¹²⁵⁴ Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." P. 647.

¹²⁵⁵ Alike, Ejiofor "Kachikwu Clarifies Nigeria's \$100bn Loss to Militancy in Niger Delta" *ThisDay* February 21, 2017. P. 6.

¹²⁵⁶ Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." P. 647.

¹²⁵⁷ *The Observer*, 5 November 2006.

Even the elevation of the Niger Delta indigene (Mr Ebele Jonathan) to the status of a Vice President following the general election of 2007 did not appease the militants.¹²⁵⁸

One question which may not be directly related to the study but relevant to the understanding of the situation in the Niger Delta is to attempt the examination of the sources of funding for the violent protest by rebellious groups. Perhaps based on Garton's thesis which concluded that wagging violent protest against the state and corporations is costly,¹²⁵⁹ Collier maintained that oil serves as the major resource that is being used by militant groups to wage violent protest against the state and transnational corporations. As he noted, the militants engage in the looting of oil resources to support their agenda and thus "rebellion is a large scale predation of productive activities."¹²⁶⁰ Following from Collier's position, substantial attention was drawn to writers who according to Watts explored the character of oil as a source of predation.¹²⁶¹ The case in the Niger Delta has clearly manifested or reflected this logic and have convincingly remained so. Our concern in this section is not to attempt to assert the logic of Collier's observation but to posit that the rebellion within the region has constrained the normal distribution of petrol to the Nigerian economy. Therefore, oil has served as an agent that induces petrol thirst as networks of supplies are not only affected but that oil is diverted toward funding political objectives.

There are two ways in which the political vandalism manifests. First, attacks on pipelines for the sole purpose of obstructing production, refining and transportation, a phenomenon described as 'obstructability.'¹²⁶² On the other hand, oil is being looted through violent means, a phenomenon described by Ross as "lootability."¹²⁶³ In an attempt to answer the question of how has the activities of militant groups affect the supply of petrol? A marketer noted the following:

¹²⁵⁸ Monica Mark "Goodluck Jonathan: from poor boy to accidental president" *The Vanguard* (London) Sun 18 Jan 2015

¹²⁵⁹ Garton, Stephen. *The cost of war: Australians return*. Melbourne: Oxford University Press, 1996.

¹²⁶⁰ Collier, Paul, and Nicholas Sambanis. "Understanding civil war: A new agenda." *Journal of Conflict Resolution* 46, no. 1 (2002): 3-12.

¹²⁶¹ Watts, Michael. "Economies of violence: More oil, more blood." *Economic and Political Weekly* (2003): 5089-5099.

¹²⁶² Ross, Michael. "Oil, drugs, and diamonds: How do natural resources vary in their impact on civil war." *The political economy of armed conflict: Beyond greed and grievance* (2003): 47-67.

¹²⁶³ Ross, Michael. "Oil, drugs, and diamonds: How do natural resources vary in their impact on civil war." *The political economy of armed conflict: Beyond greed and grievance* (2003): 47-67.

“Whenever the boys are out on rampage, the region through which oil emanates is completely locked down. They create fear through kidnapping of oil workers. Even tanker drivers who would lift oil won’t be able to penetrate. When this happens, it is natural for us to increase the price of petrol that is within our reach. In short, the scampering for the little available petrol would naturally push the price. Though these activities remain condemned, we tend to benefit from it.”¹²⁶⁴

Both local and international news outlets reported different cases of kidnapping by militants, especially, from 2002 and 2015.¹²⁶⁵

The question that readily comes to mind is why have the security forces not acted in a manner that can minimise or curtail the activities of the rebellious groups? In other words, why has the Joint Task Force (JTF) established by the Obasanjo’s government not been able to neutralise the militant groups? The answer is not far-fetched as many researchers have established the complicity of both the political class within the oil producing communities who support the militants with both military and financial assistance. For example, it is public knowledge that Peter Odilli, a former governor of Rivers state supported the NDV under Asari Dokubo.¹²⁶⁶ To this end, a participant remarked:

“The boys enjoy smooth rapport with the top shots in the army, region and government. Money gotten from oil bunkering supports the ‘struggle’ while the arms are generated from within the armed forces. In the end, the same

¹²⁶⁴ Interview with PM028.

¹²⁶⁵ Anamesere Igboeroteonwu “Fourteen kidnapped Nigerian oil workers freed: police” *Reuters*, September 18, 2016, available at <<https://www.reuters.com/article/us-nigeria-oil-idUSKCN11O0TE>> accessed 12, February, 2019; See also, “Kidnapping in Nigeria Go for the locals: A new scourge is afflicting the rich” *Economist* (London) Report, 26 November, 2009. Available at <<https://www.economist.com/middle-east-and-africa/2009/11/26/go-for-the-locals>> accessed 12 December, 2018.

¹²⁶⁶ *Human Rights Watch Report “Rivers and Blood: Guns, Oil and Power in Nigeria’s Rivers State”*, 2005. p. 23.

arms are used in rigging elections for their political overlords.”¹²⁶⁷

Actually, some scholars have devoted time to the study of the relationship between oil and elections. It was this curiosity that informed the publication of “oil corrupts elections” by Onapajo.¹²⁶⁸ Watts once contended:

“a number of the arms used by the militias have been acquired from the Nigerian military (directly in relationship to electoral political thuggery and indirectly from a notorious corrupt and undisciplined army). And last but not least, the low-level oil theft (bunkering) that is controlled by the rebels as a way of financing their struggle, is organised through a vast state-centred syndicate linking high ranking military, politicians, the security apparatuses, and the Niger Delta special military task forces, and the coast guard.”¹²⁶⁹

What is of interest to this study relates with the contagious activities of oil that oxygenate conflicts leading to petrol scarcity. In explaining the system of governance in Nigeria, a patriotic former head of Nigeria’s anti-corruption agency asserted that “Nigeria is not even corrupt. It is organised crime.”¹²⁷⁰ In this case, the violent attacks on oil facilities and workers have further constrained the supply chain of petrol with attendant implication on poor economic growth and social services.

Perhaps the most obvious case of political vandalism was the emergence of the Niger Delta Avengers linked to Jonathan’s loss of presidential election in February 2015.¹²⁷¹ At the peak of their activities, transnational corporations in the Niger Delta area including SPDC, Exxon-Mobil, Agip all were affected.¹²⁷² This

¹²⁶⁷ Interview with PA02.

¹²⁶⁸ Onapajo, Hakeem, Suzanne Francis, and Ufo Okeke-Uzodike. "Oil Corrupts Elections: The Political Economy of Vote-Buying in Nigeria." *African Studies Quarterly* 15, no. 2 (2015).

¹²⁶⁹ Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." p. 652.

¹²⁷⁰ *The Economist*, 28 April 2007. p. 56.

¹²⁷¹ Amaize, E. and Brisibe, P., “Who are the Niger Delta Avengers?”, *Sunday Vanguard*, May 15, 2016, pp39-40

¹²⁷² Onuoha, Freedom C. "The Resurgence of Militancy in Nigeria’s Oil-Rich Niger Delta and the Dangers of Militarisation." *Al Jazeera Center for Studies Report* 8 (2016).

group has been responsible for serious cases of disruption of vital oil pipelines in the Niger Delta region including the loss of 150,000 barrels per day.¹²⁷³ There is no greater rationale to the group's political attachment than the demand for the release of Nnamdi Nkanu,¹²⁷⁴ an Igbo secessionist and Sambo Dasuki who served as the National Security Adviser to Jonathan.¹²⁷⁵ Also, the group demanded the discontinuation of investigation against associates of the former President as well as militants within the Niger Delta. More indicting was the report of the *Daily Post* of August 18, 2018 which unequivocally stated:

“We have an intelligence report that it is true that the ex-President has been meeting with the NDA militants before the general election ... Findings confirmed that the ex-President and others being probed, resuscitated the NDA plan when the Federal Government initiated a probe into the oil sector.”¹²⁷⁶

Though the former president refuted the claims linking him to the *Avengers*, their activities affected the normal flow of petrol within Nigerian markets as “production reduced by half and refining and distribution”¹²⁷⁷ was stopped causing severe scarcity that raged for over three months across Nigeria in 2017.¹²⁷⁸ According to one source, the activities of the group has affected “crude line feeds that link Warri and Kaduna refineries respectively.”¹²⁷⁹

6.7 Conclusion

Drawing from the above explanation, there is a basis to argue that the activities of oil marketers have actually contributed, in no small measure, toward the

¹²⁷³ Yusuf, A., “Shell declares force majeure on 150,000 barrels export”, *New Telegraph*, Tuesday, February 23, 2016, p6.

¹²⁷⁴ Abati, R. "The Nnamdi Kanu Phenomenon." *Retrieved November 21 (2017): 2017.*

¹²⁷⁵ Babatunde, Adeosun Ahmed, Ismail Norafidah, and Zengeni Knocks Tapiwa. "Niger Delta Avengers and Niger Delta question: What Way Forward." *International Journal of Advanced Research in Management and Social Sciences* 5, no. 9 (2016): 1-20.

¹²⁷⁶ Sylvester Ugwuanyi “Intelligence report links Jonathan to Niger Delta Avengers” *Daily Post* 18 August, 2018. Available at <<https://dailypost.ng/2016/08/18/intelligence-report-links-jonathan-niger-delta-avengers/>> accessed

¹²⁷⁷ Ladipo, Ayobami “Niger Delta Avengers Blow Up Pipelines to Kaduna, Warri Refineries; Electricity To Lagos & Abuja Worsens” *PorscheClassy.com* May 7, 2016.

¹²⁷⁸ Mumbere, Daniel “Anger as Nigeria, Angola face fuel shortages ahead of Christmas” *Africa News* 23 December, 2017.

¹²⁷⁹ Ladipo, Ayobami “Niger Delta Avengers Blow Up Pipelines to Kaduna, Warri Refineries; Electricity To Lagos & Abuja Worsens”

menace of petrol shortages in Nigeria. This study traced the evolution of these entrepreneurial classes to the 1970s and argued that their introduction to the sector, which was within the framework of the indigenisation programme of the Nigerian government, may not have resolved the challenge of petrol shortages. Rather than serving the Nigerian economy with patriotism, the oil marketers operate with no iota of patriotism. In effect, this study explored some of the nefarious activities of oil marketers such as smuggling that have had a significant impact on petrol shortages in Nigeria.

As seen above, the oil marketers got entangled in the complex wave of violent conflicts in the Niger Delta area with attendant effect on distribution of petrol. The fundamental effect of the conflicts can be gleaned in two main dimensions. Firstly, militant groups vandalise oil facilities leading to the disruption of production, refining and transportation. Secondly, violent groups engage in looting of oil or even petrol in order to gain resources that would support their struggle. In any case, data shows the negative effect that these activities have had on the supply chain of petrol to the general economy. Based on the issues discussed in the work, the study argues that petrol marketers, most cases, served as inducers of 'petrol thirst.'

Chapter Seven

The Search for International Relevance and Oil Prices Volatility

7.1 Introduction

A significant number of academic researches on the subject of oil governance attributed domestic factors to the lingering challenge of petrol shortages in Nigeria's economy. Most of these studies focused almost exclusively on the internal contradictions inhibiting the regular supply of petrol in Nigeria, while negating the international environment. While there are significant domestic factors, some of which have been explained in the previous chapters that have constrained the supply of petrol within the domestic front of an oil producing economy like Nigeria, this chapter looked at the effect of the international environment as a contributory cause of petroleum shortages in Nigeria. Thus, the puzzle that this chapter attempts to answer is "how has international adventures and petrol prices volatility at the international market contributed to petrol shortages in Nigeria?"

Drawing from interviews conducted in Nigeria's downstream petroleum sector, archival materials gotten from the national archive of Nigeria, Kaduna, and secondary data collected in the course of the fieldwork, this chapter attempts to explain the relationship between Nigerian oil and international politics, as well as, oil prices volatility in the international oil market as a co-factor that impedes effective supply of petrol in Nigeria. As presented below, this chapter argues that contrary to the dominant view which essentially focused on the domestic contradictions discussed in previous chapters, Nigeria, like most oil producers have been enmeshed in unnecessary search for power and relevance at the international level, sometimes overstretching the boundaries of rational calculation leading to the negation of its domestic obligations to its citizens.

This part of the research also contends an examination of the effect of oil prices volatility that is an inherent character of the international oil market. Following from this, the author argues that oil price volatility in the international market contributes in no small measure to the lingering crisis of petrol shortages in Nigeria. The chapter identified and assessed specific events during which period Nigeria played pivotal roles at the regional and continental level while abandoning domestic obligations including ensuring efficient supply of petrol to its citizens. In

order to achieve the stated objective, the chapter is further divided into two main parts focusing on oil-induced international adventures and the character of the international oil market.

The first sub-theme of this chapter focused on how oil wealth endeared Nigeria to play regional, continental and occasionally intercontinental roles that impacted on its capacity to concentrate on developing infrastructure in the downstream sector. Thus, specific issues like the sales of oil at reduced rates and extravagant diplomatic adventures are analyzed against petrol shortages through different political administrations.¹²⁸⁰ In the second part of this chapter, I explained the character of the international oil market and Nigeria's dependence on it for the import of refined oil. Under this sub-theme, I identified three major forces that influence the volatile posture of the oil market and how these forces conditioned/determined or add up with domestic factors to account for persistent products scarcity in Nigeria.

7.2 Between Nigeria's Oil Wealth and the Search for Exercise of International Power

Oil is regarded by countries around the world as a "strategic commodity."¹²⁸¹ Access to oil is dictated by the design of nature.¹²⁸² However, increasing evidence from the study of international politics suggests that the supply of oil is not only limited by geology but also by politics – grand strategy of powerful states and sometimes wars.¹²⁸³ The usefulness of oil as the most dominant source of energy powering industrial complexes around the world means that oil rich countries are naturally entangled in the murky waters of international economics and politics.¹²⁸⁴ Following from this analogy, Falola and Genova posits that countries like Nigeria with large deposits of oil resources have the tendency to increase

¹²⁸⁰ On the subject of concessionary oil prices by Nigeria to some African countries, see Aluko, Olajide. "Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making." *African Affairs* 75, no. 301 (1976): 425-443.

¹²⁸¹ Jhaveri, Nayna J. "Petroimperialism: US oil interests and the Iraq War." *Antipode* 36, no. 1 (2004): 2-11.

¹²⁸² Daniel, Philip, Michael Keen, and Charles McPherson, eds. *The taxation of petroleum and minerals: principles, problems and practice*. Routledge, 2010.

¹²⁸³ For details on America's grand strategy in the Iraqi invasion, see Stokes, Doug. "Blood for oil? Global capital, counter-insurgency and the dual logic of American energy security." *Review of International Studies* 33, no. 2 (2007): 245-264.

¹²⁸⁴ Falola, Toyin, and Ann Genova. *The politics of the global oil industry: an introduction*. Greenwood Publishing Group, 2005.

thirst for political power, beyond their territorial boundaries.¹²⁸⁵ A research participant observed that:

“...power is lubricated by oil and such power craves for greater power – extra-territorial relevance. Today, Nigeria is powerful not only because of its numerical strength but the fact that it possesses petroleum resources. Compared to many countries in Africa, Nigeria is a hegemon strengthened by oil wealth.”¹²⁸⁶

It is within this premise that five decades ago, Nigeria was projected as the undisputed regional leader with unmatched capacity for the use of power, referenced as *Pax Nigeriana* within continental Africa.¹²⁸⁷ The standpoint that oil supports power¹²⁸⁸ has been the basis on which many policymakers and researchers from both within Nigeria and the international community to extravagantly conclude that Nigeria personifies “greatness.”¹²⁸⁹

The view above may have been contradicted by many researches which indicted oil as a “force for underdevelopment”¹²⁹⁰, laying the foundation for “rent seeking”¹²⁹¹ and with negative consequences on “democracy and institutions.”¹²⁹² However, it still does not invalidate the point that oil wealth comes with great expectation from within and without the producing state and it is within this purview that Nigeria’s symbolism of power or even its potential can be understood. In other words, regardless of the empirical reality that charged oil with negative economic and political effects, oil producers are widely known

¹²⁸⁵ Ibid. p. 14.

¹²⁸⁶ Interview with PG06.

¹²⁸⁷ Akinyemi, A. Bolaji. *Federalism and foreign policy: The Nigerian experience*. Ibadan, 1974.

¹²⁸⁸ Stokes, Doug. "The war gamble: Understanding US interests in Iraq." *Globalizations* 6, no. 1 (2009): 107-112.

¹²⁸⁹ Akinyemi, A. Bolaji. *Nigeria and the world: readings in Nigerian foreign policy*. Nigerian Institute of International Affairs, 1978.

¹²⁹⁰ Bond, Patrick. "Resource extraction and African underdevelopment." *Capitalism Nature Socialism* 17, no. 2 (2006): 5-25.

¹²⁹¹ Baland, Jean-Marie, and Patrick Francois. "Rent-seeking and resource booms." *Journal of development Economics* 61, no. 2 (2000): 527-542.

¹²⁹² Tsui, Kevin K. "More oil, less democracy: Evidence from worldwide crude oil discoveries." *The Economic Journal* 121, no. 551 (2011): 89-115.

within the international power equation because of their interaction with powerful states and the revenue accrued from oil related activities.¹²⁹³

Further to the status of greatness conferred by oil wealth on oil rich countries, they may enter into production deals with other members and supply oil to *thirsty* neighbouring states.¹²⁹⁴ Nevertheless, oil rich states may consider engaging in international politics as an avenue to insulate themselves from outside pressure, build market networks for oil,¹²⁹⁵ and also involve in determining the price for its commodity.¹²⁹⁶ According to Brossard, engaging with other powers within international politics appears to be the corridor through which two defined objectives of oil producing states can be fulfilled.¹²⁹⁷ These objectives may include the need to enlarge production and also increase revenue accruing from oil activities as well as involve in extraneous activities for political gains.¹²⁹⁸ Nigeria reflects the second point of view in numerous ways. The huge revenue accrued from the sale of oil in the period of oil boom which was brought about by the *Yom Kippur War*¹²⁹⁹ empowered Nigeria, leading other African states to wrestle against the last vestiges of colonialism and minority regimes from Luanda to Harare through to Johannesburg, spending large sums of money through expansive diplomatic presence.¹³⁰⁰ As Shaw and Fasehun asserted, oil “serves to reinforce Nigeria's claims to leadership in continental affairs.”¹³⁰¹ In the following, using empirical and archival materials, I argued that the decision to sale oil at reduced rates in the 1970s presents a classic symptom of Nigeria’s search for unnecessary power and relevance within the continent of Africa leading to the loss of vital national resources needed for development of domestic infrastructure and laid the foundation of misplaced priority in subsequent years.

¹²⁹³ Smith, Benjamin. "Oil wealth and regime survival in the developing world, 1960–1999." *American Journal of Political Science* 48, no. 2 (2004): 232-246.

¹²⁹⁴ Falola, Toyin, and Ann Genova. *The politics of the global oil industry: an introduction*. Greenwood Publishing Group, 2005.

¹²⁹⁵ Raphael, Sam, and Doug Stokes. "Globalizing West African oil: US 'energy security' and the global economy." *International Affairs* 87, no. 4 (2011): 903-921.

¹²⁹⁶ *Ibid.* p. 18.

¹²⁹⁷ Brossard, Emma B. *Petroleum-politics and power*. Tulsa, OK: PennWell Books, 1983. p. 13.

¹²⁹⁸ *Ibid.* p. 13.

¹²⁹⁹ Le Billon, Philippe, and Alejandro Cervantes. "Oil prices, scarcity, and geographies of war." *Annals of the Association of American Geographers* 99, no. 5 (2009): 836-844.

¹³⁰⁰ Stremmlau, John S. "The fundamentals of Nigerian foreign policy." *African Issues* 11, no. 1-2 (1981): 46-50.

¹³⁰¹ Shaw, Timothy M., and Orobola Fasehun. "Nigeria in the World System: alternative approaches, explanations, and projections." *The Journal of Modern African Studies* 18, no. 4 (1980): 551-573.

7.2.1 Selling oil at Reduced Rates

A senior research fellow at the Nigeria Institute for International Affairs submitted that:

“In its desperate quest to enlarge its horizon across the continent and to influence its sub-regional neighbours, Nigeria dashed out oil at cheap rates to African countries during the era of the oil boom and even the post-boom years. This policy as I still remember was meant to benefit countries that had refineries. However, this would not have been a problem if the decision makers had also pushed hard to develop domestic capacity for refining petrol.”¹³⁰²

Contrary to the position above, during the boom years in the 1970s, the military hierarchy planned and invested a significant amount of resources to building local refineries.¹³⁰³ This has been reported in many sources including the *Third National Development Plan*.¹³⁰⁴ Turner’s work entitled “Two refineries: A comparative study of technology transfer to the Nigerian refining industry”¹³⁰⁵ and the 28 October 1976 issue of *The Times* of London¹³⁰⁶ including the *Annual Review* of the *Petroconsultants*,¹³⁰⁷ a famous petroleum consulting firm with headquarters in Geneva reported these developments during the era of the oil boom. However, as soon as the second Nigerian refinery (Warri Refining and Petrochemical Company) was commissioned in the first quarter of 1978, it became clear to the Nigerian authorities not only that the capacity (125,000 bpsd) could not satisfy the growing *thirst* for petrol, but that the country’s oil boom has prospered its local population which as at then witnessed significant increase in

¹³⁰² Interview with PP026.

¹³⁰³ Truly, the Port Harcourt Refinery was built by the military regime in 1965. The later refineries were all built by the military regimes.

¹³⁰⁴ For the full details of the plan, see *Third National Development Plan, 1975-80*. (Lagos, Government Printer, 1975) p. 29.

¹³⁰⁵ Turner, Terisa. “Two refineries: A comparative study of technology transfer to the Nigerian refining industry.” *World Development* 5, no. 3 (1977): 235-256.

¹³⁰⁶ *The Times* (London) 28 October 1976. The story reports that originally 40 companies from different countries bid for the tender.

¹³⁰⁷ Petroconsultants SA, *Nigeria: Annual Review 1974* (Geneva: March 1975). *Petoconsultants* is a consulting firm known for gathering information on petroleum developments around the world, registered in Geneva, Switzerland in 1968. It was an offshoot of Harry Wassall and Associates which was registered in Havana in 1956.

the number of vehicle owners and also a burgeoning population which was estimated to be growing at 3 percentile change from 1975 to 1980, the highest in the entire history of the country.¹³⁰⁸

Another explanation for Nigeria's use of oil for power in the African context can be seen in the military authority's sale of oil at concessionary rate to fellow African countries as its way of providing aid to cushion the effect of oil prices hike during the regime of General Yakubu Gowon.¹³⁰⁹ The decision was perceived as controversial because it was not explicitly clear considering the fact that it contradicted the government's position on oil prices as a member of OPEC.¹³¹⁰ The *West African* issue of 5 May 1975 bluntly accused a certain "cabal" operating within the government's powerful body, the *Federal Executive Council* of championing the course of selling oil at reduced prices to fellow African countries.¹³¹¹ The idea however plausibly contradicted the earlier decision by Arab Petroleum Exporting Countries (OAPEC) in 1973 who issued soft loans to African countries whose economies were affected by the oil crises through an extraterritorial institution known as Arab Bank and Agricultural Development in Africa (ABADA).¹³¹² The game plan was for the members of the OAPEC to raise \$200 million USD in aid to help alleviate the conditions of African countries that were affected by the oil crisis of the 1970s.¹³¹³ Although Nigeria was not incline to the initiative in the first instance and for many reasons including the fact that the Arab states did not consult with it, and the loan was tagged "Arab loan for development in Africa,"¹³¹⁴ the endorsement of the package by members of the Organisation of African Unity (OAU), predecessor to the African Union, made Nigeria give in, albeit without hesitation from some top government elites.¹³¹⁵

Following Michael Brecher's identification of economic variable as one of the most essential internal variables in determining the foreign policy direction of a

¹³⁰⁸ Adepoju, Aderanti. "Military rule and population issues in Nigeria." *African Affairs* 80, no. 318 (1981): 29-47. p. 40.

¹³⁰⁹ Tijanni, Umar. "Selling oil at Concessionary rates in African markets" *Daily Times* (Lagos), 29 August 1975.

¹³¹⁰ Aluko, Olajide. "Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making." *African Affairs* 75, no. 301 (1976): 425-443. p. 427.

¹³¹¹ Chukwuma, Obi. "What gains?" *West Africa*, 5 May 1975.

¹³¹² *Africa Research Bulletin*, 15 January-14 February 1974, p. 3002

¹³¹³ *Ibid.*, p. 3003.

¹³¹⁴ Some top government functionaries had expressed reservation because of the title of the loan which they perceived as an Arab initiative.

¹³¹⁵ Alex, Uba. "Inside politics of Gowon's concessionary oil sales" *Nigerian Observer*, 28 January 1975.

state,¹³¹⁶ Aluko argues that Nigeria's economy has the capacity to accommodate any shortfall that would have emanated from the "sale of oil at concessionary rate."¹³¹⁷ The Central Bank of Nigeria (CBN) documented that Nigeria's economy recorded massive gains mainly as a result of increase in the production of oil which catapulted from a mere 0.8 million bpd in the summer of 1970 to an impressive 2.3 million bpd by the middle of 1973.¹³¹⁸ Again, a close look at the oil export figures in the year 1974 suggest that the sale of oil at reduced prices to African states would have had minimal effect on the balance sheet of the Nigerian economy as only 3 percent of its income would have been affected as shown in Table 6 below.

Table 6

Figures of Oil Sales for the Year 1974

| Destination | in Barrels |
|--------------------|-------------------|
| Bahamas | 2,685,996 |
| Belgium | 534,528 |
| Canada | 361,903 |
| Denmark | 456,691 |
| France | 8,034,833 |
| Ghana | 935,935 |
| Holland | 15,402,384 |
| Italy | 942,552 |
| Ivory Coast | 355,576 |
| Japan | 2,758,493 |
| Senegal | 246,744 |
| Sierra Leone | 121,233 |
| Switzerland | 275,052 |
| United Kingdom | 6,442,740 |
| United States | 17,012,429 |
| Uruguay | 404,307 |
| Virgin Island | 1,389,371 |
| West Germany | 2903,921 |

Source: Ministry of Mines and Power, Monthly Petroleum Information, February 1974 (Lagos, Government Printer).

¹³¹⁶ Brecher, Michael. *Decisions in Israel's foreign policy*. Oxford university press, 1974.

¹³¹⁷ Aluko, Olajide. "Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making." *African Affairs* 75, no. 301 (1976): 425-443.

¹³¹⁸ *Central Bank of Nigeria, Economic and Financial Review*, vol. II, No. 1 June 1973. (Lagos, Government Printer, 1973), pp. 67-68;

However, a retired senior staff of the Ministry of Mines and Power, today's Ministry of Petroleum Resources who was privy to the politics that transpired remained sceptical of the scheme as seen below.

“Even though we did not sale much of our oil to African neighbours, the demand for our oil multiplied as soon as Nigeria clarified its position backing the sell of oil at subsidized rates to African states. Those of us in the service know how this policy reduced our income. I personally felt it was a waste of earnings. It is even shameful that these countries that we helped did not pay us in any way, even when we needed them most.”¹³¹⁹

Similar pessimism has been reported across other sources where senior public servants within the Ministry of Mines and Power and also that of Finance and a majority of the members of Federal Executive Council (FEC) during Gowon's regime did not support the scheme.¹³²⁰ For instance, while noting the manner in which decisions were deliberated before conclusions were reached in most aspects of key government positions during the Gowon's regime, *Daily Times* noted growing dissension among top public officials which it described as “lukewarm.”¹³²¹ On the other hand, the *New Nigerian* (Kaduna) reported that voices against the scheme within the corridors of power felt that the scheme itself was “clumsy,”¹³²² therefore, requiring further clarity. On its part, the *Nigerian Tribune* (Ibadan) wrote that the elites gave an “apathetic,”¹³²³ reaction signalling their opposition to it. But the negative response of the top officials to the question of selling oil at concessionary rate should not be mistaken for a unanimous decision as there were supporters such as the then Permanent Secretary of the Ministry of Mines and Power (Dr Philip Asiodu) and his counterpart in the Ministry

¹³¹⁹ Interview with PG19.

¹³²⁰ *Federal Military Government Gazette*, 7 February 1966, No. 10, Vol. 53, p. 182. This source details internal wrangling during the decision-making period.

¹³²¹ Tanko, Ali. “Lukewarm attitude toward the oil policy” *Daily Times*, 8 July 1974.

¹³²² Adeyanju, Ola. “Contradictions of Gowon's policy” *New Nigerian* (Kaduna), 20 August 1974).

¹³²³ Frank, Ayetola. “Against the Odds: Nigeria's oil policy” *Nigerian Tribune* (Ibadan) 10, 11 March 1975.

of External Affairs today's (Ministry of Foreign Affairs), Mr J. T. Iyalla.¹³²⁴ Perhaps more important is the pessimism of the top accountants in the Ministry of finance and technocrats in the Nigerian National Oil Company (NNOC), today's Nigerian National Petroleum Corporation (NNPC), who observed the negative implications to the economy.¹³²⁵ In spite of majority rejection of the scheme to sell oil at reduced rates to African countries, the military cabal with the support of few bureaucrats exhibited the culture of military autocracy in decision making which disregarded popular views, regardless of its merit.¹³²⁶ However, this contradicted the claim by the then Attorney General, Napo Graham Douglas that the Gowon's regime operated a "military democracy."¹³²⁷ That is to say, it consulted with all relevant stakeholders and sufficient deliberations were made before decisions were arrived at.

Though, the country's oil production has risen to about 2.3 million bpd in 1974, occupying the sixth position in the global ranking of oil producing states, and in spite of the fact that its income from oil sales had surged from a negligible \$1 million USD to over \$8 billion USD in the summer of 1974, the people "remained essentially poor,"¹³²⁸ in contrast with the countries it intended to sell oil at reduced rates. Besides, Nigeria's population stood at 70 million in 1975, with N205 naira as the average income per head, a figure that was by far lesser than those of Ghana, Zambia and Ivory Coast within the same period.¹³²⁹ Worse still, aside from the verbal expression of the need to develop the country's technological capacity, and the construction of Petroleum Institute in Delta state with the support of the Soviet Union, the country was lagging behind many other African countries in technological development.¹³³⁰ In spite of the verbal expression by the head of state to members of the British Diplomatic core to the effect that "Nigeria was a country in a hurry"¹³³¹ possibly to meet up with other advanced economies, and which requires fiscal discipline to save the revenue accrued from

¹³²⁴ Aluko, Olajide. "Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making." p. 436.

¹³²⁵ Ibid., p. 435.

¹³²⁶ Dangiwa, Sanni. "Decision making under Gowon regime" *Daily Times*, 6 December 1972.

¹³²⁷ Onoche, Daniel. "Deliberations on key decisions under Gowon" *Daily Times*, 2 May 1973.

¹³²⁸ Michael, Majokun. Nigeria's economic burden," *Sunday Times* (Lagos), 16 March 1975. p. 14.

¹³²⁹ A brief comparison of Nigeria's economic performance and those of other African countries appeared in the issue of the *Nigerian Observer*, 28 January 1.

¹³³⁰ Elton, Andrew. "Poverty of Technology in Nigeria," *New York Times*, 26 January 1975.

¹³³¹ Eghosa, Ogbemilere. Gowon's engagement with British Diplomats" *Daily Sketch*, (Ibadan), 17 April 1974.

the sale of oil for the development of domestic capacities, the irony was the case, as observed by one university don, who avers that the same head of state:

“endorsed all sorts of flamboyant foreign endeavours with no direct effect on the development of the domestic economy...in fact, the country witnessed some of the harshest petrol scarcity between 1974 to 1977.”¹³³²

However, considering the dire need for the development of infrastructure within Nigeria, coupled with the fact that the ambitious *Third National Development Plan 1975-1980* required huge monetary (30 billion Naira) support for actualisation, the decision to reduce the prices of oil to African countries can be regarded as ‘ill conceived,’¹³³³ and it appears as “an endorsement of the extravagant spending” that characterised the period as observed by PA13.¹³³⁴ It was based on the assumption that the concessionary policy would have a negative impact on Nigeria’s earnings that Alhaji Shettima Munguno (the then Commissioner for Mines and Power, today’s equivalent of Minister of Petroleum Resources) opposed the move.¹³³⁵ Although the pressure mounted on the Nigerian government, at least from within Nigeria, emphasized the need to supply oil at reduced prices to African states, especially West African states in order to facilitate and build the Economic Community of West African States (ECOWAS) that was already in advanced stage,¹³³⁶ most of the arguments from among top officials and the larger African audience were based on moral or even power consideration.¹³³⁷ For example, General Gowon explicitly declared in a press statement in March 1975 that the most important element of the scheme was to ensure that Nigeria shared the proceeds accrued from oil towards advancing the “spirit of good neighbourliness and African unity.”¹³³⁸ While the goal of

¹³³² Interview with PA13

¹³³³ Interview with PA30

¹³³⁴ *Africa Research Bulletin*, 14 August-15 September 1974, p. 3223.

¹³³⁵ Olaoye, Jonathan. “Chaotic Decision” *The Daily Sketch*, 19 June 1975.

¹³³⁶ Ojo, Olatunde JB. “Nigeria and the Formation of ECOWAS.” *International Organization* 34, no. 4 (1980): 571-604.

¹³³⁷ the *New Nigerian* (Kaduna), 20 August 1974; and *Nigerian Tribune* (Ibadan) 10, 11 March 1975

¹³³⁸ *Address by His Excellency General Yakubu Gowon on the Formal Launching of the Third National Development Plan, 1975-80* (Lagos, Government Printer), p. 17.

international politics to a state like Nigeria would be to build global network for the sale of its oil, a policy analyst argued that:

“such a move should not be done at the
“detriment of domestic development...perhaps
oil intoxicates and it was the result of this
intoxication that it got Nigeria entangled in the
cobweb of international politics while neglecting
its own very service sector.”¹³³⁹

The most significant irony in the implementation of the policy is perhaps the aspect that mandates an African country willing to enjoy concessions from Nigeria to develop a local refinery before Nigeria could agree full terms to sell oil at reduced prices. This can be said to be the thrust of the scheme.¹³⁴⁰ Supporting the move to sale oil at reduced prices to African countries with oil refineries, an insider with knowledge regarding the government’s policy argued:

“...we felt that by compelling these countries to
establish refineries, they would become
dependent on Nigeria for crude oil. That way, we
may have built a solid market for Nigerian crude
within the African region. In the long run, these
would place Nigeria at a vantage position to
influence the actions of these countries.”¹³⁴¹

Understandably, by compelling benefitting countries to build oil refineries as a precondition to selling oil at reduced prices appears like a sound judgement considering the economic sense that these countries in the long run become perpetually dependent on the import of Nigeria’s crude. However, even before the completion of Nigeria’s own refinery as envisioned in the *Third National Development Plan 1975-1980*, it entered into an agreement with Senegal that favoured the sale of over 2 million barrels of oil per year to its newly built refinery located in the countryside of Cayal.¹³⁴² Yet, no part of the agreement inhibited

¹³³⁹ Interview with PP014.

¹³⁴⁰ Adeniji, Olu. *The structure and processes of foreign policy making and implementation in Nigeria, 1960-1990*. Nigerian Institute of International Affairs, 1990.

¹³⁴¹ Interview with PG023.

¹³⁴² Adamu, Haroun. “Incredible,” *Daily Times* (Lagos), 29 August 1975.

Senegal's export of refined oil to Nigeria and *Daily Sketch* contemplated that Nigeria had imported some of its refined oil from within West Africa during the period of severe shortages from 1974 and 1977.¹³⁴³

However, records of oil sales have been reported burned in a fire disaster that engulfed the archive in Ibadan and it would be difficult to ascertain the authenticity of the story.¹³⁴⁴ If indeed Nigeria imported petrol from the countries it sold crude oil to within this period as speculated, then there is need to question the rationale of Nigeria's economic wisdom. Again, Nigeria entered into similar refinery building project with Ghana but its domestic economy continued to suffer from severe petrol shortages sometimes running for more than three months with "negative implication to domestic services in schools and hospitals."¹³⁴⁵ This provides a perfect illustration of the concept of the *paradox of oil thirst* where an oil-rich country that exports crude is ironically thirsty of the same product it sells to the international market. This situation fits into the position of proponents of rentier state theory who argue that rentier states are obsessed with external rent so much that the state abandons its "domestic productive sector."¹³⁴⁶ Perhaps there is no greater case of rentier attribute in which an oil economy depends on external rent and hence takes no action to develop its domestic economy including relying on external markets for its refined oil like the case under consideration. Nigeria's downstream sector forms the locus in which the curse of oil manifests prominently as it exports crude and imports petrol that have been refined elsewhere. Whatever economic thinking that proposed selling a country's crude oil and reimporting refined oil has been criticised as a "reductionist policy built on poor understanding of economics"¹³⁴⁷ and it is within this basis that the foundation of Nigeria's perennial petrol shortages can be understood.

7.2.2 Diplomatic Adventure

One explanation for the romance between Nigerian oil and power leading to the neglect of the essential domestic sector of the country can be traced to Nigeria's diplomatic adventures, particularly from the era of the oil boom down to the present times. Using empirical, archival and other data types, this section

¹³⁴³ Adewale, Umouru. "Oil Fracas" *Daily Sketch*, 21 March 1975.

¹³⁴⁴ Nigeria's archive got burned about two decades ago causing difficulty in reconciling some of the archival sources.

¹³⁴⁵ Interview with PG16,

¹³⁴⁶ Beblawi, Hazem, and Giacomo Luciani, eds. *The rentier state*. Routledge, 2015.

¹³⁴⁷ Interview with PG23.

analysed the intersection between politics and oil through a review of Nigeria's diplomatic engagements and how this adds to the pressure of petrol shortages in Nigeria.

7.2.2.1 The Yakubu Gowon's Administration

With the burgeoning demand for oil in the international market during the era of the oil boom in the 1970s and expanding economic power, Nigeria's military elites began to expand diplomatic presence, sometimes without systematic calculations of rational gains.¹³⁴⁸ Though Africa has always been the "centrepiece of Nigeria's foreign policy"¹³⁴⁹ right from independence in 1960, its commitment to the course of African liberation in the first decade of independence was inhibited by lack of economic.¹³⁵⁰

But with the increase gains from oil beginning in the early 1970s, the military cabals found a way, not only of redeeming their promises of more active and supportive Nigeria but also got entangled in the "pleasures of the jamborees"¹³⁵¹ that often accompany diplomatic adventures with enormous implication on Nigeria's treasury.¹³⁵² Records from the *Federal Military Government Gazette* confirmed that then head of state, General Gowon visited "almost all African countries between 1970 and 1974."¹³⁵³ In similar fashion with the pan African standpoint of Kwame Nkrumah, The *Nigerian Tribune* reported that in almost all of such visits, Gowon argued that African independence would remain meaningless "as long as their economies remain underdeveloped and are dominated by extra-African powers."¹³⁵⁴ However, these visits were often accompanied by a large pool of government representatives alongside the head of state costing "millions of Nigerian naira."¹³⁵⁵

¹³⁴⁸ Saleh, Ponsah. "Nigeria in African Affairs: A history of continental crisis of leadership in postcolonial Africa", being a research project submitted in partial fulfilment of the award of Bachelor of Arts degree at the University of Jos-Jos, Nigeria.

¹³⁴⁹ Ogbu, S. O. "Africa as the Centrepiece of Nigeria's Foreign Policy." *An Overview in Journal of Development and Society* 1, no. 2 (2001).

¹³⁵⁰ Idang, Gordon J. *Nigeria: internal politics and foreign policy, 1960-1966*. Ibadan: Ibadan University Press, 1973.

¹³⁵¹ Interview with PG019.

¹³⁵² Sanubi, Franklins Avwoghokigho, and Chris Ifeanyi Adebawale Oke. "Diplomatic Shuttles In Foreign Policy: Were Obasanjo Trips during His Tenure Of Any Benefits To Nigeria?" *Journal of Social and Management Sciences* 12, no. 1 (2017).

¹³⁵³ *Federal Military Government Gazette*, 7 February 1966, No. 10, Vol. 53, p.

¹³⁵⁴ Ayo, Odegbami. "Nigeria's foreign Policy 1" *Nigerian Tribune*, 28 June, 1975.

¹³⁵⁵ Ajayi, Kunle. "Nigeria's foreign policy and image crisis." *The Social Sciences* 1, no. 2 (2006): 110-117.

To rephrase the English poet John Donne “no nation is an Island entire of itself,”¹³⁵⁶ therefore, states engage in political, economic and sometimes cultural exchanges for mutual benefits.¹³⁵⁷ However, in the case of Nigeria under Gowon, the manifestation of foreign engagements was problematic as one commentator sums up:

“Nigeria did not align its foreign policy goals with its domestic interest. How do you explain Gowon’s dashing of Nigeria’s wealth to countries in Africa and even Latin America when the sector that produces the source of the wealth that is freely given remains without attention? While he was away spraying money, we were here suffering from fuel scarcity. At the end, he returned without a single gift to Nigeria.”¹³⁵⁸

The *Africa Confidential* corroborated the position above when it reported the severe case of petrol shortages across Nigeria during Gowon’s visit to Grenada in May 1975.¹³⁵⁹ Conversely, during another round of visit to Grenada, in faraway Caribbean, he donated monies for the payment of worker’s salaries.¹³⁶⁰ Similarly, during his visit to Papua New Guinea, then known as Papua and New Guinea in the same period, he promised huge sums of money to be committed towards development.¹³⁶¹ While there is nothing absolutely wrong with donations to a state, especially from a wealthier state to a perceived poor state, citizens of the wealthier state should not be thirsty for the same resources that are freely dashed.

However, as observed by Shaw, the Nigerian military cabals during the 1970s were obsessed with international politics to the detriment of domestic development leading to the failure of economic growth.¹³⁶² Besides, it was Fearon

¹³⁵⁶ Donne, John, and Keith Fallon. *No man is an island*. Souvenir, 1988.

¹³⁵⁷ Mintz, Alex, and Karl DeRouen Jr. *Understanding foreign policy decision making*. Cambridge University Press, 2010.

¹³⁵⁸ Interview with PC09

¹³⁵⁹ Gbenga, Sowore. “Fuel Scarcity ragging across Nigeria” *Africa Confidential* 14 May 1975.

¹³⁶⁰ Rasheed, Oshuntokun. “Nigeria’s flamboyancy Abroad” *Nigerian Tribune*, 28 June, 1975.

¹³⁶¹ Aluko, Olajide. “Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making.” p. 435.

¹³⁶² Shaw, Timothy M. “The state of Nigeria: Oil crises, power bases and foreign policy.” *Canadian Journal of African Studies/La Revue canadienne des études africaines* 18, no. 2 (1984): 393-405.

who argued that state's foreign policies flow from the dictates of their domestic interest and the intersection between domestic and foreign policy usually forms the basis for rational calculation of a state's interest.¹³⁶³ But the case of Nigeria where the domestic interest hardly reflects in its foreign policy raises questions not only of its political structure but also reinforced the paradoxes of oil wealth. But in this case, the paradox is not only about oil wealth living side by side with lack, but also of the fact that an oil rich state has the tendency to satisfy the external community more than its domestic environment. The situation where Nigerian rulers feed the world beyond Nigeria's borders with oil money while its domestic capacity for refining oil for its citizens is lacking was not limited to the Gowon's regime.

However, the love for diplomatic adventures that characterised the Gowon's regime became obvious when in 1975, he was ousted in a military coup while still away at an OAU meeting in Kampala.¹³⁶⁴

7.2.2.2 The Murtala/Obasanjo's Military Administration

The Murtala Mohammed's regime that assumed power appears to be more pragmatic in its approach to matters of colonialism and minority rule in Africa.¹³⁶⁵ With the ambition of a continent-wide influence, coupled with its desire to maintain a principle of "non-alignment,"¹³⁶⁶ the new military rulers transitioned Nigeria's foreign policy from conservatism to an era of radical disposition as noted in one of the speeches of Murtala Mohammed:

"Africa has come of age; it is no longer in the orbit of any continental power. It should no longer take orders from any country however powerful. The fortunes of Africa are in our hands to make or mar."¹³⁶⁷

¹³⁶³ Fearon, James D. "Domestic politics, foreign policy, and theories of international relations." *Annual Review of Political Science* 1, no. 1 (1998): 289-313.

¹³⁶⁴ Aluko, Olajide. "The "new" Nigerian foreign policy: Developments since the downfall of general Gowon." *The Round Table* 66, no. 264 (1976): 405-414.

¹³⁶⁵ *Ibid.*, p. 406.

¹³⁶⁶ Gambari, Ibrahim. "Nigerian Foreign Policy Since Independence." *Nigerian Journal of Policy and Strategy* (1986): 76-89.

¹³⁶⁷ Muhammed, General Murtala. "Speech by His Excellency General Murtala Muhammed, Head of the Federal Military Government at the Extra-ordinary Summit Conference of the OAU, held in Addis Ababa." *Nigeria: Bulletin of Foreign Affairs* 6, no. 1 (1976): 7-13.

With the posture of its pragmatic foreign policy led by Joseph Nanven Garba (then Commissioner for External Affairs), the regime exhibited greater agency in the conduct of its foreign policy.¹³⁶⁸ However, this comes with a huge cost of replacing the dependence of some African economies on foreign powers. Consequently, it shouldered the cost of revolutionary struggles from Angola to Zimbabwe.¹³⁶⁹ In Southern Rhodesia, Murtala gave massive financial assistance to Robert Mugabe's Zanu-PF, while in Angola, the MPLA movement received overwhelming military and financial support from Nigeria.¹³⁷⁰ In effect, oil money oxygenated the growth of Nigeria's continental influence but its risen profile also affected the convenience that ought to come with such oil wealth as the country continued to *thirst for petrol*.¹³⁷¹ Explaining the details of Nigeria's commitment to inter-African affairs in the period under consideration, a Nigerian scholar has this to say:

"Aside the expansion of bureaucracy, the bulk of the country's earnings went to extra-territorial adventures that often do not have any direct impact on the lives of the Nigerian people. Instead of focusing on executing projects that would improve the lives of Nigerians, the military got ensnared in ideological controversies of the Cold War leading to wasteful and unrewarding expenditures."¹³⁷²

The height of the regime's flamboyancy was the congregation of a multi-million dollars cultural festival known as "FESTAC 77" in which blacks from all over the world assembled in Lagos to celebrate black civilisation.¹³⁷³ While cultural awakening has been established as the foundation of modernisation in the

¹³⁶⁸ Ezirim, Gerald Ekenedirichukwu. "Fifty years of Nigeria's foreign policy: A critical review." *African Political Science Review* 10, no. 1 (2011): 2-4.

¹³⁶⁹ Ade-Ibijola, Aderemi Opeyemi. "Overview of National Interest, Continuities and Flaws in Nigeria Foreign Policy." *International Journal of Academic Research in Business and Social Sciences* 3, no. 1 (2013): 565-572.

¹³⁷⁰ Garba, Joseph Nanven. *Diplomatic soldiering: the conduct of Nigerian foreign policy, 1975-1979*. Spectrum Books Ltd, 1991.

¹³⁷¹ It is this irony that informed the birth of the concept "paradox of oil thirst".

¹³⁷² Interview with PA025.

¹³⁷³ Soyinka, Wole. "Twice bitten: The fate of Africa's culture producers." *Publications of the Modern Language Association of America* (1990): 110-120.

Western societies of Europe, Osoba observed some discrepancies with the case of FESTAC 77 as follows:

“Finally, when all else fails our national bourgeoisie resort to the ancient device of staging big spectacles to divert the attention of their people from the central issues and the primary contradictions of life. It was not by accident that in one single year our leaders spent many million naira to stage FESTAC '77, International Boy Scouts' Jamboree '77, ECOWAS Games '77 and International Trade Fair '77. Apart from dissipating scarce resources that could be creatively used for raising the level of the overall wellbeing of our people on such mindless exhibitionism, these shows, especially FESTAC have awesome implications for the health and integrity of our culture.”¹³⁷⁴

While the Murtala/Obasanjo regime were engaged in costly extra-territorial adventures as noted by PA25 above, the country was ‘thirsty for oil’ with acute shortages of petrol across the regions. In fact, the government was forced to set up a commission of inquiry known as the *Judicial Commission of Inquiry into the Shortage of Petroleum Products in 1976* to among other things, recommend ways to resolve the challenge of a brewing national problem.¹³⁷⁵ *Daily Times* reported severe petrol shortages just a few months after the cultural festival was over. In 1977 when another petrol scarcity ensued, the Commissioner for Petroleum, then Colonel Muhammadu Buhari (today’s President of Nigeria) appealed to the Nigerian people with a promise to end shortages in petrol as captured by *Daily Times* of Tuesday, June 7 1977.¹³⁷⁶ While the decision to increase participation of local entrepreneurs was in tandem with that of other countries in the global south, it however, came under serious criticism because it was executed “in

¹³⁷⁴ Osoba, Segun. "The deepening crisis of the Nigerian national bourgeoisie." *Review of African Political Economy* 5, no. 13 (1978): 63-77. p. 76.

¹³⁷⁵ Federal Republic of Nigeria. *Report of the Judicial Commission of Inquiry into the Shortage of Petroleum Products*, Lagos, Federal Ministry of Information. (1976).

¹³⁷⁶ Agbelemoge, Terry. "Fuel Crisis 'may be over Next Year'" *Daily Times*, June 7, 1977.

Nigeria against the ironic background of petrol shortages in many Nigerian towns and cities.”¹³⁷⁷ In the following, attention is given to the administration of President Shehu Shagari, the regime General Muhammadu Buhari, and the General Ibrahim Babangida’s Junta.

7.2.2.3 President Shehu Shagari, Generals Muhammadu Buhari and Ibrahim Babangida

With the close of the 1970s and the beginning of the 1980s, the international market for oil has plummeted as a result of too much supply and dwindling demand occasioned by world economic recession.¹³⁷⁸ Though the Nigerian government still professed its commitment to the African course, the oil glut has affected the source of its economic strength, informing Osaghae’s reference to it as “a crippled giant.”¹³⁷⁹ One important element of the downward trend in the price of oil was the political transition in Nigeria beginning in the last quarter of 1979 when the country’s *Second Republic* (1979-1983) began.¹³⁸⁰ Though the country’s population exploited the “relative freedom” that comes with the transition to democratic governance to challenge the elite’s excessive wastages in diplomatic adventures that characterised the era of military rule, the unimpressive cataclysm of the oil glut may have aided the return to power of the military elements less than five years into the *Second Republic*.¹³⁸¹ In other words, the transition to civilian rule came at a time when Nigeria’s economy was already beginning to feel the brunt of collapsing oil prices at the international market described by Mazrui, a foremost African historian of the 20th century as “impressive political freedom against economic anarchy.”¹³⁸² Responding to the perceived “wastages” of national resources in exogenous agendas at the detriment of crucial domestic priorities, Aluko posits that Nigeria could not continue to shoulder the responsibility of others while desiring the same for its domestic development. Read Aluko’s response.

¹³⁷⁷ John, Tim. “Controversial policy of Nationalisation in Nigeria” *Financial Times*, 4 April 1975.

¹³⁷⁸ Nye, Joseph S. “Energy and Security in the 1980s.” *World Politics* 35, no. 1 (1982): 121-134.

¹³⁷⁹ Osaghae, Eghosa E. *Crippled giant: Nigeria since independence*. Indiana University Press, 1998.

¹³⁸⁰ Falola, Toyin, and Julius Omozuanvbo Ihonvbere. *The Rise and Fall of Nigeria's Second Republic: 1979-1984*. Zed books, 1985.

¹³⁸¹ Mazrui, Ali A. “The blood of experience: The failed state and political collapse in Africa.” *World Policy Journal* 12, no. 1 (1995): 28-34.

¹³⁸² *Ibid.*, p. 3.

“To cast for Nigeria a role in world affairs that is clearly beyond our means...[and] the psychological error made by most Nigerians in and outside government that because of the size, population, and the agricultural and mineral resources in the country we are destined to lead *Africa is counter-productive.*”¹³⁸³

Following from the above, some felt the need to reduce the scope of Nigeria’s “national” interest in order to facilitate its reconciliation with the daunting challenges confronting the state, such as the shortages in the supply of petrol and to also concentrate in finding path to national cohesion:

“...in the Nigerian context there has been some contention about whether the focus should be egocentric, that is to say purely Nigerian, whether it should serve the West African region, Africa as a whole, or at its broadest, interests of the black people throughout the world.”¹³⁸⁴

Regardless of the type of foreign policy in place during the era of oil glut, the challenge of petrol shortages lingers as the nation once again became *thirsty for oil* in the middle of 1983 as reported in the print media.¹³⁸⁵ This was coming three years after the commissioning of the two new refineries: first refinery in 1978, with an estimated production output of 125, 000 bpd¹³⁸⁶ and another refinery coming closely afterwards in 1980 with an estimated output of 110, 000 bpd.¹³⁸⁷ However, it never took two years before the projections of the industry players who have envisioned an end to shortages in petrol to realise their faulty estimation. In 1983 and 1985, Nigeria experienced serious petrol shortages grounding economic activities for about 3 months in 1983 and 2 months in 1985.¹³⁸⁸

¹³⁸³ Aluko, Olajide “Necessity and freedom in Nigerian foreign policy,” Inaugural Lecture, University of Ife, 17 March, 1981.

¹³⁸⁴ Wright, Stephen “Limits of Nigeria’s Power Overseas,” *West Africa* 3339 (27 July, 1981): 1685-1686.

¹³⁸⁵ Bomoi, Mohammed. “Marketers cause fuel shortages.” *New Nigerian*, 11 May 1983.

¹³⁸⁶ The Warri Refining and Petrochemical Company located in Warri, present

¹³⁸⁷ The Kaduna Refining and Petrochemical Company

¹³⁸⁸ Bomoi, Mohammed. “Marketers cause fuel shortages.” *New Nigerian*, 11 May 1983.

The oil windfall of the 1970s introduced dependence on the import of foreign goods leading to what Shaw referred to as an “outward-oriented growth.”¹³⁸⁹ The recession of the 1980s had hit Nigeria so hard that the military regime in power, the General Ibrahim Babangida regime, had to accept the terms of the World Bank and IMF assisted programme geared toward “reform” popularly known as the Structural Adjustment Programme (SAP) in Nigeria.¹³⁹⁰ Considering the heavy burden of foreign debt which the regimes of the oil boom era had incurred, the Babangida regime lacked the capacity to borrow and thus it had little or no option than to reluctantly embrace the neo-liberal prescription of International Financial Institutions comprising economic liberalisation, currency devaluation and democratisation.¹³⁹¹ However, the new ruler who later crown himself as the “President and Commander in-Chief of the Armed Forces,” against public expectation to reduced external patronage to face the domestic economic crises, not excluding petrol shortages, continued in the footsteps of his predecessors (Gowon, Murtala/Obasanjo) in seeking international recognition with minimal gains. Falola and Ihonvbere captured this scenario appropriately:

“...our leaders revel in squandermania, corruption and indiscipline; and, continue to proliferate public appointments in complete disregard of our stark economic realities. In the worst instance, they have continued to engage in spending the little gains within the international space and closing their eyes to the pool of domestic contradictions.”¹³⁹²

Just as Shaw and Osoba observed the irrational calculation of gains in Nigeria’s foreign policy adventures, the Babangida regime engaged Nigeria in the most demanding task in which it shouldered the responsibility of intervening in the domestic civil war in Liberia through the initiation of Economic Community of West

¹³⁸⁹ Wilmot, P. F. “The West and Nigeria’s Economy” *New Nigerian* 1 May 1983.

¹³⁹⁰ Mosley, Paul. “Policy-making without facts: A note on the assessment of structural adjustment policies in Nigeria, 1985-1990.” *African Affairs* 91, no. 363 (1992): 227-240.

¹³⁹¹ Fadahunsi, Akin. “Devaluation: implications for employment, inflation, growth and development.” *The Politics of Structural Adjustment in Nigeria* 33 (1993).

¹³⁹² Ihonvbere, J., and T. Falola. *The Rise and Fall of Nigeria’s Second Republic*. London: Zed (1985). p. 14.

African States Monitoring Group (ECOMOG).¹³⁹³ Some have argued in a similar position with the official standpoint that given the raging conflict in Liberia, it was in the interest of Nigeria to take all necessary measures toward its prevention to neighbouring countries.¹³⁹⁴ Following this point of view, the United Nations acknowledged Nigeria's contribution to the struggle to restore peace in Liberia, estimated to have cost about \$6 billion USD.¹³⁹⁵

But no matter the convincing logic of the proponents of intervention, it comes with enormous cost to a restructuring economy.¹³⁹⁶ This is even more so that the adjustment programme in place required fiscal discipline and attention to succeed.¹³⁹⁷ In fact, others saw the ECOMOG project as an extension of Nigeria's claw aimed at exercising hegemonic control.¹³⁹⁸ Yet, a research fellow at the Nigeria Institute for Policy and Strategic Studies (NIPSS) Jos, presented a more related position to our studies:

“At the time that Nigeria needed to concentrate on building local capacity for refining that would aid in boosting local production, the ruling class preferred to demonstrate military ego. We wasted a huge amount of resources which would have been used to build a good refinery or even maintain the available ones. Now we are back from Liberia with international applause to meet an aborted transition project and ‘queues at filling stations.’”¹³⁹⁹

¹³⁹³ Adebajo, Adekeye. *Liberia's civil war: Nigeria, ECOMOG, and regional security in West Africa*. Lynne Rienner Publishers, 2002.

¹³⁹⁴ Ibid.

¹³⁹⁵ Alao, Abiodun. *The burden of collective goodwill: The international involvement in the Liberian civil war*. Routledge, 2017.

¹³⁹⁶ Salami, B. Olawale. "Resolving regional conflicts and public opinion: The Nigerian experience in Liberian crisis." *International Journal of Development and Sustainability* 2, no. 2 (2013): 777-786.

¹³⁹⁷ Ezeoha, Abel, and Chibuike U. Uche. "Rethinking Monetary and fiscal policies in Nigeria." *Journal of Sustainable Development in Africa* 8, no. 2 (2006): 93-115.

¹³⁹⁸ Adebajo, Adekeye, and Christopher Landsberg. "South Africa and Nigeria as regional hegemons." *From Cape to Congo: Southern Africa's Evolving Security Challenges* (2003): 171-203.

¹³⁹⁹ Interview with PA16

It would be interesting to note that many of those interviewed advocated a proactive domestic policy as against a robust outward policy.¹⁴⁰⁰ Furthermore, it was later revealed that the main motivation for intervention was the promotion of the personal interest of Babangida who according to Berman et al. used his influence to crown a ready puppet of the Nigerian ruler.¹⁴⁰¹ Though it would be difficult to prove such a position, the fact that the "Babangida regime showed sympathy to Samuel Doe,"¹⁴⁰² a factional leader in the dispute, helped to solidify such accusations. After an extensive fieldwork with stakeholders in the conflict, Pitts observed the following:

"Although the official position of ECOWAS, and the Organization of African Unity (OAU), was that Liberia lacked any official government, which meant that Doe was not a legitimate leader, Babangida clearly preferred a Liberia led by Doe, whom Taylor had sought to overthrow since 1989. Taylor was aware of Babangida's preferences and believed the SMC's plans proposed by Babangida posed a direct threat to his own interests."¹⁴⁰³

Regardless of the true position of facts and it would be difficult to ascertain the fundamental course that drove Nigeria into the Liberian conflict, the point still remains that Nigeria arguably bore most of the financial burden of the Liberian War.¹⁴⁰⁴ Worse still, increasing population has put a strain on the existing refineries coupled with other "geo-strategic occurrences"¹⁴⁰⁵ created a supply gap in 1992. However, unlike the previous cases where the people only grumble in their homes and road sides, the Nigeria Labour Congress (the umbrella organisation for Nigerian workers) protested in many Nigerian cities as reported

¹⁴⁰⁰ This view was expressed by PG16; PA25; PC14 and PG06.

¹⁴⁰¹ Berman, Eric, Katie E. Sams, and Katie E. Sams. *Peacekeeping in Africa: capabilities and culpabilities*. United Nations Publications UNIDIR, 2000.

¹⁴⁰² Adebajo, Adekeye. *Liberia's civil war: Nigeria, ECOMOG, and regional security in West Africa*. p. 20.

¹⁴⁰³ Pitts, Michelle. "Sub-Regional Solutions for African Conflict: The ECOMOG Experiment." *Journal of Conflict Studies* 19, no. 1 (1999).

¹⁴⁰⁴ Yoroms, Gani J. "ECOMOG and West African regional security: A Nigerian perspective." *African Issues* 21, no. 1-2 (1993): 84-91.

¹⁴⁰⁵ The Gulf War for example led to lower output of oil to the international market leading to increase in the price of both crude and refined petrol.

by the *New York Times*,¹⁴⁰⁶ *Washington Post*,¹⁴⁰⁷ *BBC Summary*¹⁴⁰⁸ among others. The protest had embarrassed the regime and to make it up, "it suspended some staff of NNPC and went further to constitute a panel of inquiry known as the *Belgore Commission of Inquiry into Fuel Crises* in 1992."¹⁴⁰⁹

In the following, I traced another angle through which Nigerian oil became a subject of international contestation compounding the challenge of petrol shortages within its economy.

7.2.2.4 General Sani Abacha's Regime

During the Abacha regime, the struggle to gain a fair share of the proceeds of oil by the indigenous people of the Niger/Delta transformed from what used to be a peaceful struggle into a violent agitation.¹⁴¹⁰ All previous government interventions in the area have not been satisfactory to the aborigines who not only felt neglected but were convinced that the majority ethnic groups (Hausa, Igbo and Yoruba) were united against the minorities.¹⁴¹¹ In the early 1990s, however, the insensitive and reactionary response of the *Federal Military Government*, especially the use of force against peaceful demonstrators, which later became the language of government, had worsened the situation. It is not debatable, the fact that the federal government did not do enough to appease the people of the host communities as put forward by Nwokeji in the following words:

"In the zero-sum game of Nigerian politics, the minority ethnic groups of the region were not politically influential to garner a fair share of government investment, and the difficulty,

¹⁴⁰⁶ Noble, Kenneth B. "Clashes in Nigeria Show the Shakiness of Its Balancing Act," *New York Times* 31 May 1992.

¹⁴⁰⁷ Maier, Karl "Nigeria Riots Continue as Youths, Police Clash; Fuel Shortages, Inflation Spark Violence," *The Washington Post* 15 May 1992.

¹⁴⁰⁸ BBC Summary of World Broadcasts "Nigeria Government Issues Statement on Riots; Two More Deaths Reported," BBC Summary 16 May 1992.

¹⁴⁰⁹ Interview with PA018.

¹⁴¹⁰ Ikelegbe, Augustine. "Beyond the threshold of civil struggle: youth militancy and the militia-ization of the resource conflicts in the Niger Delta region of Nigeria." (2006).

¹⁴¹¹ Omeje, Kenneth. "Oil conflict in Nigeria: Contending issues and perspectives of the local Niger Delta people." *New Political Economy* 10, no. 3 (2005): 321-334.

marshy terrain guaranteed that Nigeria's lazy rulers ignored the Niger Delta countryside."¹⁴¹²

Therefore, this study is not focused on reviewing the injustices and irresponsibility of Nigeria's government and the Joint Venture Partners such as Shell, Mobil and Chevron to the Niger Delta people but certainly this partly explains the growing resistance of the people. That being said, the following part of the chapter will argue that the transformation from peaceful protests to violent movements in the oil producing region of Nigeria (Niger Delta) aggravated the problem of refining petroleum in Nigeria.

In an interview granted to *Tell* magazine in 1993, Saro-Wiwa referred to the marginalisation of the Ogoni people through coordinated actions of the majority ethnic groups, as nothing short of "genocide."¹⁴¹³ This was not surprising considering the posture of the military cabal who perceived popular agitations as a threat to their continuous stay in power. Regardless of the brutal nature of the regime, Saro-Wiwa showed the determination to fight for social and environmental justices for his people even if the federal might "will have to shoot and kill every Ogoni man, woman and child to take more of their oil."¹⁴¹⁴ The Abacha regime was not pleased with the turn of events in the Niger Delta and were determined to take measures that can deter potential protesters from having to take to the street. As a result, the regime constituted a Military Tribunal which tried Saro-Wiwa for offenses bordering on sedition.¹⁴¹⁵ The tribunal, which was widely criticised for taking sides with the authorities, ruled against Ken Saro-Wiwa and eight others in 1994.¹⁴¹⁶ Immediately, the Abacha regime executed the nine including Saro-Wiwa, sparking global condemnation leading to suspension of Nigeria from multilateral forums including the Commonwealth of Nations.¹⁴¹⁷

Perhaps more significant to this study is the unforeseen diplomatic wedge that the killing of Saro-Wiwa and eight others has brought on the regime and Nigeria

¹⁴¹² Nwokeji, G. Ugo. *The Nigerian National Petroleum Corporation and the development of the Nigerian oil and gas industry: History, strategies and current directions*. James A. Baker III Institute for Public Policy, Rice University, 2007. P. 66

¹⁴¹³ Saro Wiwa granted an interview to *Tell Magazine* (Lagos), 8 February 1993, pp. 28-33.

¹⁴¹⁴ Saro-Wiwa granted an interview to *Tell Magazine* (Lagos), 8 February 1993, pp. 28-33.

¹⁴¹⁵ Na'Allah, Abdul-Rasheed, ed. *Ogoni's agonies: Ken Saro-Wiwa and the crisis in Nigeria*. Trenton, NJ: Africa World Press, 1998.

¹⁴¹⁶ Saro-Wiwa, Ken. *A month and a day: a detention diary*. Penguin books, 1995.

¹⁴¹⁷ Ross, Ken. "The Commonwealth: Working at Diplomacy." *Commonwealth and Comparative Politics* 39, no. 3 (2001): 113-131.

in general. Shortly after the execution, the government began to witness various forms of protests as it was perceived by the public as “draconian” and wildly “destructive.”¹⁴¹⁸ With growing anxiety in the region and Nigeria as a whole, ethnic tensions began to resurface adding pressure to the “national question.”¹⁴¹⁹ The degeneration to the use of force by the protesters meant that oil pipelines from the major refineries in the Niger Delta were no longer safe as it was occasionally attacked, sometimes disrupting supply of petrol in Nigeria.¹⁴²⁰ Detail discussion on this is provided in chapter five.

The implication of Abacha’s execution of the oil activists resulted in Nigeria becoming a pariah state, isolated even by states it helped to liberate from the shackles of apartheid.¹⁴²¹ “Isolated abroad and irresponsible at home” was the description painted by Maier in his widely cited work *This house has fallen: Midnight in Nigeria*.¹⁴²² In fact, after a protest in 1994, the Abacha regime set up a commission of inquiry to investigate the cause of petrol shortages known as the *Judicial Commission of Inquiry into the Shortage of Petroleum Products* headed by Justice Ayo Irikefe.¹⁴²³ In one of the instances of petrol shortages in 1998, the British Broadcasting Corporation’s reporter named “corruption” as the cause of fuel shortages in Nigeria.¹⁴²⁴ The same oil that propelled Nigeria to prominence in the corridors of international politics was the same product that relegated it to the brink of collapse degenerating to a “pariah state” and informing its description as a “crippled giant”¹⁴²⁵ by Osaghe.

7.2.2.5 Obasanjo, Yar’adua and Jonathan’s Administrations

Obasanjo who returned to power in 1999 after a general election in April of the same year inherited a “malfunctioning NNPC in which almost all the refineries were not performing at maximum level while domestic demand for refined oil has

¹⁴¹⁸ Olukotun, Ayo. "Traditional protest media and anti-military struggle in Nigeria 1988–1999." *African Affairs* 101, no. 403 (2002): 193-211.

¹⁴¹⁹ The national question is a term widely use in Nigeria to refer to political tensions regarding the unity of the country. The term became popular after the Nigerian Civil War 1967-1970.

¹⁴²⁰ O’Neill, Tom. "Curse of the Black Gold: hope and betrayal in the Niger Delta." *National Geographic* 211, no. 2 (2007): 88-117.

¹⁴²¹ Black, David. "The New South Africa confronts Abacha's Nigeria: The politics of human rights in a seminal relationship." *Commonwealth & Comparative Politics* 41, no. 2 (2003): 35-54.

¹⁴²² Maier, Karl. *This house has fallen: Midnight in Nigeria*. New York: Public Affairs, 2000.

¹⁴²³ The *Judicial Commission of Inquiry into the Shortage of Petroleum Products*

¹⁴²⁴ Duval-Smith, Alex "Africa: An oil producer's fuel shortage" *BBC News*, Monday, October 1998.

¹⁴²⁵ Osaghae, Eghosa E. *Crippled giant: Nigeria since independence*. Indiana University Press, 1998. p. 1.

quadrupled from the time he left power in 1979.”¹⁴²⁶ Against all odds, the transition to democratic rule was met by immeasurable optimism from “bewildered Nigerian population and the international community” who heave a sigh of relief based on the assumption that democratic rule would provide greater opportunity for transparent management through popular participation.¹⁴²⁷ However, as soon as Obasanjo assumed office in May 1999, he set out on a series of international travels. Tseror recorded that Obasanjo travelled to fifty-four countries in fifty-six weeks.¹⁴²⁸ At the end of his second tenure in 2007, Obasanjo had travelled to 139 countries and forums around the world beating previous records of Nigerian heads of states.¹⁴²⁹

Some have justified Obasanjo’s shuttle diplomacy on the premise that Nigeria’s image was battered during the long years of military rule and it requires serious diplomatic engagements to repair such damages.¹⁴³⁰ Obasanjo himself has rationalised his many trips in the following words:

“We are happy to report that the results from these trips have been encouraging enough to confirm my personal belief and the advice of marketing experts, namely, that personal contact is the best way to market your product. And my product is Nigeria.”¹⁴³¹

Truly, through the technical assistance of Obasanjo’s appointees including Okonjo Iweala (then Finance Minister) and Charles Soludo (Governor of the Central Bank of Nigeria), Obasanjo was able to successfully negotiate debt relief of over \$18 billion USD owed by Nigeria to multilateral agencies.¹⁴³² Again,

¹⁴²⁶ Interview with PA01

¹⁴²⁷ Smith, Daniel Jordan. *A culture of corruption: Everyday deception and popular discontent in Nigeria*. Princeton University Press, 2010.

¹⁴²⁸ Tseror, Timothy. *Transition to Democratic Rule in Nigeria*. Jos, Monograph publishers, 2003. p. 23.

¹⁴²⁹ Sanubi, Franklins Avwoghokigho, and Chris Ifeanyi Adebawale Oke. "Diplomatic Shuttles In Foreign Policy: Were Obasanjo Trips During His Tenure of Any Benefits to Nigeria?" *Journal of Social and Management Sciences* 12, no. 1 (2017).

¹⁴³⁰ Dauda, Saleh, and Usman Yusuf Bako. "Impact of shuttle diplomacy on foreign direct investment in Nigeria, 1999-2007." *International Journal of Advanced Research in Management and Social Sciences* 1, no. 6 (2012): 1-17.

¹⁴³¹ Oyedoyin, Tunde. "Obasanjo woos foreign investors to Nigeria." *Nigeria World News* 18 July. nigeriaworld.com/feature/publication/oyedoyin/0718-202.html (2002).

¹⁴³² Gillies, Alexandra. "Obasanjo, the donor community and reform implementation in Nigeria." *The Round Table* 96, no. 392 (2007): 569-586.

through those international platforms like the G8 and the United Nations, Obasanjo's administration accomplished the task of establishing a continental development strategy known as the New Partnership for Africa's Development (NEPAD).¹⁴³³ However, these accomplishments came with a severe tone on the country's strain on the financial position as contended by Sanubi and Oke below.

“weighed against the cost implications incurred in each trip that a Nigerian president makes, which understandably involves a retinue of state officials and some avoidable clout of government pressmen including other “politically-minded” entourage staffs (albeit party busybodies), it would make a strident argument that such foreign trips could have been avoided for the sake of the domestic economy.”¹⁴³⁴

The most significant challenge to the foreign trips and the whole gamut of diplomatic engagement during the Obasanjo's years relates to the negation of the “domestic economic environment with serious implications to economic growth.”¹⁴³⁵ Opinions from the local media also suggested that Obasanjo's experience as a former head of state during the period of the second oil shocks should have been “deployed to resolving the perennial problem of petrol shortages.”¹⁴³⁶ Conversely, the country's dependence on oil as a source of foreign exchange has increased to 98 per cent by the end of 1999 while its refineries remained unproductive.¹⁴³⁷ A participant who was a director with NNPC observed Obasanjo's reluctance to resolve the challenge of petroleum products scarcity in the following words:

“we had expected a thorough overhaul of the system of refining petroleum in Nigeria. But what

¹⁴³³ Alo, Ejikeme Nonso. "Obasanjos leadership role as chairman of NEPADs HSGIC." *African Journal of Political Science and International Relations* 7, no. 7 (2013): 295-303.

¹⁴³⁴ Sanubi, Franklins Avwoghokigho, and Chris Ifeanyi Adebowale Oke. "Diplomatic Shuttles in Foreign Policy: Were Obasanjo Trips During His Tenure of Any Benefits to Nigeria?." p. 145.

¹⁴³⁵ Lawal, Yakubu "Fuel Now ₦75 per litre", *The Guardian*, Monday, May 28, 2007, p.1

¹⁴³⁶ Majirioghene, Bob. "Nigeria's Rusty Refineries" *TELL*, November 17, 2008, p.25

¹⁴³⁷ Adelabu, Nenpominyi Sarah. "The political economy of oil deregulation in Nigeria's fourth republic: prospects and challenges." *Journal of Emerging Trends in Educational Research and Policy Studies* 3, no. 3 (2012): 193-198.

we witnessed was disappointment. With all the earnings during that windfall that accompanied his reign in power, Obasanjo took no step to repair the refineries. We continue to patronise the international market leading to increasing price in the pump price of petrol.”¹⁴³⁸

During Obasanjo’s administration, Audu and Osuala contended that the price of petrol was reviewed for “more than six times.”¹⁴³⁹ The administration met the price at ₦11 Naira but at the time it left office in 2007, the price was ₦75 Naira.¹⁴⁴⁰ As a result of Nigeria’s dependence on the international market for petrol, the government continued to review petrol prices to cope with the shortfall arising from price volatility in the international market.¹⁴⁴¹ In each of the six different times that the government reviewed petrol prices as earlier noted, the Nigerian Labour Congress (NLC) and the Trade Union Congress (TUC) organised mass protests sometimes forcing the government to reconsider such decisions.¹⁴⁴² Even an attempt to deregulate the downstream sector was met by resistance from the Nigerian people who felt they would lose the “only benefit” from Nigeria’s oil wealth.¹⁴⁴³

Under the administration of President Musa Yar’adua which assumed office in 2007, “citizen diplomacy”¹⁴⁴⁴ became the new focus of foreign policy. According to the then foreign affairs minister, Ojo Maduekwe, “citizen diplomacy was construed by the Yar’adua administration to mean that Nigeria’s foreign policy will henceforth be focused on the Nigerian citizens at home and in diaspora.”¹⁴⁴⁵ Akinterinwa elaborated on the subject of citizen diplomacy when he argued that:

¹⁴³⁸ Interview with PG11.

¹⁴³⁹ Audu, M. S., and Uzoma S. Osuala. "The Sublimeness of Sleaze in the NNPC in the Fourth Republic, 1999–2007: A Historical Conspectus."

¹⁴⁴⁰ Ajaero, Chris. "A chamber of Scandal", *Newswatch*, July 14 2008, p.14

¹⁴⁴¹ Utomwen, Desmond. "A Legacy of Waste", *The News*, June 4, 2007, p. 75

¹⁴⁴² Okpaga, Adagba, Sam Chijioke Ugwu, and Okechukwu Innocent Eme. "Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000-2012." *Oman Chapter of Arabian Journal of Business and Management Review* 34, no. 962 (2012): 1-13.

¹⁴⁴³ *Ibid.*, p. 9.

¹⁴⁴⁴ Dickson, Monday. "Citizen Diplomacy in President Umaru Musa Yar’Adua’s Nigeria, 2007-2009: An Assessment." *International Journal of Politics and Good Governance* 1, no. 3 (2010): 1-13.

¹⁴⁴⁵ Agbu, Osita. "Nigerian Foreign Policy under President Umaru Musa Yar’Adua: Challenges and Prospects." *Citizen Diplomacy. Lagos: The Nigerian Institute of International Affairs (NIIA)* (2009): 41-62.

“Individual Nigerians are to be the main focus of any foreign policy endeavour; they are to be made important stakeholders and first beneficiaries of Nigeria foreign policy efforts in any of Nigeria’s foreign policy concentric circles. More important, they are to be specially empowered to respond to the changing challenges of globalization wherever they may be found.”¹⁴⁴⁶

In line with the new vision, the government reduced the pump price of petrol in the domestic market from ₦75 Naira to ₦65 Naira and successfully negotiated an amnesty programme in the Niger Delta region leading to the establishment of a substantive “Ministry of the Niger Delta.”¹⁴⁴⁷ However, after the demise of President Yar’adua, citizen diplomacy lost its vibrancy as the Jonathan administration “lacked the political will to implement reform policies in the oil industry”¹⁴⁴⁸ that had direct bearing on the life of the Nigerian citizen. In the end, the life of the administration was broad to an end by the defeat it suffered in the 2015 general elections.¹⁴⁴⁹

The analysis above shows the extent to which oil induces Nigeria’s search for power at both regional and international level. In the specific case of Nigeria, oil has intoxicated the country to the extent that it looks outward than inward abandoning its responsibility and depending on the international market for rents. This rent seeking attitude killed the appetite for not only domestic goods and services but consumable goods in general, argues Nyatepe-Coo.¹⁴⁵⁰ As a result, the state looks up to the international market for petrol. In the following, we will see the nature of prices volatility that characterised international market for petrol and how it adds to petrol thirst in Nigeria.

¹⁴⁴⁶ Akinterinwa, Bola. "Foreign Policy under the Yar’Adua Administration." *THIS DAY* (2007).

¹⁴⁴⁷ Egwemi, Victor. "From militancy to amnesty: Some thoughts on President Yar’Adua’s approach to the Niger Delta crisis." *Current Research Journal of Economic Theory* 2, no. 3 (2010): 136-141.

¹⁴⁴⁸ Okonjo-Iweala, Ngozi. *Fighting corruption is dangerous: The story behind the headlines*. MIT Press, 2018.

¹⁴⁴⁹ Omotola, J. Shola, and Charles Nyuykonge. "Nigeria’s 2015 general elections: Challenges and opportunities." (2015).

¹⁴⁵⁰ Nyatepe-Coo, Akorlie A. "Dutch disease, government policy and import demand in Nigeria." *Applied economics* 26, no. 4 (1994): 327-336.

7.3 International Oil Market

According to Hamilton, the relative importance of oil to the economy of almost all countries around the world led to increase in the percentage volume of oil exports in the international market.¹⁴⁵¹ A United Nations Report in 2008 estimated that about \$4 billion is expended on a daily basis for the purchase of both refined and crude oil in the international market.¹⁴⁵² In the same report, the total exports for automobiles stood at \$1.5 billion per day, while that of iron and steel accounts for only \$1 billion a day.¹⁴⁵³ Economists have long argued that the extent of its importance in powering economic activities at all levels, almost all countries are remarkably susceptible to changes in the market for oil.¹⁴⁵⁴ Though the effect of changes in the international market does not spare any country including producing and consuming states, it comes with greater implication on countries that “depend on the international market” for the import of refined petrol like Nigeria.¹⁴⁵⁵ It is within this understanding of the peculiar case of Nigeria as exporter of crude oil and an importer of refined petrol that this section would focus. In the following, attention is given to the character of the international market in which Nigeria is both a seller and a buyer of oil and how this dual attribute contributes to the menace of petrol shortages within its domestic market.

The international market for oil is occupied by about fifty states who are producers with more than half of oil produce being exported for rents.¹⁴⁵⁶ Except for the recent modest search for alternative sources of energy which in the long run may have some significant impact on the international oil market by changing its geopolitics, Middle-Eastern states, the Russian Federation, and African states of Nigeria, Angola, Libya among others, are the leading exporters of crude oil.¹⁴⁵⁷ On the other hand, China, European countries, the United States, India and Japan are known importers of oil.¹⁴⁵⁸ Like automobiles, oil is categorised into

¹⁴⁵¹ Hamilton, James D. "Oil and the macroeconomy since World War II." *Journal of political economy* 91, no. 2 (1983): 228-248.

¹⁴⁵² Comtrade, U. N. "United Nations commodity trade statistics database." URL: <http://comtrade.un.org> (2008) available at <http://comtrade.un.org/pb/> accessed 12/November/2018.

¹⁴⁵³ Ibid., p. 4.

¹⁴⁵⁴ Sandalow, David. "Ending oil dependence." *Washington: The Brookings Institution* (2007).

¹⁴⁵⁵ Sanusi, Lamido Sanusi. "Growth prospects for the Nigerian economy." *Convocation Lecture* (2010).

¹⁴⁵⁶ BP, p.l.c. *BP Statistical Review of World Energy*. 2008.

¹⁴⁵⁷ Kheiravar, Khaled H., C-YC Lin Lawell, James B. Bushnell, Amy Myers Jaffe, and Erich J. Muehlegger. *A structural econometric model of the dynamic game between petroleum producers in the world petroleum market*. Working paper, Cornell University, 2017.

¹⁴⁵⁸ Pirog, Robert L. "The role of national oil companies in the international oil market." Congressional Research Service, Library of Congress, 2007.

grades, with each competing for space within a highly “aggressive international market environment.”¹⁴⁵⁹

However, about fifty years before now, the international oil market was remotely controlled by the seven most powerful oil multinational corporations.¹⁴⁶⁰ But since the establishment of the OPEC in 1960, state owned corporations have challenged the dominant position of these multinationals.¹⁴⁶¹ Before Nigeria joined OPEC in the 1970s, the dominant multinational corporations otherwise known as the “seven sisters” were arguably the most significant stakeholders in the oil sector accounting for almost ninety percent of the total oil output from Nigeria.¹⁴⁶² But after the nationalists’ motivated transition to state-control of the oil sector inspired by OPEC rules, the NNPC assumed the position of control, at least, going by the legal framework governing the industry.¹⁴⁶³ At the international level, the economic space dominated by corporations has narrowed from ninety percent to a negligible twelve percent in the 1970s courtesy of OPEC’s conditions for membership which mandates producers to control the sector.¹⁴⁶⁴

As a result of the restructuring of the 1970s noted above, the production of oil to feed the international oil market is now dominated by major oil producers through state-owned companies.¹⁴⁶⁵ These national oil companies supply over fifty percent of the crude oil in the international market while also controlling about seventy percent of proven oil reserves.¹⁴⁶⁶ Their activities are subjected to different national governing frameworks with no formal international rule. However, the multinational corporations still maintain dominance in the refining of petroleum for the international market. Yet, most of the members of OPEC including Nigeria are mandated to have firm control of the downstream sector.

¹⁴⁵⁹ Bentzen, Jan. "Does OPEC influence crude oil prices? Testing for co-movements and causality between regional crude oil prices." *Applied Economics* 39, no. 11 (2007): 1375-1385.

¹⁴⁶⁰ Esso, British Petroleum, Shell, Gulf, Texaco, Standard Oil (California), Mobil, and Compagnie Française des Pétroles. Through various mergers and consolidation, the eight have been reduced to five: ExxonMobil, BP, Shell, Chevron, and Total.

¹⁴⁶¹ Terzian, Pierre. *OPEC*. London: Zed Books; Totowa, NJ, USA: Distributor, Biblio Distribution Center, 1985.

¹⁴⁶² Adelman, M. A. "The World Petroleum Market. Baltimore and London." (1972).

¹⁴⁶³ Omorogbe, Yinka. "Oil and gas law in Nigeria." *Lagos, Nigeria: Malthouse Press Limited* (2001).

¹⁴⁶⁴ Weekly, Petroleum Intelligence. "PIW ranks the world's top 50 oil companies." *Energy Intelligence Group* (2008).

¹⁴⁶⁵ Cuervo, Luis E. "OPEC from the Myth to Reality." *Hous. J. Int'l L.* 30 (2007): 433.

¹⁴⁶⁶ Alhajji, Anas F., and David Huettner. "OPEC and world crude oil markets from 1973 to 1994: cartel, oligopoly, or competitive?" *The Energy Journal* (2000): 31-60.

But due to forms of “politics and corruption”¹⁴⁶⁷, the refineries in Nigeria have not been working at maximum capacity making the country to rely on the “international market for both the sale of crude oil and buying of refined oil including petrol.”¹⁴⁶⁸ Out of the twenty largest oil companies in the world, nine are officially attached to OPEC including Nigeria’s state-owned corporation – NNPC.¹⁴⁶⁹ In Table 7 below, 20 largest oil companies with countries are shown including their capacities. For example, the companies and countries that are officially attached to OPEC are embolden. The last column contends a verifiable quantity of proven reserves which a country can produce applying the right technology. In table 7 below, Nigeria’s NNPC is ranked as the 19th largest oil company with 100 percent state ownership. It is not debatable the fact that oil prices (both crude and refined petrol) are prone to volatility. As would be seen below, high or low volatility have added to the pressure of petrol shortages in Nigeria.

¹⁴⁶⁷ Interview with PA28

¹⁴⁶⁸ Iwayemi, Akin, and Babajide Fowowe. "Impact of oil price shocks on selected macroeconomic variables in Nigeria." *Energy policy* 39, no. 2 (2011): 603-612. p. 606.

¹⁴⁶⁹ *Petroleum Intelligence Weekly*, December 4, 2008.

Table 7: Lists of 20 Biggest Oil Companies and their Countries 2007

| <i>Remark</i> | <i>Company</i> | <i>Country</i> | <i>State ownership (%)</i> | <i>Production (thousand barrrets/day)</i> | <i>Proved reserves (million barrrets)</i> |
|---------------|----------------|----------------|----------------------------|---|---|
| 1. | SAUDI ARAMCO | Saudi Arabia | 100 | 10.413 | 264,200 |
| 2. | NIO | Iran | 100 | 4.401 | 138,400 |
| 3. | PEMEX | Mexico | 100 | 3.4.474 | 12.187 |
| 4. | CNPC | China | 100 | 2.764 | 22.447 |
| 5. | EXXON OBIL | Us | | 2.616 | 11.074 |
| 6. | KPC | Kuwait | 100 | 2.600 | 101.500 |
| 7. | PDV | Venezuela | 100 | 2.570 | 99.377 |
| 8. | BP | Uk | | 2.414 | 10.073 |
| 9. | INOC | Iraq | 100 | 2.145 | 115.000 |
| 10. | ROSNEFT | Russia | 75.16 | 2.027 | 17.513 |
| 11. | PETROBRAS | Brazil | 32.2 | 1.918 | 9.581 |
| 12. | SHELL | Uk/netherlands | | 1.899 | 4.887 |
| 13. | SONATRACH | Algeria | 100 | 1.860 | 11.400 |
| 14. | CHEVRON | Us | | 1.783 | 7.523 |
| 15. | CONOCOPHILIPS | Us | | 1.644 | 6.541 |
| 16. | ABNOC | Uea | 100 | 1.574 | 52.800 |
| 17. | LUKOIL | Russia | | 1.552 | 12.572 |
| 18. | TOTAL | France | | 1.509 | 5.778 |
| 19. | NNPC | Nigeria | 100 | 1.414 | 21.700 |
| 20. | LIBYA NOC | Libya | 100 | 1.368 | 30.700 |

Source: Petroleum Intelligence Weekly, December 4, 2008. p. 4.

7.3.1 Oil Prices Volatility in the International Market

The subject of oil price volatility is long debated.¹⁴⁷⁰ While many scholars still differ regarding the causes of oil price volatility, there seems to be a near consensus on the volatile posture of oil prices in the international market.¹⁴⁷¹ As has been noted above, these involve both crude and refined oil. "But these differences do not really count in the peculiar case of Nigeria considering the fact that it produces and sells crude at the international market and at the same time depends on the international market for refined petroleum products", argues PC27.¹⁴⁷² To understand the causal factors of volatility in the price of oil, it is important to first explain volatility as a concept. This is essential because of the misconceptions surrounding its meaning. It has been perceived to mean the

¹⁴⁷⁰ Ferderer, J. Peter. "Oil price volatility and the macroeconomy." *Journal of macroeconomics* 18, no. 1 (1996): 1-26.

¹⁴⁷¹ Regnier, Eva. "Oil and energy price volatility." *Energy economics* 29, no. 3 (2007): 405-427.

¹⁴⁷² Interview with PC27

persistent increase in the market “price of commodities.”¹⁴⁷³ This school of thought does not regard downward trends in the price of commodities as volatility. Based on its limited outlook, Ayadi argues that such reduces the basis in which the notion of volatility is used.¹⁴⁷⁴ Others see volatility from a chaotic angle based on the unpredictability of the market.¹⁴⁷⁵ While unpredictability is a major characteristic of volatility, it cannot equate volatility. Consequently, for the purposes of this study, Shiller’s definition of volatility as both the increase and decrease in the price of commodities would be adopted.¹⁴⁷⁶ It measures the degree to which the prices of commodities vary in the market.

Influenced by Shiller’s conceptualization above, Radchenko observed the extent of volatility in oil prices describing extreme upward trends as “high volatility” and extreme downward trends as “low volatility.”¹⁴⁷⁷ In figure 2 below, low volatility period ranges from 1947 to 1968 followed by periods of high volatility from 1971 to the present times.

¹⁴⁷³ Oriakhi, D. E., and Iyoha Daniel Osaze. "Oil price volatility and its consequences on the growth of the Nigerian economy: An examination (1970-2010)." *Asian economic and financial review* 3, no. 5 (2013): 683.

¹⁴⁷⁴ Ayadi, O. Felix. "Oil price fluctuations and the Nigerian economy." *OPEC review* 29, no. 3 (2005): 199-217.

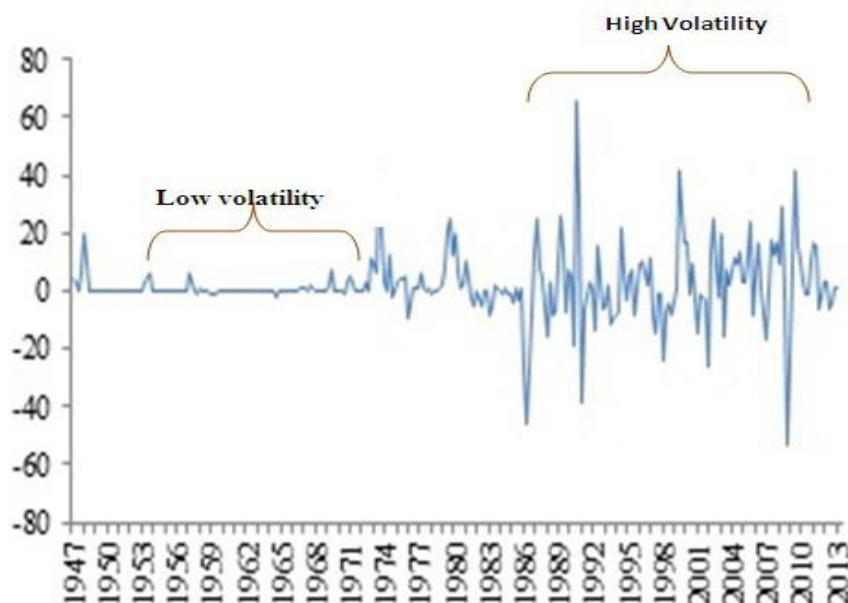
¹⁴⁷⁵ Chavas, Jean-Paul, and Matthew T. Holt. "Market instability and nonlinear dynamics." *American Journal of Agricultural Economics* 75, no. 1 (1993): 113-120.

¹⁴⁷⁶ Shiller, Robert J. *Market volatility*. MIT press, 1992.

¹⁴⁷⁷ Radchenko, Stanislav. "Oil price volatility and the asymmetric response of gasoline prices to oil price increases and decreases." *Energy economics* 27, no. 5 (2005): 708-730.

Figure 2

Historical Account of oil Price Volatility in the International Market



Source: IEA Report for the Year 2014

In normal circumstances, what economist described as “efficient market conditions,”¹⁴⁷⁸ the prices of commodities revolve around familiar prevailing and mostly predictable conditions usually “demand and supply forces.”¹⁴⁷⁹ Therefore, even before changes in market outlooks come to reality, they must have been anticipated. However, when these changes occur frequently with virulent repercussions, economists regard such scenarios as “high volatility.”¹⁴⁸⁰ It is within this attribute of high volatility that the price of oil in the international market can be understood. While incidences of high volatility is celebrated by oil producing countries, it comes with negative consequences to oil importing countries because they would spend more for the same quantity sometimes leading to “inflation.”¹⁴⁸¹ Contradictorily, Nigeria is an oil exporter that can gain more during periods of high volatility but since it depends on the international

¹⁴⁷⁸ Jensen, Michael C. "Some anomalous evidence regarding market efficiency." *Journal of financial economics* 6, no. 2/3 (1978): 95-101.

¹⁴⁷⁹ Krichene, Noureddine. "World crude oil and natural gas: a demand and supply model." *Energy economics* 24, no. 6 (2002): 557-576.

¹⁴⁸⁰ Gençay, Ramazan, Faruk Selçuk, and Abdurrahman Ulugülyağci. "High volatility, thick tails and extreme value theory in value-at-risk estimation." *Insurance: Mathematics and Economics* 33, no. 2 (2003): 337-356.

¹⁴⁸¹ Judson, Ruth, and Athanasios Orphanides. "Inflation, volatility and growth." *international Finance* 2, no. 1 (1999): 117-138.

market for the bulk of its refined oil, it tends to use its gains to buy the refined petrol at “higher prices like oil importers.”¹⁴⁸²

But the question that readily comes to mind is what makes oil price to be susceptible to volatility leading to extremities – low and high? Scholars including McNally,¹⁴⁸³ Kaufmann,¹⁴⁸⁴ Adelman,¹⁴⁸⁵ among others have identified various basic causal factors including geo-political developments, OPEC system of production, demand and supply, appreciation of the U.S. Dollar, and non-OPEC members as the major forces inducing volatility. However, a careful study of the empirical data shows that only three of the factors named above have had enormous influence on the menace of petrol shortages in Nigeria. These factors are geo-political developments, OPEC system of production, and the exchange rate fluctuations. Following from these factors, I explained using many sources not excluding empirical data how these factors have engendered oil shortages in Nigeria.

7.3.2 Geo-political Developments

The relationship between oil and politics is so intrinsic that any political disruption or tension within the international system would have remarkable implications on the price leading to volatility.¹⁴⁸⁶ Disruptions occasioned by political tensions almost always have implications on the price of both crude and refined oil in the international market. Depending on the nature of organisation of the oil industry in the domestic economy of oil producing countries, political tensions emanating from oil producing countries or sources of imports have always had a significant effect on the prices of oil within the broader international oil market.¹⁴⁸⁷ In the following from the analogy provided above, I explained chronologically how political tensions around the world, especially in the Middle-East affected oil

¹⁴⁸² Ehinomen, Christopher, and Adepoju Adeleke. "An assessment of the distribution of petroleum products in Nigeria." *E3 Journal of Business Management and Economics* 3, no. 6 (2012): 232-241.

¹⁴⁸³ McNally, Robert. *Crude Volatility: The History and the Future of Boom-Bust Oil Prices*. Columbia University Press, 2017.

¹⁴⁸⁴ Kaufmann, Robert K., and Cheryl Laskowski. "Causes for an asymmetric relation between the price of crude oil and refined petroleum products." *Energy Policy* 33, no. 12 (2005): 1587-1596.

¹⁴⁸⁵ Adelman, A. Determinants of growth and development of the Australian economy. *Australian journal of Economics*, 14(3): 19-21, 2000.

¹⁴⁸⁶ Le Billon, Philippe, and Alejandro Cervantes. "Oil prices, scarcity, and geographies of war." *Annals of the Association of American Geographers* 99, no. 5 (2009): 836-844.

¹⁴⁸⁷ Kollias, Christos, Catherine Kyrtsov, and Stephanos Papadamou. "The effects of terrorism and war on the oil price–stock index relationship." *Energy Economics* 40 (2013): 743-752.

prices with consequences on the prices of petrol in Nigeria from the 1970s to recent times.

7.3.2.1 The First Oil Shock

Beginning with the Yom Kippur War (October 1973) involving Israel and the Middle Eastern states like Syria and Egypt, tensions have been shown to have remarkable implications on the prices of oil.¹⁴⁸⁸ The conflict began to have a serious effect on the price of oil when frontline decision makers of the Organization of Arab Petroleum Exporting Countries (OAPEC) imposed an oil embargo on Western nations considered as core supporters of Israeli course.¹⁴⁸⁹ The nations affected by the oil embargo include “Canada, Japan, the Netherlands, the United Kingdom and the United States.”¹⁴⁹⁰ But following intelligent reports of support for Israel from Portugal, Rhodesia and South Africa, the embargo was extended to include them too.¹⁴⁹¹

As a result of the conflict, the major oil producers in the region could not produce for the international market leading to massive demand in the midst of decreasing supply.¹⁴⁹² With the alteration of supply and demand system of oil in the international oil market, the conflict affected the posted prices of crude oil which soared from \$3 per barrel in 1972 to about \$12 USD per barrel in the international market.¹⁴⁹³ While the sudden hike in the price of oil was hurting crude oil importers and making global headlines as journalists regarded it as the “first oil shock,”¹⁴⁹⁴ Barsky and Kiliana present record of global oil production of only 4.4 million barrels per day, indicative of about 7.5 percent deficit.¹⁴⁹⁵ This record was almost the same with that of *Foreign Policy* which recorded a deficit of 7.4 percent.¹⁴⁹⁶

Scholars like Barsky and Kilian tend to stress economic considerations as the main factor that induced the proclamation of the oil embargo and downplayed the

¹⁴⁸⁸ Noguera-Santaella, José. "Geopolitics and the oil price." *Economic Modelling* 52 (2016): 301-309.

¹⁴⁸⁹ Corbett, Michael. "Oil Shock of 1973–74." *Federal Reserve History* 22 (2013).

¹⁴⁹⁰ Noguera-Santaella, José. "Geopolitics and the oil price." p. 304.

¹⁴⁹¹ *Ibid.*, p.8.

¹⁴⁹² Hamilton, James D. "This is what happened to the oil price-macro economy relationship." *Journal of Monetary Economics* 38, no. 2 (1996): 215-220.

¹⁴⁹³ *Ibid.*, 216.

¹⁴⁹⁴ Hamilton, James D. *Historical oil shocks*. No. w16790. National Bureau of Economic Research, 2011.

¹⁴⁹⁵ Barsky, Robert B., and Lutz Kilian. "Do we really know that oil caused the great stagflation? A monetary alternative." *NBER Macroeconomics annual* 16 (2001): 137-183.

¹⁴⁹⁶ Oppenheim, V. H. "The past: we pushed them." *Foreign Policy* 25 (1976): 24-57.

political cause (Arab-Israeli conflict) noted above. Their central argument was based on earlier reports which indicated initial propositions by major oil producers within the Arab world to impose an embargo on those states even before the war began in 1973.¹⁴⁹⁷ Again, they argued that since the embargos did not actually achieve its acclaimed objectives, the explanation may be found within the general framework of economic stagflation of the 1970s.¹⁴⁹⁸ Undoubtedly, economic rational can hardly be separated from the events surrounding the oil shocks of the early 1970s especially when attention is given to the general economic performance of the global economy during the era of the oil shocks. But Hamilton maintained that geopolitics seems to overshadow any other factor in this equation:

“If economic factors were the cause, it is difficult to see why such factors would have caused Arab oil producers to reach a different decision from non-Arab oil producers. Second, the embargo appeared to be spearheaded not by the biggest oil producers, who would be expected to have the most important economic stake, but rather by the most militant Arab nations, some of whom had no oil to sell at all.”¹⁴⁹⁹

Regardless of the cause and it is difficult to ascertain considering the complex nature of conflicts, Nigeria gained from the oil crisis mainly because the attention of oil importers drifted toward alternative sources (Africa) of supply leading to increased earnings from a mere “\$1billion USD” in the earliest part of 1970s to over “\$8billion by 1974.”¹⁵⁰⁰ Also, it emerged from being a side-line member to the sixth most influential member of OPEC.¹⁵⁰¹

¹⁴⁹⁷ Barsky, Robert B., and Lutz Kilian. "Do we really know that oil caused the great stagflation?" p. 138.

¹⁴⁹⁸ Barsky, Robert B., and Lutz Kilian. "Do we really know that oil caused the great stagflation?" p.140.

¹⁴⁹⁹ Hamilton, James D. "What is an oil shock?" *Journal of econometrics* 113, no. 2 (2003): 363-398. p. 389.

¹⁵⁰⁰ Pinto, Brian. "Nigeria during and after the oil boom: A policy comparison with Indonesia." *The World Bank Economic Review* 1, no. 3 (1987): 419-445. p. 425.

¹⁵⁰¹ *Ibid.*, p. 420.

Against massive record of earnings from the sales of crude oil at the international market, the country contradictorily experienced severe petrol shortages at the domestic front in the mid-1970s that raged from 1973 to 1977.¹⁵⁰² According to the *Daily Times*, the shortage of petrol was very severe running down essential socio-economic activities and creating long queues in the filling stations.¹⁵⁰³ Following acute shortages in petrol in many Nigerian cities, especially in the Northern part, the government of Nigeria which was controlled by Northern elements in the military, set up a judicial commission of inquiry to investigate the problems of product scarcity in 1976.¹⁵⁰⁴ According to available data, two main issues account for the scarcity of petrol in the period regardless of oil boom in Nigeria.

Explaining the cause of petrol shortages in this period, a participant who was one of the earliest engineers in the Nigerian oil industry noted the following:

“The problem of fuel scarcity in 1974 was caused by the global inflation which led to massive increase in the price of refined oil. The original suppliers could not supply at normal and affordable rate. The government had to take over the downstream sector to regulate the incessant price fluctuations.”¹⁵⁰⁵

Actually, global inflationary rate had increased in the period under consideration as reported by the *Bullion*, a publication of Nigeria’s Central Bank¹⁵⁰⁶ and the *New York Times*.¹⁵⁰⁷ Again, in a related work titled “The great inflation of the 1970s”, Collard and Dellas provided empirical evidence which suggested that the oil price shocks in the 1970s was responsible for higher inflationary figures.¹⁵⁰⁸ Also, the

¹⁵⁰² Federal Republic of Nigeria. *Report of the Judicial Commission of Inquiry into the Shortage of Petroleum Products*, Lagos, Federal Ministry of Information (1976).

¹⁵⁰³ Adamu, Haroun. “Long Queues Emerged” *Daily Times* 14 May 1976.

¹⁵⁰⁴ Federal Republic of Nigeria. *Report of the Judicial Commission of Inquiry into the Shortage of Petroleum Products*, Lagos, Federal Ministry of Information (1976).

¹⁵⁰⁵ Interview with PG017.

¹⁵⁰⁶ Central Bank of Nigeria. *Annual Report and Statement of Accounts*. Lagos: Central Bank of Nigeria 1975.

¹⁵⁰⁷ Bohi, Douglas R. *Energy Price Shocks and Macroeconomic Performance*. *New York Times*, 12 February, 1974.

¹⁵⁰⁸ Collard, Fabrice, and Harris Dellas. “The great inflation of the 1970s.” *Journal of money, credit and banking* 39, no. 2-3 (2007): 713-731.

downstream sector in Nigeria before “1971 was not regulated,”¹⁵⁰⁹ therefore market forces were the determinant of prices. If indeed market forces determined prices, the inflation of the 1970s caused by oil shocks in the international market were directly related to the upsurge in the domestic price of petrol leading to shortages. Similarly, with an expanded domestic economy accentuated by oil boom, the only local refinery which was initially owned by Shell-BP before 1971 (built in 1965) could only cater for about 60,000 barrels per day at maximum production level.¹⁵¹⁰ Such a figure was “insignificant making the country to rely on the international market for its domestic petrol.”¹⁵¹¹ This suggests that Nigeria’s domestic petrol prices were prone to the vagaries of international capitalist fluctuation in the era of the boom with attendant inflation.

Secondly, Nigeria’s embrace of the nationalisation policy in the 1970s which appeared strongly in the *Second National Development Plan 1970-1974* led to the takeover of the downstream sector (refining and distribution), was problematic.¹⁵¹² Though the practice of nationalisation was a global reaction to the structural problem in almost all countries in the *Third World*, Mayall argued that such a decision was an error considering that it was not taken with regard to the peculiar case in Nigeria. The following quotation was lifted from Mayall’s work titled “Oil and Nigerian foreign policy.”

“The take-over is in line with that adopted in other parts of the Third World but took place in Nigeria against the ironic background of petrol shortages in many Nigerian towns.”¹⁵¹³

Similarly, a pioneer director of NNPC also observed the challenge that came with the decision to nationalise the downstream sector in the following words:

“The change in the model initially practice to the one where government had more control

¹⁵⁰⁹ Marinho, F. R. A. *Nigeria’s Petroleum Industry: A Maverick Pioneer*. Lagos: Macmillan Nigeria 2010.

¹⁵¹⁰ The Old Port Harcourt Refinery had a maximum capacity of 60,000 bpd.

¹⁵¹¹ Oriakhi, D. E., and Iyoha Daniel Osaze. "Oil price volatility and its consequences on the growth of the Nigerian economy: An examination (1970-2010)." *Asian economic and financial review* 3, no. 5 (2013): 683.

¹⁵¹² Turner, Terisa. "Two refineries: A comparative study of technology transfer to the Nigerian refining industry." *World Development* 5, no. 3 (1977): 235-256.

¹⁵¹³ Mayall, James. "Oil and Nigerian foreign policy." *African Affairs* 75, no. 300 (1976): 317-330. p. 321.

introduced unimaginable bureaucracy to the sector, the result of which is the problem of perennial petrol shortages. This is a sector that should have been left in the hands of private entrepreneurs as it is done in most advanced countries around the world.”¹⁵¹⁴

Again, Edith Penrose’s account is similar to the point noted above:

“The sudden flow of new riches is creating very serious problems, albeit of a different sort, for the oil exporting countries as well. Oil revenues from foreigners are nothing more or less than claims on foreign goods and services, and as governments try to spend their revenue and to absorb the enormously increased flow of imports, their monetary systems become strained by inflation, their ports become choked, their transport systems congested, their labour markets distorted, their housing problems intensified and their bureaucracy overloaded and increasingly subject to the temptation of illegitimate reward.”¹⁵¹⁵

In any case, the dual challenge of volatility and nationalisation combined have had significant effect on both the prices of petrol and the attendant implication of shortages in its supply. Two things can be gleaned from the explanation above. Firstly, the exogenous views placed the burden of petrol shortages in the 1970s to geopolitical tensions and the accompanying challenge of inflation leading to shortages in Nigeria’s domestic economy. Secondly, endogenous perspectives identified the nationalisation of the downstream sector which created the challenge of efficiency in the sector. It is within these two factors that the problem of petrol shortages during the era of Nigeria’s oil boom can be explained. The

¹⁵¹⁴ Interview with PG02.

¹⁵¹⁵ Penrose, Edith. "Africa and the Oil Revolution: An Introduction." *African affairs* (1976): 277-283.

following will discuss the second oil shock with a view to see if it brought similar impact on petrol distribution in Nigeria.

7.3.2.2 The Second Oil Shock

Other issues relating to geopolitical tension that impacted on the price of oil in the international market between 1979 and 1980 were two. First and foremost, it was the Iranian domestic tumult which metamorphosed into an Islamic Revolution that upturned the reactionary regime of Shah Palavi and brought to an “end the over two thousand reign of Persian Monarchy in 1979.”¹⁵¹⁶ Though it was a domestic affair, it affected oil output from Iran with a recorded reduction of about 2.5 million barrels per day from the last quarter of 1978 to mid-1979 popularly known as the “second oil shocks.”¹⁵¹⁷ In the second place, months after the assumption of power by Ayatollah Khomeini, what started as a mere clash of Iranian and Iraqi forces culminated into a full scale military incursion and raged from the last quarter of 1980 to the summer of 1988.¹⁵¹⁸ Consequently, oil production dropped by over 2.7 million barrels per day in Iraq affecting global output.¹⁵¹⁹ The collapse in the output for oil occasioned by these two factors can be seen from the graph provided below where production dropped overwhelmingly for all the Gulf states from 1979 but it rose drastically again from the mid-1980s. The figure below shows this in great detail.

¹⁵¹⁶ Hussain, Asaf. *Islamic Iran: revolution and counter-revolution*. Pinter, 1985. p. 13.

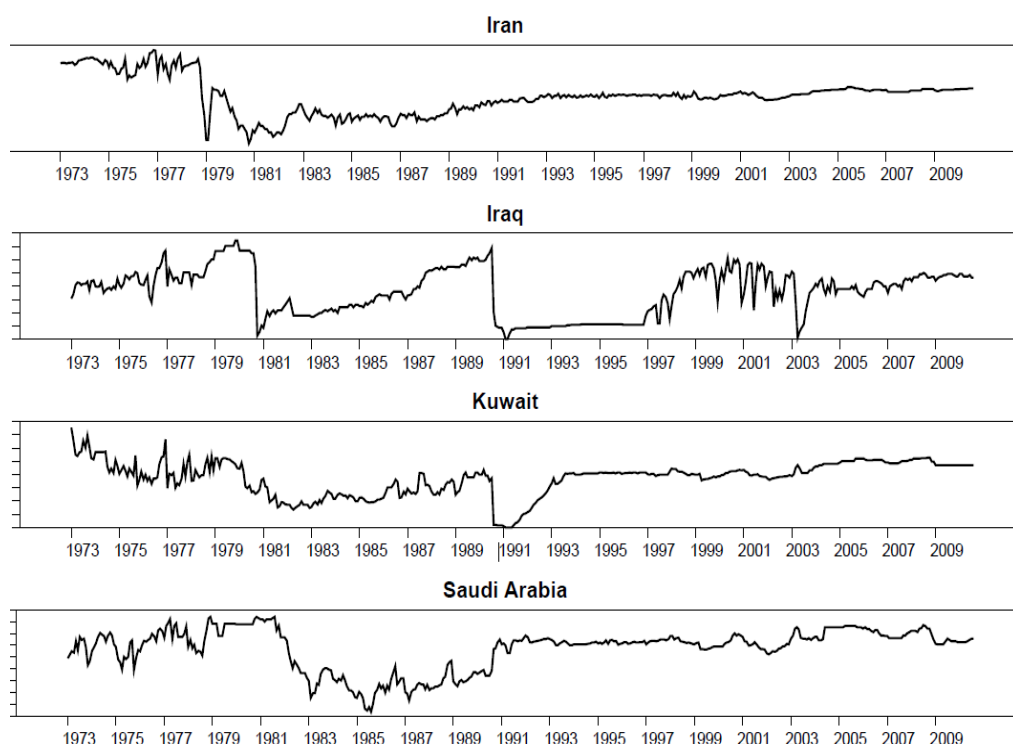
¹⁵¹⁷ Loungani, Prakash. "Oil price shocks and the dispersion hypothesis, 1900-1980." *Rochester Center for Economic Research Working Paper* 33 (1986). p. 2.

¹⁵¹⁸ Jervis, Robert. *Why intelligence fails: lessons from the Iranian Revolution and the Iraq War*. Cornell University Press, 2010.

¹⁵¹⁹ Rogoff, Kenneth. "Oil and the global economy." *Manuscript, Harvard University* (2006).

Figure 3

A graphical presentation of the effect of the Iranian /Iran-Iraq Wars on oil Production



Source: Hamilton, James D. *Historical oil shocks*. No. w16790. National Bureau of Economic Research, 2011. Appendixes section.

Contrary to the sharp fall in global output from key oil producing states of the Middle East, Nigeria recorded huge earnings from the international market at the end of 1979.¹⁵²⁰ But unlike in the first oil shocks where Nigeria sustained foreign earnings from oil for at least half a decade, the second oil shock did not last beyond a year as shown in the Table eight below.

¹⁵²⁰ Schatz, Sayre P. "Pirate capitalism and the inert economy of Nigeria." *The Journal of Modern African Studies* 22, no. 1 (1984): 45-57.

Table 8**Revenue Earnings from the Sales of Crude Oil**

| | Oil Revenue | | Total Current Revenue | |
|------|--------------------------------------|-----------|------------------------------|------|
| | N igerian Million %oil | %increase | N igerian million | |
| 1970 | 166-4 | - | 633-2 | 26.3 |
| 1971 | 510-2 | 260-6 | 1,169.0 | 43.6 |
| 1972 | 764-3 | 49.8 | 1,404.8 | 54.4 |
| 1973 | 1.016-0 | 32.9 | 1,695.3 | 59.9 |
| 1974 | 3.726-7 | 266.8 | 4,537.0 | 82.1 |
| 1975 | 4.271-5 | 14.3 | 5,514.7 | 77.5 |
| 1976 | 5.365-2 | 26.3 | 6,765.9 | 79.3 |
| 1977 | 6.080-6 | 13.3 | 8,080-6 | 75.2 |
| 1978 | 4.654-1 | (-23.5) | 7,371.1 | 63.1 |
| 1979 | 8,880-9 | 180.8 | 10,913.1 | 81.4 |
| 1980 | 10,990-2 | 23.8 | 15,813.1 | 69.5 |
| 1981 | 9,825-2 | (-10.6) | 12, 980.3 | 75.7 |
| 1982 | 6,424-0 | (-34.6) | 10,2014.0 | 63.0 |

Source: Adopted from the *Bullion*, a publication of Central Bank of Nigeria June, 1983.

Unlike the case of the first oil shock where high volatility in the international oil market resulted in petrol shortages in Nigeria, the second oil shock did not produce similar results. There was no record of petrol shortages in Nigeria in 1978 and 1980. The question that readily comes to mind is what has been done differently to reduce the impact of high volatility on petrol supply in Nigeria? A policy analyst with the National Institute for Policy and Strategic Studies, Jos attempted to answer the above question in the following way:

“The government has empowered local actors known as the independent marketers who were beginning to understand the flow of international oil market. This aside the commissioning of the second oil refinery in Warri. Possibly, these new players divert the source of importation that may have reduced other additional cost that stimulate

higher prices. Somehow, they managed to understand the logic of the oil market.”¹⁵²¹

Understandably, the government through the *Third National Development Plan 1975-1980* developed deliberate policies to encourage the growth of local entrepreneurs, hoping to produce a new class of businessmen as a component of the wave of nationalism that blew across the entire spectrum of developing states in the 1970s.¹⁵²² However, such an explanation runs contrary to the local reports which indicted many of these middle class businessmen who were in a hurry to make money and thus devised crooked means to either “adjust their pumps”¹⁵²³ at various filling stations or engaged in “hoarding of imported petrol”¹⁵²⁴ to create artificial scarcity. The details on the activities of these new actors can be seen in chapter six of this study which detailed the role of agents in constraining stability in the supply of petrol leading to petrol shortages in Nigeria.

Maybe a more cogent explanation can be gleaned from the development within Nigeria’s refining industry itself. No doubt, there was scarcity up until 1977 when the then Commissioner for Petroleum Resources, General Muhammadu Buhari appealed for calm in the midst of economic adversity and also promised to put an end to the problem of petrol shortages as reported by *The Independent Newspaper* of Tuesday, June 7 1977.¹⁵²⁵ This was followed by the commissioning of a new refinery (Warri Refining and Petrochemical Company) in 1978 with a larger refining capacity of 125,000 barrels per day. In addition to the newly commissioned refinery in Warri, another refinery was again commissioned in 1980 – Kaduna Refining and Petrochemical Company). According to the projection by the *Economic Surveillance Unit*,¹⁵²⁶ the establishment of two additional refineries with larger capacities could meet local demand for petrol and insulate Nigeria from the fluctuations in the international oil market which have

¹⁵²¹ Interview with PA15.

¹⁵²² Ilegbinosa, Imoisi Anthony, and Ephraim Jumbo. "Small and medium scale enterprises and economic growth in Nigeria: 1975-2012." *International Journal of Business and Management* 10, no. 3 (2015): 203.

¹⁵²³ Bomoi, Mohammed. “Marketers cause fuel shortages” *New Nigerian* Wednesday 11 May, 1983

¹⁵²⁴ *Ibid.*, 2.

¹⁵²⁵ *The Independent Newspaper* of Tuesday, June 7 1977

¹⁵²⁶ The Economic Surveillance Unit was located in the Nigerian National Oil Company (the predecessor organisation to Nigerian National Petroleum Corporation) with the aim of providing expert economic advice to the oil company.

been identified as the reason for the previous cases of petrol shortages in the local economy. Based on the analogy provide, one can argue that the additional refining capacity, which was entirely an endogenous initiative, helped Nigeria to mitigate the implication of high volatility on domestic shortages. In reality, this may be the most convincing explanation for the absence of petrol shortages during the second oil shocks.

Even where there are reports of petrol shortages in the following years, particularly “from 1983 and 1984,”¹⁵²⁷ the scarcity of petrol within this period were not linked to hike in the price of oil in the international market because the oil glut had actually constrained demand for oil and therefore “the price of crude oil was at its lowest.”¹⁵²⁸ Rather, shortages of the later years of the mid-1980s were reported by local newspapers as caused by “unethical practices” such as improper adjustment of petrol pumps and hoarding masterminded by local actors.¹⁵²⁹

7.3.2.3 The Gulf War

In 1990, Saddam’s armed forces led an invasion of the small country of Kuwait and took over its control for an approximated seven months period.¹⁵³⁰ Seeing the repercussion of the conflict as capable of disrupting global oil supply, the United Nations supported by the United States, organised and intervened.¹⁵³¹ At the time, Iraqi officials maintained that Kuwait devised a means of thieving its oil using slant drilling techniques.¹⁵³² But as the case with most government explanations, it was contested by Kuwait who rejected such claims as false. This is even more complicated considering the fact that Kuwait was yet to get back the \$14 billion USD it loaned to Iraq in the period of its disagreement with Iran.¹⁵³³ This is apart from the fact that Iraq was quite displeased with Kuwait’s “overproduction of oil to the international market” with remarkable repercussion

¹⁵²⁷ Agetua, Nkem. “NNPC renews contracts with oil marketers” *New Nigerian* 13 May 1983.

¹⁵²⁸ Onoh, James K. *The Nigerian oil economy: From prosperity to glut*. Routledge, 2017.

¹⁵²⁹ Bomoi, Mohammed. “Marketers cause fuel shortages” *New Nigerian* Wednesday 11 May, 1983.

¹⁵³⁰ Musallam, Musallam Ali. *The Iraqi invasion of Kuwait: Saddam Hussein, his state and international power politics*. British Academic Press, 1996.

¹⁵³¹ Freedman, Lawrence, and Efraim Karsh. *The Gulf conflict, 1990-1991: Diplomacy and war in the new world order*. Princeton University Press, 1993.

¹⁵³² Gause III, F. Gregory. “Iraq’s Decisions to Go to War, 1980 and 1990.” *The Middle East Journal* (2002): 47-70.

¹⁵³³ Karsh, Efraim, and Inari Rautsi. “Why Saddam Hussein Invaded Kuwait.” *Survival* 33, no. 1 (1991): 18-30.

on Iraq's financial position.¹⁵³⁴ Whatever may be the truth and it is difficult to ascertain, the conflict increased oil prices which moved from \$21 barrels per day in August to \$46 barrels per day by October of 1990.¹⁵³⁵ Our concern in this section as with the previous sections is to explain how this high oil prices volatility led to petrol shortages in Nigeria.

As was the case with the first oil shock in the early 1970s, Nigeria gained more from the export of oil as other major oil producers were affected by the conflict.¹⁵³⁶ In fact, the report of the *Pius Okigbo Panel of Inquiry* that was instituted to investigate the proceeds of oil during the Gulf War windfall revealed that Nigeria gained over \$12 billion.¹⁵³⁷ Yet, during the same period, Nigeria witnessed incidences of petrol shortages leading to massive protests that embarrassed the government as discussed under the section on "oil and power."¹⁵³⁸ In one instance, massive reports from international media pressured the Federal Military Government to set up *Belgore Commission of Inquiry into Fuel Crises* in 1992 and suspended some staff of NNPC.¹⁵³⁹ In an attempt to answer the question of what caused petrol shortages during the oil windfall? an insider whom I interviewed explained:

"You know the refineries could not satisfy increased demand in the 1990s...and even when the government expanded the capacity of the Kaduna Refinery, demand far outweighs local supply...we relied on the international market for petrol at exorbitant prices. The sacking of some of my junior colleagues during the period of shortage in 1992 was nothing short of window dressing and the government knows."¹⁵⁴⁰

¹⁵³⁴ Ibid., p. 20.

¹⁵³⁵ Verleger, Philip K. "Understanding the 1990 oil crisis." *The Energy Journal* 11, no. 4 (1990): 15-33.

¹⁵³⁶ Everhart, Stephen, and Robert Duval-Hernandez. *Management of oil windfalls in Mexico: historical experience and policy options for the future*. The World Bank, 2001.

¹⁵³⁷ Agbese, Pita. "The 'stolen' Okigbo panel report: Of malfeasance and public accountability in Nigeria." *Guyer and Denzer, eds., Vision and Policy* (2005): 55-75.

¹⁵³⁸ See section on oil and power.

¹⁵³⁹ Federal Military Government of Nigeria. *Belgore Commission of Inquiry into Fuel Crises in 1992*. Ministry of Information, Abuja.

¹⁵⁴⁰ Interview with PG025.

As revealed in the report of the *Pius Okigbo Panel of Inquiry*, much of the proceeds of the windfall went to private pockets and what it termed as “unproductive ventures.”¹⁵⁴¹ Certainly, the IBB regime had a reputation for not only condoning corruption but “institutionalizing the enterprise of corruption.”¹⁵⁴² The regime introduced reforms at the apex bank. The organisational restructuring empowered the head of state to have direct control over the affairs of the bank and the entire banking processes were now placed under the office of the head of state.¹⁵⁴³ As noted by Mr. Enuenwosu, the former Director of Research of the Bank:

“In practical terms, ...made the President the sole authority for deciding the nation's monetary and banking policy, and for issuing directives for its implementation. The Central Bank of Nigeria (CBN) had become the 'Central Bank of the President' (CBP), a unit or department in the office of the president carrying out the president's binding directives on monetary and banking policy.”¹⁵⁴⁴

To further confirm the allegations of corruption against the IBB regime, Osoba argued that the NNPC became the conduit pipe through which the “military and their cronies drained oil revenue.”¹⁵⁴⁵ While the World Bank assisted Structural Adjustment Programme (SAP) collapsed with the abortion of the political transition in the early 1990s,¹⁵⁴⁶ the foundation of Nigeria's existence was shaken.¹⁵⁴⁷ Growing poverty which became the identity of the average Nigerian

¹⁵⁴¹ Star Response: “We'll find Okigbo report, Obasanjo assures *Punch*” November 20, 2003

¹⁵⁴² Osoba, Segun O. "Corruption in Nigeria: historical perspectives." *Review of African Political Economy* 23, no. 69 (1996): 371-386. p. 383.

¹⁵⁴³ *Ibid.*, p. 282.

¹⁵⁴⁴ Enuenwosu, C “The Babangida monetarism: how not to use a Central Bank,” *African Guardian*, 7 March 1994, pp.10-13. Enuenwosu was former Director of Research at the CBN).

¹⁵⁴⁵ Osoba, S. O. “Cronyism and Subversion: The case of Military Rule in Nigeria”, public lecture delivered under the auspices of Government College Ibadan Old Boys Association (Ijebu Branch) at Ijebu-Ode on Sunday 12 September, 1993.

¹⁵⁴⁶ Lewis, Peter M. "Endgame in Nigeria? The politics of a failed democratic transition." *African Affairs* 93, no. 372 (1994): 323-340.

¹⁵⁴⁷ This was particularly true when the violent protest spread across the country with popular agitation for the restoration of democracy in the West, environmental protest led by Ken Saro-Wiwa in the Niger/Delta.

population created public resentment against the military class and their supportive cronies.¹⁵⁴⁸

Further to the challenge of financial recklessness explained above, public resentment grew in enormous proportion from minority groups in the Niger Delta who felt disenchanting with the state neglect and this no doubt compounded the problem of mutual distrust in a state that had a history of ethnic confrontations stretching back to the 'Lugardian marriage' in 1914.¹⁵⁴⁹ All previous government interventions in the area have not been satisfactory to the aborigines who not only felt neglected but were convinced that the majority ethnic groups (Hausa, Igbo and Yoruba) were united against the minorities.¹⁵⁵⁰ The struggle for greater share of oil revenue had transited from peaceful demonstrations to violent protest by the 1990s.¹⁵⁵¹ According to Obi, these transformations of hitherto peaceful protest to violent agitations in the Niger Delta can be understood from the complex nexus between oil and conflict.¹⁵⁵²

With the rise of violent protest within Nigeria's own domain, especially after the killing of Ken Saro-Wiwa and eight others in 1994, geopolitical political tension on which basis Nigeria's previous windfalls can be explained, began to roar right at its backyard.¹⁵⁵³ Conversely, Nigeria's own political tensions may not have generated huge impact on the international oil market but certainly it has created conditions that continue to militate against the supply of petrol within its domestic economy. Considering the vast spread of the country's landmass, geographic posture and large strip of supply pipelines, the activities of these agitators have compounded and complicated the problem of local supply leading to shortages. One participant who is an independent marketer drive this view to an explicit end as reproduced below:

¹⁵⁴⁸ Obi, Cyril. "Nigeria's Niger Delta: Understanding the complex drivers of violent oil-related conflict." *Africa Development* 34, no. 2 (2009).

¹⁵⁴⁹ Lewis, Peter M. "Economic statism, private capital, and the dilemmas of accumulation in Nigeria." *World Development* 22, no. 3 (1994): 437-451.

¹⁵⁵⁰ A confidential Report of an advisory visit to Nigeria by British A. R. Melville (Ministry of Overseas Development) 22/May/1965. OD30/43 Public Record Office, Kew, London.

¹⁵⁵¹ Mähler, Annegret. "Nigeria: A prime example of the resource curse? Revisiting the oil-violence link in the Niger Delta." (2010).

¹⁵⁵² Obi, Cyril. "Nigeria's Niger Delta: Understanding the complex drivers of violent oil-related conflict." *Africa Development* 34, no. 2 (2009).

¹⁵⁵³ Watts, Michael. "Petro-insurgency or criminal syndicate? Conflict & violence in the Niger Delta." *Review of African Political Economy* 34, no. 114 (2007): 637-660.

“In as much as we want market stability, we gain more when there is panic buying resulting from political uncertainties or any other factor. The truth is that once the boys strike, supply is disrupted leading to hike in price. The market has become so unpredictable since the militants resume attack.”¹⁵⁵⁴

Though the Yar’adua administration successfully negotiated an amnesty deal that saw drastic reduction in the insurgent activities in the region, “the lack of political will and sustainable framework for implementation by the administration of President Goodluck Jonathan created conditions for the return of violent attacks in the region,”¹⁵⁵⁵ argues one participant.

7.3.2.4 Venezuelan Unrest and Invasion of Iraq

Two major geopolitical events occurred between 2002 and 2003 that caused increase in the prices of oil in the international market. Firstly, labour strikes in the socialist-oriented state of Venezuela led to “reduction of 2.1 million barrels per day” to the international market in 2002.¹⁵⁵⁶ Secondly, the United States invasion of Iraq in 2003 as part of the “dual logic of US energy policy to secure oil”¹⁵⁵⁷ culminated in reducing global production of oil by “2.2 million barrels per day.”¹⁵⁵⁸ A combination of these two events impacted the prices of oil in the international market. Some observers have argued that these two events did not have remarkable impact on the prices of oil unlike previous cases of geopolitical tensions.¹⁵⁵⁹ Truly, previous market response shows instant alteration in the prices of oil. These two events recorded a minimal upward shift in the prices of oil in the international market. This is clearly shown in figure four below.

¹⁵⁵⁴ Interview with PG06

¹⁵⁵⁵ Interview with PC13

¹⁵⁵⁶ Billig, Michelle. "The Venezuelan oil crisis-How to secure America's energy." *Foreign Aff.* 83 (2004): 2.

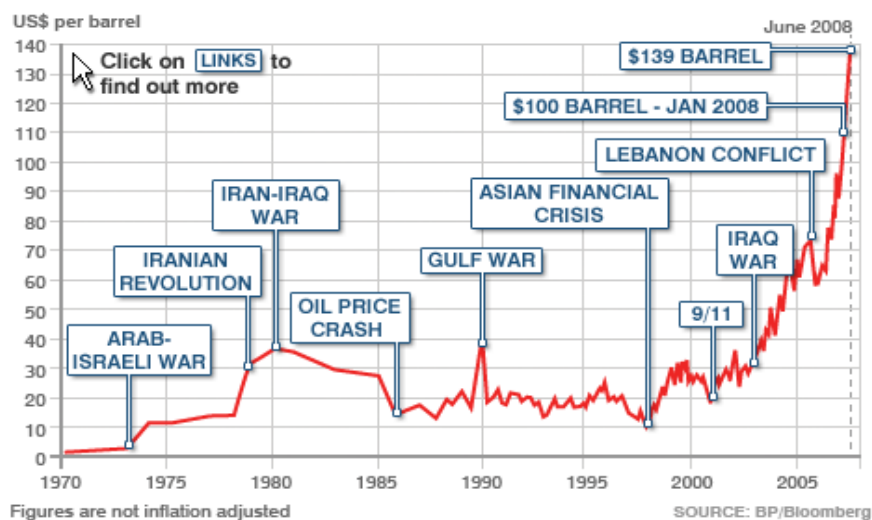
¹⁵⁵⁷ Stokes, Doug. "Blood for oil? Global capital, counter-insurgency and the dual logic of American energy security." *Review of International Studies* 33, no. 2 (2007): 245-264.

¹⁵⁵⁸ Hinnebusch, Raymond. "The US invasion of Iraq: Explanations and implications." *Critique: Critical Middle Eastern Studies* 16, no. 3 (2007): 209-228.

¹⁵⁵⁹ Klare, Michael T. "New Geography of Conflict, The." *Foreign Aff.* 80 (2001): 49.

Figure 4

The Fluctuations in the Price of Oil Caused by Conflicts from 1970 to 2008



Source: Oil Barometer Network. 2009 Report. P.3.

While the events did not cause instant change in the prices of oil, it brought on the market more prolonged and durable price hikes in the period after the Iraq invasion as seen from the constant rise of oil prices from 2003 to 2006 in figure 4 above. However, after the Lebanon conflict of 2006, oil prices again plummeted and picked again to a historic level of \$139 per barrel in 2008.¹⁵⁶⁰ In fact, the effect of the Iraq war on global oil prices surpassed the effect of the Gulf War on the same commodity measuring the extent in terms of years of “sustainable rise in the price of oil.”¹⁵⁶¹

But as has been established in the analysis on the rise of domestic conflicts in the Niger Delta, since the transition from peaceful demonstrations to violent conflicts within Nigeria’s immediate domain, it has become increasingly difficult to separate the domestic causes of petrol shortages from the international geopolitical factors. This is even more complex considering the timing of events. For example, the invasion of Iraq coincided with the rise of local armed groups in the Niger Delta region of Nigeria where both local and international press reported sustained onslaught on oil facilities by the Niger Delta People's Volunteer Force (NDPVF) and Niger Delta Vigilantes (NDV).¹⁵⁶² These reports can be

¹⁵⁶⁰ Schneider, Gerald, and Vera E. Troeger. "War and the world economy: Stock market reactions to international conflicts." *Journal of conflict resolution* 50, no. 5 (2006): 623-645.

¹⁵⁶¹ Colgan, Jeff D. "Oil, domestic politics, and international conflict." *Energy Research & Social Science* 1 (2014): 198-205.

¹⁵⁶² Omeje, Kenneth. "State failure and growing insecurity in the Nigerian oil industry." *African Renaissance* 1, no. 1 (2004): 114-123.

confirm in the yearly report of the *Human Right Watch* of 2003¹⁵⁶³ and *Conflict Expert Group Baseline Report for Shell*.¹⁵⁶⁴ Therefore, “both local and international insecurity”¹⁵⁶⁵ partly accounts for the numerous cases of domestic petroleum shortages that raged throughout Obasanjo’s democratic administration from 1999 to 2007. However, these evidences are inconclusive and there is need to look at other issue areas that have been identified as capable of determining or influencing oil prices within the international market. Therefore, the following explained the challenge posed by exchange rate volatility on petrol shortages in Nigeria.

7.3.3 The Challenge of Exchange Rate Fluctuation

Under this subtheme, I explained the link between oil prices volatility and exchange rate fluctuations and how it has impacted on petrol shortages in Nigeria. Firstly, it is significant to note that petrol is traded in US dollars making it the currency of international oil business just as English language is the acceptable language that is used mostly in oil deals.¹⁵⁶⁶ Therefore, any little disruption that affects the “perfect feature of the market” such as geopolitical developments as discussed above or forces of demand and supply, somehow have direct consequences on the dollar.¹⁵⁶⁷ Based on flexibility of the market, economists including Sari and Soytaş established the nexus between the appreciation in the worth of the US dollar and lower prices of oil in the international market.¹⁵⁶⁸ This is largely because dollar appreciation directly increase the pressure on the currencies of oil producing states leading to value reduction.¹⁵⁶⁹ The observation of economists which have become incontestable fact in recent times also indicate that whenever the dollar-worth increases, it is usually

¹⁵⁶³ Watch, Human Right. "Rivers and blood: Guns, Oil and Power in Nigeria’s Rivers State." *A Human Rights Watch Briefing Paper* (2003).

¹⁵⁶⁴ Nyheim, David, Luc Zandvliet, and Lockton Morrissey. "Peace and Security in the Niger Delta: Conflict Expert Group Baseline Report for Shell." *Londres, WAC Services* (2003).

¹⁵⁶⁵ Interviews with PG012, PA025 and PG011.

¹⁵⁶⁶ Falola, Toyin, and Ann Genova. *The politics of the global oil industry: an introduction*. Greenwood Publishing Group, 2005.

¹⁵⁶⁷ Olomola, Philip A., and Akintoye V. Adejumo. "Oil price shock and macroeconomic activities in Nigeria." *International Research Journal of Finance and Economics* 3, no. 1 (2006): 28-34.

¹⁵⁶⁸ Sari, Ramazan, Shawkat Hammoudeh, and Ugur Soytaş. "Dynamics of oil price, precious metal prices, and exchange rate." *Energy Economics* 32, no. 2 (2010): 351-362.

¹⁵⁶⁹ Ghosh, Sajal. "Examining crude oil price–Exchange rate nexus for India during the period of extreme oil price volatility." *Applied Energy* 88, no. 5 (2011): 1886-1889.

accompanied by “dwindling prices of oil.”¹⁵⁷⁰ The following explanation tests this position and how rising dollar in the international market induced petrol scarcity in Nigeria.

In the period of the oil boom in the 1970s, the value of the Nigerian currency – naira was slightly higher compared to the US dollar mainly because of massive exports of crude oil to the international market which allows oil producers to buy more dollar in the international market.¹⁵⁷¹ But when the bubble busted leading to drastic decline in the prices of oil from \$41 per barrel to about \$9 per barrel in the middle of the 1980s, it imposed a serious exchange rate crises on oil producers including Nigeria.¹⁵⁷² The dollar rent, on which a classic oil economy like Nigeria dependent for its economic growth, no longer obtains, triggering various crises in the rentier economy.¹⁵⁷³ The *Bullion* observed that the dollar which it needs to maintain the economy and to also buy petrol from the international market was no longer available with a budget deficit of over ₦17 billion accumulated from 1980 to 1984.¹⁵⁷⁴ The insufficiency in foreign exchange or dollar, increases the pressure on local currency, pushing inflationary rate to over 40 percent by the end of 1984.¹⁵⁷⁵ By the beginning of 1985, ₦0.8938 naira exchanged for \$1 USD.¹⁵⁷⁶ But a year later, when Nigeria’s economy continued to decline as a result of the rising US dollar, especially when dwindling oil prices compelled the Ibrahim Babangida regime to accept the terms of SAP, naira plummeted to ₦2.0206 in exchange for \$1.¹⁵⁷⁷ Though the drop in the value of local currency was rampant in the 1980s, it was particularly severe among oil

¹⁵⁷⁰ Davig, Troy, Nida Çakır Melek, Jun Nie, A. Lee Smith, and Didem Tüzemen. "Evaluating a year of oil price volatility." *Federal Reserve Bank of Kansas City, Economic Review* 100, no. 3 (2015): 5-30.

¹⁵⁷¹ Coudert, Virginie, Valérie Mignon, and Alexis Penot. "Oil price and the dollar." *Energy Studies Review* 15, no. 2 (2008).

¹⁵⁷² Jaffe, Amy Myers, and Robert A. Manning. "The shocks of a world of cheap oil." *Foreign Aff.* 79 (2000): 16.

¹⁵⁷³ Pinto, Brian. "Nigeria during and after the oil boom: A policy comparison with Indonesia." *The World Bank Economic Review* 1, no. 3 (1987): 419-445.

¹⁵⁷⁴ *Central Bank of Nigeria*. "Bullion: Dwindling incomes to the Nigeria." Budget analysis for the year 1985.

¹⁵⁷⁵ *Ibid.*, p. 34.

¹⁵⁷⁶ Etuk, Ette Harrison. "Forecasting Nigerian naira-us dollar exchange rates by a seasonal arima model." *American Journal of scientific research* 59 (2012): 71-78.

¹⁵⁷⁷ *Ibid.*

producing states in Africa such as Nigeria and Libya whose leadership have come to embrace oil rents as the means to maintaining their stint in power.¹⁵⁷⁸

Out of the various preconditions presented by the Bretton Woods Institutions, the devaluation of the Nigerian currency was symbolic.¹⁵⁷⁹ Explaining the linkage between rising dollar cost and decreasing economic growth in the 1980s, Okogu relied on empirical data to argue that the decision to devalue the country's currency as one of the precondition for SAP was intended to subordinate oil producing states to the whims and caprices of the world capitalist economy.¹⁵⁸⁰ Another major contradiction which needed to be resolved as part of SAP was the pressure to adopt market-based principles against the "state-centric approaches" that have previously dominated economic dealings in Nigeria.¹⁵⁸¹ This was particularly important considering the fact that since 1973 the state rather than the market have been the fixer of oil price within Nigeria's local market including the price of petroleum products.¹⁵⁸² It was also important because lending institutions have continually complained of the subsidy regime which estimates shows was costing the Nigerian government over \$2 billion as at 1990.¹⁵⁸³

Further to the earlier devaluation in 1986 leading to the ascendancy of the dollar over Nigeria's currency, another devaluation was undertaken in 1992. The rationale, according to the views of a former market analyst with OPEC was to embolden the country's capacity to diversify into non-oil export commodities.¹⁵⁸⁴ Under this round of devaluation, the naira lost about 44% of its worth meaning that \$1 was exchanged for ₦17.2984.¹⁵⁸⁵ As a result, one analyst observed that such devaluations of local currency that paved the way for the emergence of

¹⁵⁷⁸ Sandbakken, Camilla. "The limits to democracy posed by oil rentier states: The cases of Algeria, Nigeria and Libya." *Democratisation* 13, no. 1 (2006): 135-152.

¹⁵⁷⁹ Fadahunsi, Akin. "Devaluation: implications for employment, inflation, growth and development." *The Politics of Structural Adjustment in Nigeria* 33 (1993).

¹⁵⁸⁰ Okogu, Bright Erakpoweri. "Issues in petroleum product pricing in Nigeria." *Journal of African Economies* 4, no. 3 (1995): 378-405.

¹⁵⁸¹ Kuye, Omowale A. "Problems and prospects of Nigeria's privatisation and commercialisation programme." *Quarterly Journal of Administration* 25, no. 1 (1990): 49-73.

¹⁵⁸² Guyer, Jane I., and LaRay Denzer. "Prebendalism and the people: The price of petrol at the pump." In *Democracy and Prebendalism in Nigeria*, pp. 53-77. Palgrave Macmillan, New York, 2013.

¹⁵⁸³ See NNPC statement on subsidies in *Newswatch*, 19 April 1993. Of course, the price increases of November 1993 and October 1994 will have reduced this somewhat.

¹⁵⁸⁴ *Ibid.*, p. 23.

¹⁵⁸⁵ Wale, Johnson. "Devaluation and unemployment in Nigeria" *Daily Times*, 14 February 1994, for details.

dollar supremacy conditioned the country to the oscillating effect of the dollar in general and particularly on the menace of petroleum product shortages. A research participant opined that:

“...immediately, after Nigeria accepted the blueprint of International Financial Institutions to devalue its once admirable currency, the menace petrol shortages have not ceased to exist. The acute shortages experienced in 1993 and 1994 were directly related to the dollar even though the government continue to point at a different direction. The sad reality is that we may have been hooked to the international currency imbalances since the period of our second integration into the international economic system.”¹⁵⁸⁶

Generally, scholars differ on the consequences of devaluation on an economy with others including Wilson and Tat making a case for devaluation as a positive instrument of encouraging exports.¹⁵⁸⁷ Others including Tybout et al. objected the call for devaluation on the basis that it can induce negative outcomes when the share of exports reduce.¹⁵⁸⁸ In Nigeria, aside the fact that the share of export reduced as a result of dwindling price of oil in the international market in the 1990s and at any other period of recession thereafter, the fact that it has not done well in diversifying its sources of export while the international market continue to welcome new sources of production helps to validate the position of those who argue against devaluation.

However, while pro-government economists have directed accusations against the international capitalist institutions and core supporters of SAP as the instigators of Nigeria’s contemporary challenges in the petroleum sector, there are “silent evidences” which indicts the political leadership for what Okogu

¹⁵⁸⁶ Interview with PA014.

¹⁵⁸⁷ Wilson, John F., and Wendy E. Takacs. "Differential responses to price and exchange rate influences in the foreign trade of selected industrial countries." *The review of Economics and Statistics* (1979): 267-279.

¹⁵⁸⁸ Tybout, James, Bernard Gauthier, Giorgio Barba Navaretti, and Jaime De Melo. "Firm-level Responses to the CFA Devaluation in Cameroon." *Journal of African Economies* 6, no. 1 (1997): 3-34.

described as a deviation from the “policy direction away from those of SAP.”¹⁵⁸⁹ These changes in policy reflected at both the political and economic circles. In terms of economy, the Abacha regime had bitter encounters with the international donor agencies who were reportedly angered by policy inconsistency and subsequently denied his regime credit lines.¹⁵⁹⁰ This is apart from glaring corruption which was operated at the very pinnacle of power as captured by the then Governor of the Central Bank of Nigeria, Charles Ugwuma, in an interview he granted to *Tell* magazine. Read Uguma’s view on the powers of General Sani Abacha:

“The signature of the Head of State is law, refusal to honour it is regarded as sabotage. The Central Bank of Nigeria, therefore respect lawful authority.”¹⁵⁹¹

Therefore, financial indiscipline added to the conventional consequences of a devalued currency partly explains the dilemma of Nigeria’s *paradox of oil thirst* – having much oil but unable to guarantee stable supply of petrol to its citizens.

Finally, in 2015 Nigeria had to take the decision to devalue the currency just the same way it did in the 1980s and 1990s. This was because of the burden of an over-valued US dollar in which record shows it has “appreciated 10 times” against the local currency.¹⁵⁹² The country devalued the naira to a historic low level where \$1 exchanged for N360 naira.¹⁵⁹³ Besides, a close study of the incidence of petrol shortages in the period after the adoption of SAP in Nigeria indicates significant increases in the exchange rate of the dollar which automatically affects the price of petrol leading to shortages in many cities in the country. As noted by one participant, “denying the factor of increase exchange rate value in explaining petrol shortages in Nigeria is to deny a child his biological parents.”¹⁵⁹⁴ In the following, I explained the evolution of OPEC’s influence over oil pricing and Nigeria’s responses both during oil boom and dwindling oil prices. However,

¹⁵⁸⁹ Okogu, Bright Erakpoweri. "Issues in petroleum product pricing in Nigeria." *Journal of African Economies* 4, no. 3 (1995): 378-405. p. 380.

¹⁵⁹⁰ Ibid., p. 388.

¹⁵⁹¹ Yahaya, Addallah. Meets the former CBN Governor Charles Ugwuma," *Tell Magazine*, 4 December 1999. p, 23.

¹⁵⁹² Editorial Board. Can you spare a dollar? *The Economist* (London), 17 March 2016.

¹⁵⁹³ Editorial Board. "Recession and a realistic naira exchange rate" *The Guardian* (Lagos), 9 June 2016.

¹⁵⁹⁴ Interview with PC21

unlike the first two, there are scanty evidence linking OPEC's rule with domestic petrol shortages in Nigeria.

7.3.4 OPEC and International oil Market

In international politics, state actors have designed objectives upon which they relate with one another. Though states would always seek to achieve what Morgenthau described as "national interest,"¹⁵⁹⁵ they may opt to cooperate with those that share "similar interests."¹⁵⁹⁶ This assumption is even truer in an increasingly liberal international system where cooperation is elevated and cherished as "synonymous with development."¹⁵⁹⁷ Axelrod and Dion maintained that states tend to benefit more when they cooperate among themselves in pursuit of common interest than when they struggle as individuals.¹⁵⁹⁸ This is especially true when the interest of smaller states collides with more powerful states.¹⁵⁹⁹ Deducing from the above propositions, states are more likely to benefit from cooperation than when they seek to act alone in the pursuit of blatant "self-interest."¹⁶⁰⁰ Besides, cooperation becomes easier when the actors involved are faced with a "common threat."¹⁶⁰¹ The explanation above, captured the scenario leading to the emergence of the Organisation of Petroleum Exporting Countries (OPEC) – arguably an influential cartel in global politics.¹⁶⁰² In the following, I explained how it has been able to affect oil prices using its "quota system."¹⁶⁰³ According to Gaul et al. the quota system is based on "a 'fair' allocation of share of production that takes into account factors such as the capacity to produce,

¹⁵⁹⁵ Morgenthau, Hans J. "What is the national interest of the United States?" *The Annals of the American Academy of Political and Social Science* 282, no. 1 (1952): 1-7.

¹⁵⁹⁶ Grieco, Joseph M. *Cooperation among nations: Europe, America, and non-tariff barriers to trade*. Cornell University Press, 1990.

¹⁵⁹⁷ Taylor, Paul, and Arthur John Richard Groom. *Frameworks for international cooperation*. Pinter, 1990.

¹⁵⁹⁸ Axelrod, Robert, and Douglas Dion. "The further evolution of cooperation." *Science* 242, no. 4884 (1988): 1385-1390.

¹⁵⁹⁹ Axelrod, Robert, and William Donald Hamilton. "The evolution of cooperation." *science* 211, no. 4489 (1981): 1390-1396.

¹⁶⁰⁰ Fearon, James D. "Bargaining, enforcement, and international cooperation." *International organization* 52, no. 2 (1998): 269-305.

¹⁶⁰¹ Kohler, Timothy A., and Carla R. Van West. "The calculus of self-interest in the development of cooperation: sociopolitical development and risk among the northern Anasazi." In *Evolving complexity and environmental risk in the prehistoric Southwest*, pp. 169-196. CRC Press, 2018.

¹⁶⁰² Adelman, Morris A. "OPEC as a Cartel." *OPEC Behavior and World Oil Prices* (1982): 37-63.

¹⁶⁰³ Gault, John, Charles Spierer, Jean-Luc Bertholet, and Bahman Karbassioun. "How does OPEC allocate quotas?" *Journal of Energy Finance & Development* 4, no. 2 (1999): 137-148.

population and reserve.”¹⁶⁰⁴ But how has these actions compounded the problem of petrol shortages in Nigeria?

The 1950s witnessed steady decline in the global oil market which affected oil producing economies because of the dwindling revenue caused by the discovery of new centres of production (former USSR and new multinational oil companies).¹⁶⁰⁵ The major oil producing economies realised the negative effect of unchecked systematic decline in oil revenue on tax returns from multinational oil companies who were the sole operators upon which they host countries depended for taxes.¹⁶⁰⁶ While the prices continued to record downward trend, the situation worsened with increased penetration of the already “shrinking market place”¹⁶⁰⁷ by new industry players, scrambling for market share. Prior to 1960, the major oil producing economies of the Middle East have commenced meeting to resolve strategic areas of concern regarding tax mechanism of producing states, benchmarks for oil production and the greater involvement of producing states in concessions as contend below:¹⁶⁰⁸

“...direct involvement in exploration and production activities; participation in the equity of existing concessions; progressive and accelerated relinquishing of acreage of existing contract areas; the adoption of conservation rules in the industry, and the fixing of prices by the governments of member countries.”¹⁶⁰⁹

With the shift in control of oil industry from the ‘seven sisters’ (then the biggest oil multinational corporations)¹⁶¹⁰ to its member countries which was a precondition for membership, OPEC assumed the duty of an oil price setter, something that

¹⁶⁰⁴ Gault, John, Bahman Karbassioun, Charles Spierer, and Jean-Luc Bertholet. "OPEC production quotas and their application to non-OPEC countries." *Energy Policy* 18, no. 1 (1990): 73-79.

¹⁶⁰⁵ Khan, Mehreen. "There are now more than 3bn barrels of excess oil in the world," *The Telegraph*, 10 Nov. 2015

¹⁶⁰⁶ Danielsen, Albert L. *Evolution of OPEC*. Harcourt Brace Jovanovich, 1982.

¹⁶⁰⁷ Tétreault, Mary Ann. *The Organization of Arab Petroleum Exporting Countries: History, Policies, and Prospects*. Westport, CT: Greenwood Press, 1981.

¹⁶⁰⁸ Adelman, Morris Albert. *The world petroleum market*. John Hopkins University Press, 1972.

¹⁶⁰⁹ Danielsen, Albert L. *Evolution of OPEC*. p. 12.

¹⁶¹⁰ Sampson, Anthony. *The seven sisters: The great oil companies and the world they shaped*. New York: Viking Press, 1975.

altered the structural feature of the global oil industry as shown in table nine below.

Table 9

The percentage of the Production Output of OPEC members from 1973 to 1980

| | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Saudi Arabia | | 23.9 | 26.8 | 25.1 | 27.1 | 28.4 | 26.9 | 29.8 | 36.8 |
| Kuwait | | 9.5 | 8.1 | 7.4 | 6.8 | 6.1 | 6.9 | 7.8 | 6.2 |
| United Arab Emirates | | 4.8 | 5.3 | 5.9 | 6.1 | 6.2 | 5.9 | 5.8 | 6.4 |
| Iran | 18.4 | 19.1 | 19.0 | 18.5 | 17.5 | 17.0 | 9.5 | 6.2 | |
| Iraq | 6.4 | 6.2 | 8.0 | 6.8 | 6.1 | 8.3 | 10.8 | 9.3 | |
| Libya | 6.9 | 4.8 | 5.2 | 6.1 | 6.4 | 6.4 | 6.5 | 6.6 | |
| Nigeria | | 6.4 | 7.2 | 6.3 | 6.5 | 6.5 | 6.1 | 7.2 | 7.6 |
| Venezuela | 10.6 | 8.3 | 7.2 | 6.9 | 7.0 | 7.4 | 7.4 | 8.1 | |
| Indonesia | 4.2 | 4.6 | 4.7 | 5.2 | 5.0 | 5.0 | 5.9 | 5.9 | |
| Others | | 8.9 | 8.7 | 10.2 | 10.2 | 10.7 | 10.5 | 10.2 | 6.9 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | |

Source: Danielsen, Albert L. *Evolution of OPEC*. Harcourt Brace Jovanovich, 1982. p. 12.

Though there are other factors that made it possible for OPEC to emerge as a prominent cartel that is capable of influencing oil prices, the desire to gain more from oil sales in the international market propelled member states to increase their participation in the oil economy.¹⁶¹¹ Starting in the period of the oil crisis in the early 1970s, OPEC bypassed oil multinationals and increased the price of oil in the end of 1973 when all measures to persuade the multinationals failed.¹⁶¹² As a member, Nigeria gained considerably from the oil boom that accompanied OPEC's posted prices quadrupling "revenue between 1970 and 1974."¹⁶¹³ While higher prices are good for oil producers in general, the following argues that OPEC moves sometimes affect the downstream sector in countries like Nigeria that use the proceeds of crude to buy petrol from the same international market it sales crude.

¹⁶¹¹ Griffin, James M. "OPEC behavior: a test of alternative hypotheses." *The American Economic Review* 75, no. 5 (1985): 954-963.

¹⁶¹² Arab light crude from \$3.65 to \$5.119; In December 1973, OPEC raised the posted price of the Arab light further to \$11.651.

¹⁶¹³ Freund, Bill. "Oil boom and crisis in contemporary Nigeria." *Review of African Political Economy* 5, no. 13 (1978): 91-100.

Once crude oil prices go up in the international market, there would be automatic increment in the price of petrol because it is a “by-product of crude oil.”¹⁶¹⁴ If the nexus between crude oil and petrol is true and which is scientifically explained, the prices of petrol expected to go even higher considering the additional cost incurred in “refining and transportation.”¹⁶¹⁵ Manning applied this logic to estimate an upward push in the prices of refined oil in the UK market between 1982 and 2001.¹⁶¹⁶ In relation to the specific case of Nigeria in the 1970s from when its dependence on the import of petrol for domestic use began, an independent marketer whose family has been in the business of selling petrol observed right from the initial period of nationalisation had this to say:

“Once the price of crude oil increase in the international market, it becomes difficult for us to maintain price stability because we would be running at a lost. It is understandable that Nigeria would gain from OPEC’s demand for higher pricing but these gains are swallowed by the higher prices paid for the import of petrol which unfortunately is imported from outside the shores of the country.”¹⁶¹⁷

While one can argue that the country has a policy of subsidising the price of imported oil to cushion the effect of high volatility as discussed in chapter five, industry players observed that the subsidy policy is “fraud with corruption”¹⁶¹⁸ compounding greater challenge to the nation’s unfavourable terms of trade.

However, OPEC’s desire to increase crude oil production was even challenged in Nigeria when the country decided against OPEC’s stance “to sell oil at reduced prices to its fellow African states”¹⁶¹⁹ as discussed in in the initial part of this chapter. Though some elements within Nigeria’s oil industry such as the then

¹⁶¹⁴ Ghosh, Sajal. "Examining crude oil price–Exchange rate nexus for India during the period of extreme oil price volatility." *Applied Energy* 88, no. 5 (2011): 1886-1889. p. 1889.

¹⁶¹⁵ Turner, Terisa. "Two refineries: A comparative study of technology transfer to the Nigerian refining industry." *World Development* 5, no. 3 (1977): 235-256.

¹⁶¹⁶ Wlazlowski, Szymon. "Petrol and crude oil prices: asymmetric price transmission." (2001): 1-25.

¹⁶¹⁷ Interview,

¹⁶¹⁸ McPherson, Charles, and Stephen MacSearraigh. "Corruption in the petroleum sector." *The Many Faces of Corruption* (2007): 191.

¹⁶¹⁹ Aluko, Olajide. "Oil at Concessionary Prices for Africa: a case-study in Nigerian decision-making." *African Affairs* 75, no. 301 (1976): 425-443. p. 432.

Commissioner for Mines and Power were against the decision to sale oil at lower prices to fellow African states, a stand that was in favour of OPEC,¹⁶²⁰ Nigeria went ahead to sale oil at considerably lower prices. Some have argued that the Commissioner's refusal was mainly because of his Islamic background, meaning he was sympathetic to an Islamic dominated body (OPEC). This view can be deduced from the opinion quoted below:

"Being a Muslim from the North, his sentiments were more on the side of the Arabs in North Africa than on that of the black Africans... This would partially explain his support for the Arab position of refusing to sell oil at reduced rates to African states."¹⁶²¹

But against his stance, even as the President of OPEC at the time it unilaterally increased the price of oil, Nigeria went against OPEC's stance and that of its Commissioner for Mines and Power to imposed lower prices to African countries. Irrespective of the rational for lowering the price of oil to some Africa countries, Nigeria violated OPEC terms for uniform pricing which formed the basis of its 1968 *Declaratory Statement of Petroleum Policy*.¹⁶²²

Nonetheless, OPEC's pricing policy was adversely affected when non-OPEC oil producers increased their market share of global oil production in the beginning in the 1980s. The share of oil production of Non-OPEC countries in the international market rose to about 71 percent by the middle of 1980, from 48 percent in the 1970s.¹⁶²³ The taking over of the larger market share by non-OPEC producing states led to disparity in prices as these new suppliers were not "obliged to respect OPEC pricing rules."¹⁶²⁴

¹⁶²⁰ *News Release*, No. 237 (Lagos, Federal Ministry of Information), 12 March 1975.

¹⁶²¹ As Mahmud Tukur has pointed out, most of the Northern Muslim leaders have religious, cultural, and even racial connections with Muslim areas of North Africa, and these affected their outlook on world events. See his book, *Nigeria's External Relations: the UN as a forum and policy medium in the conduct of foreign policy, 1960-65* (Zaria, Ahmadu University, 1970), p. 15.

¹⁶²² Zakariya, Hasan S. "Some Analytical Comments on OPEC's Declaratory Statement of Petroleum Policy." *Middle East Economic Survey* 14 (1969).

¹⁶²³ IEA, *World Energy Outlook: Middle East and North Africa Insights*, 2005

¹⁶²⁴ Ramcharran, Harri. "Oil production responses to price changes: an empirical application of the competitive model to OPEC and non-OPEC countries." *Energy economics* 24, no. 2 (2002): 97-106.

As a result of the oil glut in the second half of the 1980s discussed in the section on geopolitical tensions, OPEC introduced measures that led to massive reduction in the production quota of member countries as a measure to restore the market imbalances that accounts for the glut.¹⁶²⁵ Consequently, Nigeria's production quota was dropped from a high point of over 2 million barrels per day in the early 1980s to 1 million barrels per day in 1986 causing significant reduction to the country's main source of foreign income and major source of its revenue.¹⁶²⁶ As a result of lower income accrued from reduction in oil output, Nigeria was unable to pay for petrol subsidies needed to moderate the impact of the international prices for petrol causing "indignation among its citizens."¹⁶²⁷ In response to the newly introduced cutbacks, many Nigerians questioned the rationale for Nigeria's continued membership of the organisation.¹⁶²⁸ Some contended that Nigeria should withdraw from the body and increase its oil production and lower its prices to raise resources needed for national development.¹⁶²⁹ Among the participants I interviewed, one who held the view that Nigeria should have withdrawn from the body since in the 1980s made the following observations:

"As far as I am concerned, Nigeria should have long withdrawn from that body. It has only served to reduce Nigeria's production capacity. Other non-OPEC members have done well by allowing market forces to determine the prices of oil. In short, we have no visible gain for being members of the body."¹⁶³⁰

This position appeared in Nigeria's newspapers in the mid-1980s with critical voices casting aspersions on Nigeria's continued membership of the body.¹⁶³¹ The argument goes that perhaps with greater income, the country would be able

¹⁶²⁵ Gault, John, Charles Spierer, Jean-Luc Bertholet, and Bahman Karbassioun. "How does OPEC allocate quotas?" *Journal of Energy Finance & Development* 4, no. 2 (1999): 137-148.

¹⁶²⁶ Nwankwo, G. O. "Nigeria and OPEC: To Be or not to be?" *Economic and Financial Review* 20, no. 1 (1982): 6-13.

¹⁶²⁷ *Ibid.*, p. 7.

¹⁶²⁸ *Ibid.*, p. 6-13.

¹⁶²⁹ Kaufmann, Robert K., Andrew Bradford, Laura H. Belanger, John P. McLaughlin, and Yosuke Miki. "Determinants of OPEC production: Implications for OPEC behavior." *Energy Economics* 30, no. 2 (2008): 333-351.

¹⁶³⁰ Interview with PA018.

¹⁶³¹ Ozoemene, Kanayo. "Stability in world oil market", *New Nigerian*, 5 May, 1983. p. 7;

to build its own refineries or even expand on the ones built with the proceeds of oil boom of the 1970s.¹⁶³² But opposition forces against Nigeria's membership of OPEC appears to be mainly from the southern part of the country who felt disillusioned by Nigeria's continued support for what they felt was the promotion of Islamic agenda by the Northern oligarchy "who dominated the political and military circles."¹⁶³³ This position gained some credibility when the IBB regime which overthrew the Buhari regime on 27 August 1985 and lasted up to 1993 registered Nigeria as a member of the Organisation of Islamic Countries (OIC) against "local protest."¹⁶³⁴

However, others argued that Nigeria alone would be unable to alter oil market citing specifically to the period before Nigeria's membership of OPEC.¹⁶³⁵ Yet, others focussed on the political gains of Nigeria's membership by reinforcing the "improved status" across continental Africa as one commentator asserted that:

"Nigeria's proposed withdrawal from OPEC may in fact reduce it to a puppet's position and make her ludicrous in her new 'high horse' position which will be short-lived and this would be undesirable."¹⁶³⁶

In response to the oil glut in the mid-1980s, OPEC adopted a more flexible pricing system which according to Fattouh is "market-related."¹⁶³⁷ Going by the new formula, prices are determined by how well OPEC reads the forces of demand and supply to the oil market. However, Kilian maintained that "misinformation or rumour" could also affect OPEC's ability to ascertain the extent of supply to meet the demand for its products.¹⁶³⁸

¹⁶³² Akaraogun, Olu. "New Nigerian 10 May, 1983. p. 12.

¹⁶³³ Sampson, Isaac Terwase. "Religion and the Nigerian State: Situating the de facto and de jure Frontiers of State-Religion Relations and its Implications for National Security." *Oxford Journal of Law and Religion* 3, no. 2 (2014): 311-339.

¹⁶³⁴ Ebhomienlen, Thomas O., and Emmanuel I. Ukpebor. "Religion and politics in Nigeria: A comparative study of the Nigeria Supreme Council for Islamic Affairs and the Christian Association of Nigeria." *International Journal of Science and Research* 2, no. 9 (2013): 166-170.

¹⁶³⁵ Klieman, Kairn A. "US oil companies, the Nigerian civil war, and the origins of opacity in the Nigerian oil industry." *The Journal of American History* 99, no. 1 (2012): 155-165.

¹⁶³⁶ Fubara, Bedford A. "The ethics of Nigeria's proposed withdrawal from the organisation of petroleum exporting countries." *Journal of Business Ethics* 5, no. 4 (1986): 327-332. p. 331.

¹⁶³⁷ Fattouh, Bassam. *OPEC pricing power: The need for a new perspective*. Oxford Institute for Energy Studies, 2007.

¹⁶³⁸ Kilian, Lutz. *Oil price volatility: Origins and effects*. No. ERS-2010-02. WTO Staff Working Paper, 2010.

Moreover, Smith once observed that the bureaucracy in the internal workings of the body can inhibit the objectives of price determination which is the most significant objective it seeks to achieve. Normally, organisations that involved resourceful members and in which all members have some degree of influence such as the one under consideration, there is the likelihood that its decision making becomes difficult. This was precisely the point made by Smith who posited thus:

“OPEC acts as a bureaucratic cartel; i.e. a cooperative enterprise weighed down by the cost of forging consensus among members and therefore partially impaired in pursuit of the common good”¹⁶³⁹

No doubt, the organisation has recorded some victories in its quest to increase oil prices as has been discussed, reaching consensus for reduction in production has not been without difficulties. When member’s estimates show evidence of lesser demand at the international market, it usually persuades members to reduce production to a level that is agreeable. This is due to a number of factors including market share, challenges of member states, and influence (negotiating power).¹⁶⁴⁰

Yet, member states sometimes violate terms of the agreements reached on production cuts because the organisation does not have within it an agency to ensure compliance.¹⁶⁴¹ Sometimes other members rely on credible evidence to accuse one another for violating agreements on production cuts but again, the organisation did not provide for punishment for violators or exert pressure against the will of the member states.¹⁶⁴² The challenge of ensuring compliance among member states on the decision to cut down production increases whenever the scale of reduction is on the high side. This is especially the situation with small member states who have always criticised the “pro-rata” template for production

¹⁶³⁹ Smith, James L. "Inscrutable OPEC? Behavioral tests of the cartel hypothesis." *The Energy Journal* (2005): 51-82.

¹⁶⁴⁰ Doran, Charles F. "OPEC structure and cohesion: exploring the determinants of cartel policy." *The Journal of Politics* 42, no. 1 (1980): 82-101.

¹⁶⁴¹ Ghoddusi, Hamed, Masoud Nili, and Mahdi Rastad. "On quota violations of OPEC members." *Energy Economics* 68 (2017): 410-422.

¹⁶⁴² Kohl, W. L. OPEC behaviour, 1998–2001. *The Quarterly Review of Economics and Finance*, 42(2), pp. 209–233, 2002.

cuts. Also, it has proven to be more difficult for countries under recession to agree to cut oil production in compliance with OPEC. Recently, Nigeria had to engage OPEC in series of discussions leading to increase in production against OPEC's general agreement on production cuts.¹⁶⁴³ Yet, it did not stop the country from experiencing petrol shortages.¹⁶⁴⁴ But this does not invalidate OPEC's role in oil price volatility.

7.5 Conclusion

There is sufficient evidence to show that Nigeria's oil wealth induced its search for extra-territorial power and relevance. Understandably, oil wealth in general provide impetus for international power and the case in Nigeria is not an exception. Also, this chapter finds that Nigeria's enormous oil wealth has stimulated an obsession for power at the detriment of pressing domestic demand as the literature on resource curse suggested. However, this chapter extended the discourse on the thesis of the paradox of plenty to the effect that it finds clear evidence, possibly peculiar to Nigeria, where the search for extra-territorial power and relevance through diplomatic adventures laid the foundation of an externally dependent economy leading to the phenomenon of what I called the *paradox of oil thirst*.

Similarly, the chapter explored the volatile nature of international oil market. This was done through an examination of three causal factors of oil prices volatility including geo-political developments, OPEC system of production, and the exchange rate fluctuations. The study finds that these two – geo-political developments and the exchange rate fluctuations, of the factors noted above have directly and indirectly affected the stability of petrol supply in Nigeria leading to petrol shortages. However, the chapter notes the paucity of empirical and secondary data to support the relationship between OPEC system of production and petrol shortages in Nigeria.

¹⁶⁴³ Kaufmann, Robert K., Stephane Dees, Pavlos Karadeloglou, and Marcelo Sanchez. "Does OPEC matter? An econometric analysis of oil prices." *The Energy Journal* (2004): 67-90.

¹⁶⁴⁴ Elisha Bala-Gbogbo and Yinka Ibukun Oil-Rich Nigeria Fuel Scarcity Weighs on Buhari's Popularity <https://www.bloomberg.com/news/articles/2018-02-26/oil-rich-nigeria-s-fuel-scarcity-weighs-on-buhari-s-popularity>

Chapter Eight

Summary, Conclusion, and Recommendation

“Certainly, there is no excuse for the failure to ensure regular flow of petrol to the economy. No shame supersedes the case of a resource endowed state having to rely on less endowed members of the international community for access to what it has in abundance. Imagine a situation where Ivory Coast would have to import cocoa butter or the case of Thailand struggling to import rice!”¹⁶⁴⁵

The above opinion was generated through an interview granted to the researcher by one of the research participants expressing disappointment with the Nigerian state for its failure to resolve the persistent crisis of petrol shortages. At the very least, the above remark demonstrates the classic scenario where the abundance of oil resources has not only failed to produce the expected outcomes of development in general but also failed to quench the thirst for it. In other words, the Nigerian petrol represents the case of what one can describe as a barren resource – resources that cannot be exploited for the benefit of the public. Comparably, the present thesis has empirically explained the challenges of governing the downstream sector leading to persistent petrol shortages in Nigeria.

This thesis investigated the intersection between oil and politics among different stakeholders and how this shaped and determined outcomes in Nigeria’s downstream sector. The explanation of the forms of politics at play in the downstream sector was essentially focused on the period between 1971 and 2015. Particularly, the thesis became a searchlight on internal dynamics that influence the governance of the downstream sector and how this affects the supply of petrol within the domestic economy. The study also touched on how the governance deficit within the downstream sector has made Nigeria dependent on

¹⁶⁴⁵ Interview with PA28

the international market for the supply of petrol to its economy, a practice that has betrayed its image as one of the most influential members of OPEC.

As established in Chapter One, the central purpose of this study was to attempt to answer the puzzle: why does an oil rich country like Nigeria experience petrol shortages? This thesis has attempted to answer this conundrum through the examination of four issue areas. These are: agencies, policies, actors (marketers and vandalizers), and the nature of the international market. All of these variables combined to help us understand the system in place in the Nigerian downstream sector and why it experiences such shortages. These four issue areas that formed the crux of the explanation of the downstream sector were generated from the interviews and archival resources that the researcher conducted and engaged with. These research objectives are reproduced below:

- a. To explore the nature of governance of local agencies in the downstream sector and its impact on the availability of petrol in Nigeria.
- b. To assess the implementation of subsidy policy in the downstream sector and its effect on the availability of petrol in Nigeria.
- c. To examine the activities of the independent marketers in the downstream sector and its impact on the availability of petrol in Nigeria.
- d. To examine the challenge posed by the volatile price of petrol at the international market and how it contributes to petrol shortages in Nigeria.
- e. To offer recommendations and implementation strategies based on the empirical realities that the study unearthed with a view to improve the performance of Nigeria's downstream sector.

The manner through which attempts were made to address the research objectives is summed up below. This is closely followed by a summary of major findings and a brief assessment of whether or not the findings meet the above stated objectives. After the summary of findings, limitations of the study and the techniques employed to overcome are discussed. From here, I identify likely

directions for further research. This chapter concludes with a brief explanation of the contribution to knowledge that this study has made.

8.1 Summary of Research Objectives

The first objective of the study is attempted in Chapter Four of the thesis. It primarily sought to explore the 'nature of governance of local agencies in the downstream sector and its impact on the availability of petrol in Nigeria.' The data obtained from interviews and archival sources as well as literature on the effect of the resource curse helped us understand how local agencies in the downstream sector are governed as well as the inherent contradictions in their management. The data revealed the complexities in the management of agencies and the factor of political interference in the running of these vital agencies leading to petrol shortages. As pointed in Chapter Four, since the beginning of government active involvement in the management of the oil industry in the 1970s, the ruling class stretching up to the most powerful position in the land, have often interfered with the management of local agencies.¹⁶⁴⁶ It is this same struggle for patronage that pitched the public administrators in ministries against the technocrats who are meant to drive the downstream sector. In many cases, the desperation to control revenue has created a situation where individuals with access to power exercise greater influence than technocrats leading to poor collaboration among the agencies. Therefore, the objective of the chapter was achieved considering the profound effect that internal wrangling had on the governance of the sector. In essence, it induced persistent petrol thirst with remarkable implication to the economy.

The second objective of the study sought to 'assess the implementation of subsidy policy in the downstream sector and its effect on the availability of petrol in Nigeria.' Through the interrogation of available data, the chapter argued that the subsidy policy as practice in Nigeria serves special interest and cannot be sustained. The interviews aided the researcher to understand the perspectives of stakeholders on the policy and the interest that drives them. The researcher revealed that the policy has been in practice far longer than the 1990s that many scholars believed as the starting point. I noted that the policy can best be understood within the rentier state theory where the political leadership pays less

¹⁶⁴⁶ This has been captured in Chapter Four of the thesis.

attention to taxing the citizens and in return the citizens remain unconscious. The objective of Chapter five was achieved considering the enormous resources expended in subsidizing petrol resulting in poor revenue generation and the breakdown of refineries.

The third objective of the study focused on 'examining the activities of the independent marketers and pipeline vandalism in the downstream sector and its impact on the availability of petrol in Nigeria.' This objective was achieved in Chapter Five where the researcher with the help of primary data sources including interviews, official information, and archival materials examined the activities of these private actors such as petrol marketers and pipeline vandalism in the downstream sector and how their activities impacts on regular supply of petrol in Nigeria. The empirical data revealed the behaviour of the marketers who are essentially driven by profiteering. With poor regulatory agencies in place, the marketers have assumed very influential positions, sometimes in collaboration with top government officials to create artificial scarcity to maximise profits. These marketers exploit the gap in the subsidy policy by smuggling subsidized petrol across the borders into neighbouring states for greater profits. Another angle to this, as revealed by interrogated data relates with the activities of pipeline vandalizers that have variously constrained the distribution of petrol in the Nigerian economy. Together, the activities of marketers and pipeline vandalizers have challenged the regular supply of petrol within the Nigerian economy.

The fourth objective of the study sought to 'examine the challenge posed by extraterritorial relevance and the volatile prices of petrol at the international market and how it contributes to petrol shortages in Nigeria.' This objective was achieved in Chapter Seven of the thesis. Findings led me to divide the chapter into two equal parts namely; oil and power on one hand and oil price volatility on the other hand. Firstly, the interrogated data sources including interviews, archival materials and old newspapers revealed the unnecessary pursuit of international relevance at the expense of infrastructural decay in the general Nigerian society and the downstream in particular. Secondly, the volatile character of oil price at the international market has added pressure to the internal dynamics explained in Chapters 4, 5, and 6.

The final objective of the study attempted to 'offer recommendations and implementation strategies based on the empirical realities that the study

unearthed with a view to improve the performance of Nigeria's downstream sector.' This is achieved in Chapter Eight of the thesis where apart from the summary of the work and conclusions, the researcher draws insight on how to help resolve the issue areas including agencies, policies, private actors, and the international factor and to satisfy long years of petrol thirst.

8.2 Summary of Major Research Findings

Other than the objectives which have been briefly explained above, the major findings of the study are derived from the various attempts to answer the research questions. Essentially, the key findings in this study can be gleaned from the four empirical chapters that form the locus of our analysis. As a matter of fact, the key findings can serve as a guide to the reader to identify the novel achievement of the research and how future research can benefit from it.

Resource Curse and the Downstream Sector in Nigeria

As has been noted in chapter two which deals with the theoretical framework of this study, there is a significant relationship between the subject of investigation and the rentier state theory. The study acknowledged the body of existing knowledge that have long postulated the correlation between natural resources and development. However, this study argues that the effect of natural resources, and in this case, petroleum, on an economy like Nigeria depends largely on the political and economic environment. As has been explained in detail in the preceding chapters, Nigeria's political and economic climate, more than any factor, is largely responsible for the contradictions in the downstream sector leading to petrol shortages. Therefore, the thesis contradicted the position of those who argue that natural resources on its own are sufficient to cause underdevelopment. On the contrary, the thesis argued that the political and economic atmosphere in Nigeria is largely responsible for the damage in the downstream sector.

Poor Governance of the Downstream Sector

One major finding of this study is that the prevailing system of governance of the local agencies in the downstream sector produces the negative outcome. The study reveals that the contest for control of the sector between administrators and technocrats have created systemic rivalry that has over the years affected the order that ought to be in place to guarantee regular supply of petrol. While the

challenge of governance may be a general phenomenon affecting the delivery of essential services in Nigeria, the case in the downstream sector illustrates the insistence of the political class to control virtually all sources of revenue to consolidate their stint in power. As shown in Chapter Four of this study, the struggle for control reveals the involvement of the highest authority in the land who wields a lot of power.

The result of power tussle among the political class for control of the downstream sector stifles growth and negates reforms. The Study reveals a staggering history of reforms in the sector with every change of government. Thus, one can safely argue that political interference in the governance of the downstream sector in Nigeria reduced the efficacy of institutions by shrinking their roles while emboldening the powers of the power elites.

Subsidy Policy and Challenge of Petrol Shortages

One of the most important findings of this study relates with the history of petrol subsidy in Nigeria. Many studies from widely regarded academics, policymakers, and drivers including Okonjo Iweala, Charles Soludo and Bright Erakpoweri Okogu have often referenced the 1990s as the beginning of Nigeria's adoption of a petrol subsidy policy. On the contrary, a careful investigation of archival sources and interviews with industry players reveals that the policy has been in place since the 1970s. But as rightly noted in the Chapter Five, the policy of subsidising petrol was not explicitly stated but in practice, the government ensured that petrol was sold at the price across the country. As revealed from consulted documents, Yakubu Gowon's military government justified the implementation of subsidy on petrol on the grounds that it will help to promote even development across the regions in the country.

Again, the study revealed that while the policy of subsidy on petrol is not entirely bad, it serves special interest and discourages the growth of the downstream sector. Therefore, no serious business person would want to invest in a sector where the government is so involved.

Oil Marketers, Pipeline Vandalism and Militancy in Nigeria

The study explained the role of petrol marketers, pipeline vandalism and militant activities in Nigeria. It reveals smuggling of petrol across the border into neighbouring countries by petrol marketers in search of higher gains. The study

reveals the various routes that are used by petrol marketers in smuggling petrol with the assistance of border officials – the Nigerian Custom Service and Nigeria Immigration Service.

One of the most significant findings of this study is associated with the linkage between senior staff of agencies in the Nigerian downstream sector and pipeline vandalizers. As noted by research participants, some of the government's top politicians and senior staff of agencies within the downstream sector are responsible for the information leading to pipeline vandalism. In essence, some interested members of the establishment benefit from these activities. This is not to say that all cases of pipeline vandalism are linked to government officials. The study also revealed the involvement of independent marketers who sponsor these activities in order to have access to cheaper sources of petrol. Yet, there are cases where the activities are coordinated as part of the broader agenda of the Niger/Delta struggle to press home their demands for a better share of their resources. In all, it is these sorts of contradictions that have made it difficult for resolution of the challenge of pipeline vandalism.

Besides, the study finds that some officials of NNPC and other agencies in downstream sector collaborate with senior staff of the Nigerian Ports Authority to create unnecessary delay in clearing petrol products for their interest. This sort of unpatriotic activities has cost the government huge amounts of money and engendered artificial scarcity of petrol products within the domestic front. Many efforts at meaningful reform of ports operation since 1999 have not produced positive outcomes.

Oil and the Struggle for International Relevance

The understanding that natural resources endear political leaders in resource rich states to search for international relevance or get entangled in regional and international politics is not essentially new and the researcher cannot claim authorship.¹⁶⁴⁷ Similarly, the fact that oil has helped to advance Nigeria's

¹⁶⁴⁷ Robinson, James A., Ragnar Torvik, and Thierry Verdier. "Political foundations of the resource curse." *Journal of development Economics* 79, no. 2 (2006): 447-468.

international politics is not entirely new. In fact, it has received serious academic attention since the 1970s.¹⁶⁴⁸ What may be considered as a result of the present research relates with the fact that the political class could not prioritize the development of the very sector that has enabled it to play such international roles. It is expected that the political class would pay serious attention to the oil industry considering its importance to the wheel of international politics. As the findings revealed, the heads of government from the 1970s have not done much to develop the sector.

The second part of this international aspect has to do with the manner in which industry players frustrate local efforts to refine petrol within Nigeria in order to make money out of international deals for importation of the product. The research details how Nigeria has become an importer of petrol at the international market even though it is one of the most influential members of OPEC. This situation, as has been mentioned elsewhere in the research, betrays her image as a major stakeholder in the same commodity.

8.3 Limitations of the Study

As has been explained in Chapter One of this study, the research was conducted in Nigeria where fieldwork involving interviews (semi-structured) was conducted and archival resources were accessed. In the course of this study, the researcher encountered challenges, some of which sought to limit the realisation of the aim of the study. These limitations are briefly explained below.

- At the beginning of this study, the researcher realised that most of the essential information needed to fulfil the stated aim and objectives were not within easy reach. The research was therefore faced with the challenge of obtaining relevant information that was confined. The situation was made worse when it became glaring to the researcher that most of the information was actually being deliberately hoarded by public officials. Research experts – something similar to what scholars described as official secret syndrome.¹⁶⁴⁹ However, when the researcher presented proofs identifying himself as an academic researcher, some of those in charge of the official records allowed access. Again, the research ensured the use of

¹⁶⁴⁸ Mayall, James. "Oil and Nigerian foreign policy." *African Affairs* 75, no. 300 (1976): 317-330.

¹⁶⁴⁹ Guarné, Blai. "The world is a room: Beyond centers and peripheries in the global production of anthropological knowledge." *Focaal* 2012, no. 63 (2012): 8-19.

multiple sources including interviews to complement relevant information needed for the study. Nonetheless, the researcher considered the initial hitches encountered as a limitation to the study.

- Closely related to the above limitation was the challenge of fear of being exposing sensitive information by oil industry players. The technocrats did not express the willingness to cooperate with me in granting a recorded interview. This is understandable considering the fact that most of the information needed for the studies can be considered as sensitive. However, when I notified them of the option of taking notes instead of recording, they felt safer and that initial limitation was technically resolved.
- Another limitation to the study is financial resources. The frequent travels for fieldwork consumed a lot of resources considering the distance in which the interview was conducted and home of the researcher. With substantial financial resources, the researcher would have done a comparative study of the downstream system of another resource rich country. This would have pointed to the differences in terms of the political and economic environment in two resource rich societies. However, the researcher along with the supervisor were able to frame the case study focusing on Nigeria to illustrate the depth of the challenge. In the end, this obvious financial limitation was resolved allowing for a more detailed study of the Nigerian downstream sector. Again, the researcher identified (in the section on *Further Research*) the need for a comparative approach in the study in the section of two oil producing states to understand the workings of downstream sectors and also the element of socio-political and economic impact on the different or similar outcomes.

In spite of the limitations explained above, the study has helped to illuminate the significance of researching an important but often neglected downstream sector of Nigeria's petroleum industry. In view of the above, the following recommendations are made on the basis of the research findings.

8.4 Future Research and Recommendation

As has been noted in many parts of this study, the subject of resource curse has enjoyed significant attention from scholars and oil industry experts leading to the

production of numerous research papers, books and policy documents.¹⁶⁵⁰ What is also seldom known is that resource curses are influenced largely by the socio-economic and political environment of resource abundant states. This study noted that in the various studies on the resource curse in Nigeria, none at least to the knowledge of the researcher has included the damages in the downstream sector of the oil industry. Therefore, it is not of place for the study to be accorded the status of a pioneer study focussed mainly on the downstream sector of Nigeria's oil industry. Considering the status of the study as a pioneer work, it is important to emphasize the need for further research on the downstream sector to deepen the level of understanding as well as provoke academic debate on the challenges of reform. In the event that the above position reflects the true picture of the subject of investigation, what direction should future research take? Or better asked, what course should future researchers follow?

First and foremost, researchers may wish to study the nature of governance of the downstream sector in other resource abundant states like Angola with a view to understanding the differences and similarities in the behaviour of actors, as well as the effect of socio-economic and political environment on the sector. When undertaken, this sort of studies can help to deepen the conversation on the best approach to the governance of an essential service sector and to also put it in proper perspective. When similar study is done in another resource abundant state with comparable levels of Nigeria's socio-political composition, it will help to establish a new vista in the governance of the downstream sector. It is the expectation of the researcher that such study should be done with serious consideration of the historical trajectory governance systems of other countries. It is the belief of the researcher that such an approach will refute or reinforce the lines of the present study.

Furthermore, a lot of studies have emerged on the effect of corruption on Nigeria's underdevelopment. Rightly so, many of these studies pointed to the oil sector in general and the upstream sector in particular. No doubt, corruption has featured prominently in almost all facets of industry as with most parts of government dealings. What is missing and which ought to be looked into relates with the forms

¹⁶⁵⁰ See for instance, Auty, Richard M. "Rent cycling theory, the resource curse, and development policy." *Oil, Gas & Energy Law Journal (OGEL)* 5, no. 4 (2007); Ross, Michael L. "The political economy of the resource curse." (1999): 297-322; Mehlum, Halvor, Karl Moene, and Ragnar Torvik. "Institutions and the resource curse." *The economic journal* 116, no. 508 (2006): 1-20.

of corruption in the downstream sector. As we have established in this study, in this sector, power elites are the most dominant force undermining the institutions. Thus, researchers may wish to advance interest in further deepening this angle that flows into the widely known academic debate on the nature and place of institutions in Africa; powerful individuals controlling fragile institutions. Following in the same line, scholars may consider the strength of the institutions in the downstream sector and the relationship with the polity. Interestingly, there is much similarity in the contention of resource curse thesis focusing on weakening institutions and the general framework of lack of strong institutions in Africa. This would not only help to steer the debates but also help policymakers to make informed decisions in Nigeria and other resource abundant states.

Another relevant aspect of the oil industry in Nigeria that has remained largely unexplored relates with the role of private actors in the entire gamut of the oil industry and downstream sector in particular. Fortunately, this study devoted a whole Chapter (6) to the study of the influence of these non-state actors in the downstream sector and how their activities, over the years, have added to the challenge of petrol scarcity. Since the publication of Turner's *commercial capitalism in Nigeria: the pattern of competition*¹⁶⁵¹ little effort has been made to focus on the role of businessmen and women in determining the outcomes of businesses in Nigeria. Therefore, it is important for scholars to probe further into the activities of these powerful but little studied actors. This is especially important considering that the focus of the reform in the oil sector in Nigeria as captured in the Petroleum Industry Governance Bill (PIGB) intends to create greater opportunity for private stakeholders by way of commercialisation and deregulation.

Equally important is the need for scholarly research focussing on alternative sources of energy. While this may not seem to augur well with most people in Nigeria, particularly those that have benefitted from the proceeds of oil, in the nearest future, petrol and other forms of oil may face existential crisis considering the rising consciousness among the global citizenry about the effect on global warming, climate crisis and other forms of damages to the environment.¹⁶⁵²

¹⁶⁵¹ Turner, Terisa. "Commercial Capitalism in Nigeria: The Pattern of Competition." *Cohen and Daniel (1981)* (1981): 155-63.

¹⁶⁵² Krause, Daniel. "Environmental consciousness: An empirical study." *Environment and Behavior* 25, no. 1 (1993): 126-142.

Considering that the country's policy on renewable energy exists only at policy level with no political will to support its realisation, scholarly attention is needed to advance the quest for gradual transition to better and environmentally friendly energy sources.

Finally, there is the urgent need by policymakers and scholars to fill in the gap between Nigeria's foreign policy and the development of its oil sector. As argued in Chapter seven, over the years, Nigeria's oil has been the essential vehicle driving Nigeria's foreign policy. However, what is hardly studied but craves attention relates to the need for Nigeria to reconcile its domestic challenges of poor infrastructure, especially in the downstream sector, with its foreign policy goals. This obvious lack of academic attention and the dearth of deliberate policy toward a more rewarding foreign policy has led to misappropriation of revenue derived from oil to serve frivolous diplomatic adventures while neglecting the very sector that provides the financial strength to support such foreign engagements.

Apart from the areas identified above for possible future research, the researcher provides insights into how the various challenges leading to petrol shortages can be resolved. Therefore, the following recommendations on resolving the contradictions in Nigeria's downstream sector calls on the government and policymakers for effective implementation. To aid the government and policymakers, the researcher also added insight on how the recommendations can be implemented. Therefore, based on the findings of this study, the following recommendations and implementation strategies are hereby proffered:

8.4.1 Recommendation

Recommendation One

- I. The federal government should grant the NOC complete autonomy from the ministry of petroleum. This will minimise the unnecessary political interference in the activities of NNPC and also reduce the challenge posed by duplication of official roles.

Implementation Strategy

- i. The National Assembly to amend NNPC establishment Decree to ensure total autonomy from government Ministries (Petroleum and Finance) and create the pathway for complete commercialisation.

Recommendation Two

- II. The Government should also ensure the relative autonomy for the Refineries. This will help to resolve the problem identified in Chapter Four where all the revenue realised by the four refineries are completely transferred to NNPC.

Implementation Strategy

- ii. The National Assembly to enact a law to abrogate the existing unified accounting system where government owned refineries are required to return all revenues to NNPC.

Recommendation Three

- III. Government should mobilise sufficient manpower to guard the porous borders. To also curb the challenge of bribery of border officials, the government can establish joint operations involving more than one outfit. Where possible, military and paramilitary outfits to help stem the tide of smuggling of petrol to neighbouring states.

Implementation Strategy

- iii. The Federal Executive Council, Ministry of Petrol, Ministry of Defence and the Ministry of Interior should collaborate and map out the details on how a joint border force will minimise product smuggling.

Recommendation Four

- IV. The Nigerian government should terminate the subsidy regime. As has been noted in the relevant chapter of the study, it has been serving special interest and discouraged private investment in the downstream sector.

Implementation Strategy

- iv. Considering the sensitive nature of the subject of abolishing subsidy in Nigeria, the government should engage in phase by phase elimination of the programme. The proceeds realised from the termination should immediately be ploughed into the development of physical infrastructure that will be visible to all stakeholders in the subsidy debate. This will

minimise violent protest by the citizens who have been cajoled to believe that the subsidy regime a pro-masses policy.

Recommendation Five

- v. The civil society should step up and campaign against corruption and lack of transparency in the downstream sector through the involvement of institutions and labour unions.

Implementation Strategy

- V. The Extractive Industry Transparency Initiative (EITI) to lead ensuring that all official dealings in the downstream sector are open to the public and in accordance with global best practices.

8.5 The Main Contributions of the Thesis

While the study is built on various other researches which are appropriately acknowledged by the researcher, it has no doubt stretched the boundaries of existing knowledge. The following briefly identified the specific contributions of the thesis to what is known.

At the theoretical level, the thesis expanded the discourse on the complex relationship between resource governance, service delivery and forms of politics in a resource abundant state. The thesis first reviewed the existing debate on the theme of resource curse that declared natural resources as curse – inhibits of growth and stimulates curse. The calculation was to ascertain if the conclusion of this theorisation can be applied to the study of governance of Nigeria's downstream sector. While acknowledging the profundity of the concept of resource curse, the thesis however notes that rather than resources stimulating curse, the political actors (exemplified by the ruling elites), prevailing forms of politics and strength of institutions in resource abundant states largely determine whether resources turns out to be a curse or a blessing. To drive home this contribution, the thesis identified these forces that determine outcomes in Nigeria's downstream sector to include strong powerful elites, private actors (marketers) and forms of politics. Together these three forces constrained the supply of petrol in Nigeria's domestic economy and induced petrol thirst. To a certain extent, the thesis advanced and shaped the theory by introducing the

above-mentioned forces that determine resource outcomes while negating the conclusion of the resource curse theory.

Methodologically, the thesis deepened the conversation on resource governance by focussing on the downstream sector that for whatever reason have not enjoyed comparable scholarly attention like its upstream counterpart. The interviews that the researcher utilised in extracting empirical data helped to probe hitherto neglected themes and the influence of powerful actors in decision making as well as implementation of policies. More than anything, the generated data, essentially forms the locus of the contribution to existing knowledge and stimulates academic discussion in a sector that has been largely overlooked. It is the belief of the researcher that these elements that the thesis introduced would deepen the conversation on resource governance, not limited to Nigeria's downstream sector. The substantial material generated from interviews with stakeholders in the downstream sector helped to throw light on the depth of internal contradictions constraining the regular supply of petrol in Nigeria. Why these internal dynamics are important is because for understandable reasons, the weight of social science discourse have often tilted toward the external political environment as the essential determining force for African development. In a way, this refocus on internal dynamics broadens the scope of analysis of the forces at play in a resource abundant state. It is within this angle that the contribution to knowledge of the study can be drawn.

Furthermore, the study touched on the challenge posed by the activities of violent conflict and pipeline vandalism leading to petrol shortages. The fundamental effect of the conflicts emerged from two main dimensions. Firstly, militant groups vandalise oil facilities leading to the disruption of production, refining and transportation. Secondly, violent groups engage in looting of oil or even refined petrol in order to gain resources that would support their struggle. In any case, data shows the negative effect that these activities have had on the supply chain of petrol to the general economy. What has been widely published relates with the structural defects in the distribution of oil wealth and the accompanying environmental disruption that oil activities posed to the oil producing communities in the Niger/Delta. What is seldom known and which this study augmented relates with the effect that this violent conflict has on the downstream sector.

Finally, the work draws on existing knowledge on democratic transition and reforms to argue that in a semi-democratic state like Nigeria, the challenge to reform is as challenging as under military regime. This particular contribution can be seen in almost all the empirical chapters (i.e Chapters 4, 5, 6 and 7) of the study. The thesis established that where the political actors have not changed, the character and form of politics would be difficult to alter, especially where the state is embedded in serious structural defects. This has been seen in the manner in which attempts for reform of subsidy policy continue to linger even when its deficiency is without doubt, indefensible. As we noted, the ruling elites in resource abundant states like Nigeria that transited to semi-democratic status did not relinquish their privileges but rather found a way to transform their influences within the new semi-democratic space. These elites mobilised the innocent public to resist proactive reforms in the downstream sector including deregulation and the PIB both of which have not materialised.

8.6 Conclusion

At a general level, this study shone its searchlight on the complexities of governing the downstream sector in Nigeria. The situation in which Nigeria, a major oil producer, ends up experiencing petrol shortages captures the essential paradox of a resource abundant state. While this should ordinarily intrigue many researchers, the reverse has been the case. There is paucity of published materials in this important area. Though the study is narrowed to the examination of the governance of the downstream sector, the study has helped to provoke academic discussion in the larger social space of oil governance in resource abundant states. The forms of politics in the larger Nigerian society has been found to exercise tremendous influence over outcomes in the downstream sector. While powerful individuals have been revealed to wield unimaginable influence in decision making and implementation of policies in the downstream sector, institutions (government agencies) continue to shrink, paving way to the emergence of strong individuals and weak institutions. It is these forms of politics that have significantly influenced the sort of outcomes visible in the downstream sector of Nigeria's oil industry.

The study notes the struggle by the political class to maintain absolute control of agencies that require the engagement of private stakeholders. The quest by the political elites to control sources of revenue in resource abundant states is a well

published contention. But this kind of patronage has not been studied in the downstream sector of Nigeria's oil industry in significant depth. It is also worthy of note the fact that the present attempt may have gone a long way in filling some gap, but it is by no means exhaustive. At best, the subject discussed and the period covered has only helped to open new grounds for further research.

To all intents and purposes, the research drawing on accessed data, validated the chosen hypothesis which notes that: *the perennial scarcity of petroleum product in Nigeria since the 1970s can be explained through an exploration of four (4) main issue areas namely; local agencies (in the downstream sector), policy (subsidy policy), actors (marketers – major and independent marketers), and volatility in the price of petrol at the international market.* Overall, four other support hypotheses also corroborated the position of analysed data. Considering the above and position of major findings captured in previous empirical chapters, the subsequent conclusions are reckoned to give significant insight to the subject under investigation.

First and foremost, in spite of the abundance of oil resources in Nigeria, the forms of oil governance in Nigeria's downstream sector create conditions for inevitable shortages in the supply of petroleum products. As detailed in Chapter Four, the quest for patronage by the political elites led to unnecessary interference with the management of agencies in the downstream sector. In most cases, elite interference is dictated by personal gains leading to the weakening of the institutional framework in place. It is within this systemic decay that persistent petrol shortages in an oil economy can be explained. Secondly, closely related to the system of state patronage by the elites is the nature of implementation of Nigeria's petroleum subsidy programme. The foundation of the programme which the study traced into the 1970s during Yakubu Gowon's military administration was formed to for structural gains by the Northern elites who claimed that such a programme would ensure even development across the country. Many decades into the programme, this study finds that the implementation of petroleum subsidy policy in Nigeria serves special interest and engenders continuous shortages of petrol.

While the introduction of indigenous and independent marketers was widely celebrated as a force for good, their activities have been characterized by sharp practices that have further stifled regular supply of petrol to Nigeria's domestic

economy. In brief, the study concludes that the activities of the both the major and independent marketers in Nigeria's downstream sector is characterised by corruption which in turn create conditions for perpetual shortages of petrol. Finally, the reliance on the international market for petrol has exposed Nigeria to the vagaries of the international market system characterised by volatility. Within this international angle is a growing appetite for unnecessary international relevance, through the expansion of diplomatic engagements by state managers in Nigeria since the 1970s when oil became the dominant single commodity for foreign exchange.

In a nutshell, the study concludes that a complex system of oil governance, subsidy policy regime, sharp practices of oil marketers and pipeline vandalism, and oil price volatility and lack of priority combined to challenge effective governance of the downstream sector leading to persistent petrol shortages in Nigeria.

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APPENDICES

Ethics Application, Consent Form, and Approval



Ref (for office use only)

201819-024R

COLLEGE OF SOCIAL SCIENCES AND INTERNATIONAL STUDIES

All staff and students within SSIS should use this form; those in Egenis, the Institute for Arab and Islamic Studies, Law, Politics, the Strategy & Security Institute, and Sociology, Philosophy, Anthropology should return it to ssis-ethics@exeter.ac.uk. Staff and students in the **Graduate School of Education** should use ssis-gseethics@exeter.ac.uk.

Before completing this form please read the Guidance document which can be found at <http://intranet.exeter.ac.uk/socialsciences/ethics/>

| | | |
|---|--|-----------------------------------|
| Applicant details | | |
| Name | Ponsah Saleh | |
| Department | Strategy and Security | |
| UoE email address | Ps442@exeter.ac.uk | |
| Duration for which permission is required | | |
| Please check the meeting dates and decision information online before completing this form; your start date should be at least one month after the Committee meeting date at which your application will be considered. You should request approval for the entire period of your research activity. Students should use the anticipated date of completion of their course as the end date of their work. Please note that retrospective ethical approval will never be given. | | |
| Start date: 05/12/2018 | End date: 24/09/2020 | Date submitted: 24/10/2018 |
| All students must discuss (face to face or via email) their research intentions with their supervisor/tutor prior to submitting an application for ethical approval. Your application must be approved by your first or second supervisor (or dissertation supervisor/tutor) prior to submission and you MUST submit evidence of their approval with your application, e.g. a copy of an email stating their approval. | | |
| Student number | 670052999 | |
| Programme of study | Doctor of Philosophy (PhD) If you selected 'other' from the list above please name your programme here | |
| Name of Supervisor(s) or Dissertation Tutor | Professor Doug Stokes and Dr Beverley Loke | |
| Have you attended any ethics training that is available to students? | No, I have not taken part in ethics training at the University of Exeter EG the Research Integrity Ethics and Governance: http://as.exeter.ac.uk/rdp/postgraduateresearchers OR Ethics training received on Masters courses. If yes, please specify and give the date of the training: I have attended several ethics training during my Masters course at Coventry University (UK) in November, 2013 and also at the University of Jos (Nigeria) where I worked as an academic staff (April, 2016 and January 2017). | |

I hereby certify that I will abide by the details given in this application and that I undertake in my research to respect the dignity and privacy of those participating in this research. I confirm that if my research should change significantly I will seek advice, request approval of an amendment or complete a new ethics proposal. Any document translations used have been provided by a competent person with no significant changes to the original meaning.

Ponsah Saleh

Double click this box to confirm certification

Submission of this ethics proposal form confirms your acceptance of the above.

TITLE OF YOUR PROJECT

The Domestic and International Relations of Nigeria's Ministry of Petroleum Resources, 1971-2015.

ETHICAL REVIEW BY AN EXTERNAL COMMITTEE

No, my research is not funded by, or doesn't use data from, either the NHS or Ministry of Defence.

If you selected yes from the list above, you should apply for ethics approval from the appropriate organisation (the NHS Health Research Authority or the Ministry of Defence Research Ethics Committee). You do not need to complete this form, but you must inform the Ethics Secretary of your project and your submission to an external committee.

MENTAL CAPACITY ACT 2005

No, my project does not involve participants aged 16 or over who are unable to give informed consent (e.g. people with learning disabilities)

If you selected yes from the list above you should apply for ethics approval from the NHS Health Research Authority. You do not need to complete this form, but you must inform the Ethics Secretary of your project and your submission to an external committee.

SYNOPSIS OF THE RESEARCH PROJECT

Maximum of 750 words.

The study of post-colonial Africa's international relations has been centred on the role of external actors in steering the political and economic life in Africa. This popular narrative stemmed from the works of neo-colonial theorists like Kwame Nkrumah, Samir Amin, Bode Onimode, Peter Ekeh and Claude Ake who maintained that Africa's independence was designed in a manner that allows for continuous domination by Western powers.¹ The central thesis of their studies is anchored on the assumption that African states are only independent in theory, and ² the economic and political policies of African states is largely controlled and supervised by Western patrons through what

¹ Some of the works of these scholars include the following: Nkrumah, Kwame *Neo-colonialism: The last stage of imperialism*. (1967); Amin, Samir. "Accumulation and development: a theoretical model." *Review of African Political Economy* 1, no. 1 (1974): 9-26; Onimode, Bade. "Imperialism and multinational corporations: A case study of Nigeria." *Journal of Black Studies* 9, no. 2 (1978): 207-232; and Ekeh, Peter P. "Colonialism and the two publics in Africa: A theoretical statement." *Comparative studies in society and history* 17, no. 1 (1975): 91-112.

² McGowan, Patrick J., and Dale L. Smith. "Economic dependency in black Africa: an analysis of competing theories." *International Organization* 32, no. 1 (1978): 179-235.

Claude Ake referred to as “exogenous agencies”³ operating on the continent. Based on the observations of the post-colonial writers presented above, post-cold war writers like Patrick Bond and Claude Ake maintained that external agencies are structured to undermine Africa’s development agenda through the use of African resources (petroleum, gold, diamond etc.).⁴ Inspired by the above conclusion, most scholars viewed the continent having suffered from the cumulative effect of slavery, colonialism and neo-colonialism. My project examines the role of African agency and examines the interaction between domestic agencies in Nigeria’s Ministry of Petroleum Resources and international oil companies. Unlike the popular assumption, the central argument of the present study is that domestic agencies are relatively active in Nigeria’s oil industry and their interaction with external actors has shaped Nigerian oil governance in profound ways. However, the local agencies are challenged by governance deficit which has implications for the growth and development of the sector in particular and the state in general.

This research aims to answer the following research puzzle: how has Nigerian oil governance structured its domestic and international oil political economy. This research is a qualitative empirical analysis using primary archival and interview sources to help explore the research puzzle. The research will involve interviews with staff of the Ministry of Petroleum Resources and other agencies that are directly supervised by the Ministry. Additionally, independent marketers and few private and public servants will also be interviewed.

INTERNATIONAL RESEARCH

The research will be conducted in Nigeria, specifically in the capital city of Abuja. This is because the headquarters of all the agencies that form the focus of the research are in Abuja. To get a first-hand account of the operational structure of the agencies and the nature of the interactions between the local and international agencies within the country’s petroleum sector, face-to-face interview will be conducted. Aside the general law relating to intellectual property (copyright protection) and National Health Research Committee (for researches in the health sector), there is no existing research ethics in Nigeria. Fortunately, the capital city (Abuja) where the research will be conducted is not threatened by insecurity and therefore the researcher is free to undertake research without hindrance.

Again, researchers are generally free to conduct researches in the country. The researcher is an academic staff in one of the country’s leading research universities and has enjoyed many years of research within the country without harassment. I have equally recruited a research assistant (Mr. Gwakzing Zitta Nden) who also resides in Abuja. I will take care of his welfare which is little above the country’s minimum wage. The letter of acceptance to be my research assistant is attached.

The following sections require an assessment of possible ethical consideration in your research project. If particular sections do not seem relevant to your project please indicate this and clarify why.

RESEARCH METHODS

Design

This research will consist of semi-structured interviews with workers of the petroleum industry, independent marketers and selected observers. These interviews will be carried out face-to-face with the interviewees. Open-ended questions will be employed to allow for broad discussion of the

³ Ake, Claude. *The political economy of crisis and underdevelopment in Africa: Selected works of Claude Ake*. Vol. 1. Jad Publishers, 1989.

⁴ Bond, Patrick. *Looting Africa: The economics of exploitation*. Zed books, 2006.

issues under consideration. Furthermore, the researcher will also employ the use of electronic recorders. However, where the participants do not permit the use of electronic recorders, notes will be taken by both the interviewer and the research assistant. In any case, the personal details of the participants will be kept confidential.

Sampling: The total number of participants will be 35.

Procedure: The identified participants will be interviewed at their place of convenience. The researcher, however, would prefer to interview government employees at locations other than their official offices so as not to temper with their responses or work schedules. Except the interviewees agreed to the use of electronic recorders, written notes will be the major procedure for documenting the response of participants.

Expected outputs:

- a. Journal articles (both academic and practitioner)
- b. Conference presentations
- c. Presentations that may be of benefit to my sponsors (Petroleum Technology Development Fund) who are also important players in the petroleum sector.

Discussion of Sensitive Topics

The research is low risk. The discussions will not expose either the researcher/research assistant or the participants to any form of risk or harm. However, to ensure adequate protection of the research participants, research assistant and the lead researcher, the interviews will be kept confidential and all personal details of the participants will be appropriately anonymised. Further, a brief discussion on how to mitigate any unforeseen harm will be discuss in the relevant section below.

PARTICIPANTS

I intend to interview about 35 participants all within the Nigerian petroleum sector. 15 out of the 35 will be drawn from the Ministry of Petroleum Resources and other related agencies and 10 from the independent markers. The informed opinions of the public will cover the remaining number. I don't intend to offer any incentive to participants. This is because almost all the participants are well to do.

Again, this will help to mitigate the challenge of having to offer incentives which has the capacity to influence the opinions of industry players.

THE VOLUNTARY NATURE OF PARTICIPATION

Participation will be strictly on voluntary terms and written consent must be sorted. Though the research is not culturally insensitive, written consent will be given to every participant to be filled. I will maintain the anonymity of the participants and all information disclosed will be treated with high sense of confidentiality.

I will also make it clear to participants that they are at liberty to withdraw from the interviews at any stage without advancing any reason.

For the sake of emphasis, the research will not involve children, vulnerable adults and or persons with the potential of high security risks.

SPECIAL ARRANGEMENTS

Not Applicable

THE INFORMED NATURE OF PARTICIPATION

I intend to explain the details of the research including the usefulness to Nigeria's oil industry to the participants before the interview will take place. For every participant, I will take time to relate the background of the research shortly before the interview process will begin. The research is adjudged to be culturally insensitive and harmless to any participant, especially their anonymity and confidentiality is guaranteed.

But I will still seek the consent of the participants through the administration of consent form and information sheet before embarking on the interview.

ASSESSMENT OF POSSIBLE HARM

Managing Participant's Risk

Broadly, the interview will involve three major stakeholders namely; oil industry staff, independent marketers and observers. The following highlight the risk to participants, research assistant and the researcher.

Generally, oil industry staff may not be willing to commit to interviews that will expose their agencies to criticism, especially when their superiors are aware about their involvement. It is very normal for oil industry staff (especially, public servants) to feel threatened about anything that would endanger the security of their jobs. To mitigate this challenge, the researcher would ensure that all interviews are conducted away from their official offices so as not to compromise the promise of confidentiality. Again, as contended in the information and consent forms, all interviews would be conducted after working hours (preferably during the weekends or after work periods). The researcher intends to discuss the possibility of alternate interview locations with the participants. These locations would be decided wholly by the participants. Furthermore, all interviews would be appropriately anonymised to prevent against any form of victimisation of participants.

Similarly, for obvious reasons, some major oil corporations and investors may not welcome critical research into their activities. This is more so that oil corporations are regarded as a powerful force in most countries around the world. However, in order to minimise any potential risk to participants, only former staff of the major oil companies would be interviewed. In any case, the identity of the participant would not be known to the public or the companies. Only their opinions would be gathered and their identities including their name and contact information would not disclosed to any third party.

Managing the Risk to the Researcher and Research Assistant

Firstly, the research will be conducted in Nigeria. Truly, the security in some parts of the country has been poor as a result of the activities of Boko Haram terrorist group. Almost all the major oil corporations and agencies of government have their headquarters located in the capital city of Abuja in Central Nigeria. Again, Abuja is relatively peaceful because it is the seat of power of Nigeria where almost all the political office holders including the President's office is located.

Thus, Nigerian National Petroleum Corporation, Shell-BP, Chevron, Mobil etc. all have their headquarters in Abuja. Although, the participants may be drawn from all the regions in the country, almost all of them are resident in Abuja. This would help to mitigate any potential risk of environmental violence to the researcher.

Secondly, the researcher is a citizen of Nigeria who has lived and work in Central Nigeria. In fact, the research is an academic staff of one of the Universities in the Central Nigerian Area with prior knowledge of the environment. However, in order to ensure the safety of the researcher and the research assistant, private arrangement would be made with two family members to ring my line or that of my assistant in the event that we are overstayed. Although I am used to conducting research in Nigeria, I would take the following steps to mitigate any unforeseen risk to me and the research assistant:

- a. I will conduct a background check on the potential participants through the company directories
- b. I would ensure that two of my family members knows the name and address (including the chosen location for the interview) of the participant on the day of the interview. Since the interviews would last for an estimated period of an hour, I would ensure that my supervisor also get the same information regarding the location and specific time for the interviews.
- c. Also, I would hand over the contact of the mobile police unit in Abuja to my family members while also emailing my supervisor on the schedule of interviews.
- d. Furthermore, I would ensure that my friend or family member would be on standby to call me on my phone or that of my research assistant in case I exceed the allotted one hour period scheduled for the interview. In the case of any unforeseen circumstances, I would advise whoever that would be available (friend or family member) to report to the police if I do not pick my call after 1:30 minutes.

Fortunately, the researcher has family and personal contacts in Abuja which can prove helpful in the event of any unforeseen risk. Aside, the research assistant has been resident in the research location for almost two decades. I will also ensure that my relatives have an idea about my location in the event of any challenge.

If approval is granted, I will also fill the fieldwork risk assessment form and international travel form before proceeding to Nigeria as required by the University of Exeter Ethics Committee.

DATA PROTECTION AND STORAGE

To start with, I will only capture confidential information about participants on their consent forms and I will exclude all personal details about participants on tape at the start of the interview.

To maintain the confidentiality of the participants, all personal information of the participants will be anonymised using aliases on a separate word file that will be linked by a key known only to the researcher. For example, PA = Participant A N'jang'wo Nkyem. These details will be on a password protected spreadsheet that will be uploaded onto u drive. In other words, all files containing data, including transcripts and notes taken as part of general observation by the researcher will be stored anonymously.

To prevent the document from being leaked by people around me, I will ensure that this document is not stored anywhere other than on a u drive. Therefore, other devices will not contain this document. Additionally, other participant's details such as specific location and place of work will be appropriately anonymised, especially if it has the potential of revealing the identity of the participants.

Aside the following, the consent form contains information on how data will be stored:

- a. I will scan, and upload retrieved consent forms into a separate file on u drive from the password protected spreadsheet. Again, I will personally and confidentially shred the original copies using shredder.
- b. I will not hesitate to delete all audio recordings of the interview after transcription is completed.
- c. Accordingly, all analysis will be anonymised. However, any analysis of the data which is not stored on u drive will carry pseudonyms instead of the real identities of the participants.
- d. The personal details (not excluding the contacts) of the participants will be kept for a period of 5 years (depending on the year I finished my research). However, these details will be destroyed after the PhD is awarded.
- e. Anonymised data will not be destroyed because the researcher may use them even after the award of PhD. I will be the only person that will transport the data from the points of interviews to my location. Similarly, I will ensure no other person have access to the data.
- f. With due consultation with my supervisor, anonymised data may be uploaded onto the UK Data Service. However, such uploads must be in accordance with the requirements of ESRC.

In any case, all data will be treated confidentially except where under legal circumstances I am authorised to produce it. Or when part of the interview has the potential of causing harm to the participants. If confronted with the second case, I will have to discuss with my supervisor on the best means to resolving the challenge.

DECLARATION OF INTERESTS

The research is funded by Petroleum Development Trust Fund (PTDF). PTDF is a government fund established under Act No. 25 of 1973 to train manpower in oil and gas sector.

The research work is not meant for any commercial purpose as it is basically for academic exercise. Therefore, data generated can be used for conference presentations, journal articles (both academic and practitioner) and presentations to professionals (if invited). The research findings will help to advance the course of my PhD work at the University of Exeter.

USER ENGAGEMENT AND FEEDBACK

Although participants are increasingly becoming vital stakeholders in all aspects of the research process, I may not have the resources and time to reach out to participants after the data may have

been collected and analysed. However, I will be willing to oblige to any participant's request to own a copy of their interview transcripts. This has been explained on the information sheet.

Again, participants can be given a synopsis of the specific findings on request.

INFORMATION SHEET



Participant Information Sheet

Title of Project: *The Domestic and International Relations of Nigeria's Ministry of Petroleum Resources, 1971-2015.*

Researcher name: Ponsah Saleh

Invitation and brief summary:

This research aims to examine the interaction between domestic and international agencies in Nigeria's petroleum industry. It also aims to explore how the effect of the interaction on the allocation, production, sales and distribution of petroleum resources. In particular, it aims to understand how local agencies have been active in matters relating to the industry. Furthermore, this research aims to find out the extent of involvement of domestic agencies in the award of contracts and general governance of the sector.

Before you decide to take part, it is important you understand what it will involve. Please take time to read the following information carefully.

Who is conducting this research?

I am a PhD student in the Department of Strategy and Security at the University of Exeter, United Kingdom. This research forms part of my study for the award of PhD. My supervisor is Professor Doug Stokes who can be contacted via the following email address: D.Stokes@exeter.ac.uk. This research is funded by Petroleum Technology Development Fund (PTDF) – Nigerian government agency.

What does being part of this study mean for me?

This will involve face to face interview which will last for approximately one hour. Except you disagree, I would like to record this interview. Furthermore, please feel free to stop the interview at will. Also, you are free not to attempt any question that you are not willing to answer. Following this interview, part of the transcript may be published in journal articles or used for other academic purposes. However, your personal details, including your real name will not form part of the publications or any other purpose.

What are the possible benefits of taking part?

When completed, the study will help the University of Exeter to expand the boundaries of knowledge in oil governance and theoretical development. Similarly, the research will add value

to the challenges confronting the domestic agencies in the course of their engagements with international agencies. The recommendations will also help policymakers to make informed decisions of the development of petroleum industry.

What are the possible disadvantages and risks of taking part?

Although the research can be generally categorised as low risk, local or international agencies may not like critical opinions about their activities. This may be because of their involvement in the issues under investigation or interest. Further, some major oil companies may not like critical analysis of their operations in Nigeria. However, research is largely on the role of domestic actors. Again, the researcher will be very mindful of words that will be used in the course of interviews so as not to elicit any form of reaction. Similarly, the researcher will ensure all participant's details including location, name, place of work and any other contact is kept confidential. Again, all data will be appropriately anonymised.

What will happen if I don't want to carry on with the study?

You are free to withdraw from participation at any time of your choice. You may not necessarily have to explain the rationale for your withdrawal as this is regarded as a personal decision which would be respected by the researcher. If you wish to withdraw after the interviews have been conducted, the researcher will not hesitate to delete your records. The researcher has extra provisions for such situations and the withdrawal of some interviewees may not have an effect on the research.

How will my information be kept confidential?

The University of Exeter processes personal data for the purposes of carrying out research in the public interest. The University will endeavour to be transparent about its processing of your personal data and this information sheet should provide a clear explanation of this. If you do have any queries about the University's processing of your personal data that cannot be resolved by the research team, further information may be obtained from the University's Data Protection Officer by emailing dataprotection@exeter.ac.uk or at www.exeter.ac.uk/dataprotection.

Any data that is generated from the interview will be kept in line with the provision of the Data Protection Act. Any personal details disclosed during the course of this interview will be treated with a high sense of confidentiality. Similarly, all personal details, including names or offices, will be immediately anonymised after transcription. Any publication resulting from the interview will also be anonymised. In any case, data that are anonymised would be uploaded to the UK Data Service as required by ESRC. The following gives the details of the specific details of data protection and storage:

a. Interview recordings

Once the researcher has written down the recorded audio of your interview, the digital recorded copy will be deleted.

b. Interview transcripts and contact details of Participants

The researcher intends to use the transcripts of interviews for research purposes. However, no contact or personal details of the participants will form part of the processed data.

To ensure clarity, an attempt would be made to separate the personal and contact details of participants from the interview transcript. The contact and personal details may be securely kept for up to 4 years from the time of collection.

However, any participant who wish to have access to their interview transcript can contact me via my email (ps442@exeter.ac.uk). Within the 4 years period when such data will be kept, participants are free to make amends.

To comply with Data Protection requirement of ESRC, third parties will not be given recorded tapes of interviews or even the transcripts except as required by law.

Making a Complaint

If you are unhappy with any aspect of this research, first contact the lead researcher (Ponsah Saleh) via the email (ps442@exeter.ac.uk). If you still have concerns and wish to make a formal complaint, please write to my supervisor through the following details:

NAME: Doug Stokes

POSITION: Professor in International Security and Strategy

EMAIL: D.Stokes@exeter.ac.uk

In your letter please provide information about the research project, specify the name of the researcher and indicate in detail the nature of your complaint.

Further information and contact details

Describe how participants can contact the research team for further information and/or to take part. Please also include contact details for someone that the participant can contact if they are not happy with any aspect of the project and wish to complain – this could be a project supervisor, department Ethics Officer or Ethics Committee Chair. You can also give the following contact details: Gail Seymour, Research Ethics and Governance Manager g.m.seymour@exeter.ac.uk, 01392 726621

Thank you for your interest in this project

CONSENT FORM

Participant No.

INFORMED CONSENT FORM:

[The Domestic and International Relations of Nigeria's Ministry of Petroleum Resources, 1971-2015.]

You are invited to take part in this research study for the purpose of collecting data on how the local agencies collaborate with international agencies to swindle the revenue accrued from the allocation, production, sales and distribution of petroleum resources in Nigeria.

Before you decide to take part, you must **read the accompanying Participant Information Sheet.**

If you consent to having the interview audio recorded, all recordings will be destroyed once they have been transcribed. Transcripts from the research will only be viewed by the researcher and will

be stored in a password protected computer file until they are destroyed after the PhD Thesis is completed around September 2020.

Please do not hesitate to ask questions if there is anything that is not clear or if you would like more information about any aspect of this research. It is important that you are able to take the necessary time to decide whether or not you wish to take part.

Should you require any further information about this research, please contact:

Ponsah Saleh
 Department of Strategy and Security
 College of Social Science and International Studies
 The Knightly Building
 Streatham Drive
 Exeter
 EX4 4PD
ps442@exeter.ac.uk

Should you require any further information about this research and you would want to discuss with someone else, please contact:

Professor Doug Stokes
 Politics Department
 University of Exeter
 Amory Building Rennes
 Drive Exeter
 EX4 4RJ, UK
D.Stokes@exeter.ac.uk

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|---|---|-----|----|
| 1 | I confirm that I have read and understood the Participant Information Sheet for the above study and have had the opportunity to ask questions | YES | NO |
| 2 | I understand my participation is voluntary and that I am free to withdraw my data from the study without providing a reason | YES | NO |
| 3 | I have noted down my participant number (top left of this Consent Form) which may be required by the lead researcher if I wish to withdraw from the study | YES | NO |
| 4 | I understand that all the information I provide will be anonymised and treated confidentially | YES | NO |
| 5 | I am happy for the information I provide to be used (anonymously) in academic papers and other formal research outputs | YES | NO |
| 6 | I am happy for the interview to be audio recorded | YES | NO |
| 7 | I agree to take part in the above study | YES | NO |

| Participant's Name/Email | Date | Signature |
|--------------------------|------|-----------|
| | | |

| | | |
|-------------------|-------------|------------------|
| | | |
| Researcher | Date | Signature |
| | | |

SUBMISSION PROCEDURE

Staff and students should follow the procedure below.

Post Graduate Taught Students (Graduate School of Education): Please submit your completed application to your first supervisor.

All other students should discuss their application with their supervisor(s) / dissertation tutor / tutor and gain their approval prior to submission. Students should submit evidence of approval with their application, e.g. a copy of the supervisors email approval.

All staff should submit their application to the appropriate email address below.

This application form and examples of your consent form, information sheet and translations of any documents which are not written in English should be submitted by email to the SSIS Ethics Secretary via one of the following email addresses:

ssis-ethics@exeter.ac.uk This email should be used by staff and students in Egenis, the Institute for Arab and Islamic Studies, Law, Politics, the Strategy & Security Institute, and Sociology, Philosophy, Anthropology.

ssis-gseethics@exeter.ac.uk This email should be used by staff and students in the Graduate School of Education.

Please note that applicants will be required to submit a new application if ethics approval has not been granted within 1 year of first submission.

CERTIFICATE OF ETHICAL APPROVAL

Academic Unit: Politics

Title of Project: The Domestic and International Relations of Nigeria's Ministry of Petroleum Resources, 1971-2015.

Project Contact Point: Ps442@exeter.ac.uk

Supervisor(s): Professor Doug Stokes and Dr Beverley Loke

This project has been approved for the period

From: 05/12/2018
To: 24/09/2020

Ethics Committee approval reference:

Signature:

Date: 11.01.2019



Matt Loble
Chair, SSIS College Ethics Committee