

**IMPACT OF FUEL PRICE INCREASE ON
CIVIL SERVANTS.**

**(A CASE STUDY OF MINISTRY OF
INFORMATION, YOUTH, SPORT AND
CULTURE, KANO STATE)**

BY

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CERTIFICATION/APPROVAL PAGE

This is to certify that the research work for this Thesis/Dissertation, “Impact of fuel price increase on civil servants (a case study of Ministry of Information, Kano State)” by Halima Yakubu Ali Bashir meets the regulations governing the award of Master of Science (M.Sc) degree in Political Science by the authority of Bayero University, Kano and has been approved by the authorities.

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I hereby declare that this work is the product of my own research effort undertaken under the supervision of Prof. Mahmoud M. Lawan and has not been presented and elsewhere for the award of degree or certificate. All sources have been duly acknowledged.

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DEDICATION

This work is dedicated to almighty Allah subhanahu wa ta'ala for his infinite mercies, guidance and protection all through.

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All praises be to Allah the almighty, the Living, the Eternal, the one who begets not, nor was He begotten, and there is no comparable to him. Thank You Allah for everything. All My benedictions goes to Prophet Muhammad Sallallahu alaihi wa sallam, the seal of Prophethood.

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ABSTRACT

Nigeria is blessed with abundant crude oil which has become a major source of revenue. Oil is an important resource globally and because of its strategic importance, the government complies with the International Capital Market to regulate oil prices and to adjust to the rise of oil in the international market. The study examines the factors and the actors behind oil subsidy removal. The study seeks to unveil the major actors and to assess the key factors that motivated the Nigerian government on fuel subsidy removal and to ascertain the impacts on civil servants. The study employs two sources of data collection which are; the primary and secondary sources of data. The study covers the subject matter of fuel subsidy removal from 1999 to 2012. But emphasis is made on the subsidy removal of January 2012 with a focus on civil servants under the state government. Neo liberalism is a resurgence of ideas associated with economic liberalization, free trade and reductions in government spending in order to enhance private sector performance. It is found out that subsidy removal has inflated the cost of transportation and a large portion of incomes goes to transport fares. The Nigerian economy has deteriorated which brings a lot of hardships to the majority. The study concludes that fuel subsidy is a global issue and many countries are up to reforming or eliminating them because they are unsustainable due to fall in oil revenue. The study recommends that there should be policies by the government to raise standard of living by means of welfare packages so that impact of neo liberal agenda would be less felt.

CHAPTER ONE

1.0 GENERAL INTRODUCTION

Nigeria is blessed with abundant crude oil which has become a major source of revenue for the government. The study examines fuel price increase and how it affects civil servants. Oil has become an important resource globally and Nigeria being one of the largest oil producing countries in the world obtains more than 70% of its revenue from that sector. Corroborating the above, Ezirim et al (2010) cited in Akinyemi et al,(2012), asserted that; oil accounted for more than 90 percent of the exports in Nigeria and contributed about 40 percent of its Gross Domestic Product (GDP) and 95 percent of its foreign exchange earnings and 70 percent of government revenues. Oil is a highly strategic commodity to Nigeria, and due to its importance, government complied with the International Capital Market to regulate oil prices and to adjust to the rise of oil prices in the international market.

The protagonist of deregulation posits that the liberalization and deregulation of the oil sector will in the long run bring an end to fuel scarcity and sustain fuel supply across the nation, open up foreign investment and expose smuggling and inefficiencies in the sector. They also believe that Nigerian petroleum products are among the lowest (in terms of price) in the world, therefore, deregulation will allow government to earn more in order to channel funds to other sectors of the economy. Oil Subsidy removal will also break the monopoly of subsidy enjoyed by marketers. According to Olawaiye, (2014:5), the government of Nigeria argued that subsidy on fuel have caused a great loss of revenue coupled with the fact that importers of petroleum products were creating artificial fuel shortages to blackmail the government which will yield them a supernormal profit especially during festive periods. Fuel subsidy the government believes is an unnecessary waste which had been found out that it stimulates fuel adulteration and smuggling.

The origin of deregulation could be traced to numerous economic problems faced by the third world countries especially in the 70s. In 1973, there was indigenization decree which ensured that all privately controlled international corporations were converted into the ownership of the state. The oil boom of the 1970s and 1980s under successive military regimes at that time witnessed a massive oil windfall which paved the way for a developing public enterprises such as; manufacturing, agriculture, services, public utilities and infrastructure which includes telecommunication, power, steel, petrochemicals, fertilizer, vehicle assembly, banks and hotels.(Jerome in Kalejaiye, 2003:3). Nigeria then had about 500 public enterprises which were among the largest in sub Saharan Africa funded by oil revenue, (Kalejaiye et al, 2013:3). These enterprises were gradually performing very poorly every year.

The issue of fuel subsidy removal in Nigeria dates back to 1978 when the military government of General Olusegun Obasanjo increased pump price from 8.4 kobo to 15.37 kobo. Then in 1982, the civilian government of Alhaji Shehu Shagari also increased the pump price of oil to 20 kobo from 15.37 kobo (Ering and Akpan 2012:2). Subsequent fuel price increases followed during the military junta of General Ibrahim Badamasi Babangida who increased the fuel price three times from 39.50 kobo to 70 kobo between 1986 and 1993. Then the transitional government of Ernest Shonekan which increased the fuel price to 5.00 Naira but was reduced to 3.25 Naira. The military junta of General Sani Abacha made another increase to 15.00 Naira which was reduced to 11.00 Naira in 1994. General Abdussalami Abubakar also increased it to 25 Naira in 1998 but again reduced it to 20 Naira a month later. It is interesting to know that all the reductions made at different times were as a result of mass protests. Olusegun Obasanjo as a civilian President who again made another increase in 2000 which raised the price to 30 Naira and reduced it after a week to 25 and later adjusted to 22 Naira and from then made the increase three times up to 75 Naira within 7 years. President Umaru Musa ‘Yar adua reviewed the price back

to 65 Naira in 2007. According to Olaiwaiye (2014:3), the Yar'adua government did not increase the price of petrol on grounds of compassion for Nigerians. In 2012, President Goodluck Jonathan decided to remove the subsidy completely making the fuel price rise from 65 Naira to 145 Naira per liter which is reduced to 97 Naira per liter in response to public resistance. The 2012 fuel price increases is the focus of this study and civil servants are the key components. The labour unions stated their reasons for the protest that fuel price increase has made them lost their purchasing power because their wages and salaries were not increased and they would eventually witness increases in transportation, education and whole cost of living which means paying more for items and services without financial empowerment. (Zaccheus,2012:17)

1.1 STATEMENT OF RESEARCH PROBLEM

This study focuses on fuel subsidy removal and its impact on civil servants. The Nigerian economy has been driven by the doctrine of free market system, with constant inflation and concentration of wealth in the hands of a few, resulting in inequality and a wide gap between the rich and the poor. The Nigerian economy is deteriorating due to the fall of oil prices in the international market and the country cannot continue to fund the Parastatals in the oil sector which resulted in inefficiency. Consequently, coupled with pressures for free market reforms from international lending organizations (IMF, World Bank) gave the way for economic policies of privatization and deregulation. Subsequently, an 11 person technical committee on privatization and commercialization (TCPC) was inaugurated in 1988. It was pointed out that the International Monetary Fund and International Bank of Reconstruction and Development (World Bank) had earlier recommended privatization for Structural adjustment Programme in order to ensure the economic reconstruction, social justice and self-reliance by altering and re – alignment of the total domestic expenditure and production which will restore the economy back to being steady. They strongly recommend privatization in order to ensure

competition “Through liberalization and deregulation”. The fuel price increase has a lot of implications on the civil servants being the subject matter of the study are affected in their day to day activities such as transportation, education of children, feeding, rent among others.(Kalejaiye, et al 2013:3). In view of the above, this study intends to examine the impact of fuel price increase on civil servants of Kano State ministry of information, and intends to answer the following questions:

- i. What were the factors behind fuel subsidy removal?
- ii. Who are the actors benefitting from oil subsidy?
- iii. To what extent can fuel subsidy removal affect the civil servants of Kano State Ministry of Information?

1.2 OBJECTIVES OF THE STUDY.

The objectives of the research are;

- i. To identify the major actors and asses the key factors that led to the fuel price increase in Nigeria.
- ii. To find out the roles played by agencies of global governance (Bretton Woods Institutions) such as IMF and World Bank on fuel price increase or fuel subsidy removal.
- iii. To ascertain the impacts of fuel price increase on civil servants in Kano especially on the staff of Ministry of Information.

1.3 JUSTIFICATION OF THE STUDY

The research on this topic is necessitated following the outbreak of civil unrest by the organized labour unions in 2012. There are quite number of literature on fuel price increase by scholars where most of the scholars have focused on general issues like strikes and demonstrations by organized labour and civil society. Others gave priority to oil production and mode of distribution. Some concentrated on comparative analyses of Nigeria and other oil producing states, others focused on policies of oil and donor organizations. This study could lead

to not only improving the analysis on the impact of fuel price increase but also to proffer suggestions on how the government should cushion the situation and how the civil servants would accommodate the challenges of fuel price increase.

1.4 SCOPE AND LIMITATION OF THE STUDY

The study covers the subject matter of fuel subsidy removal from 1999 to 2012. This was the time when the then president Olusegun Obasanjo increased fuel price. However, emphases shall be made on the subsidy removal of January, 2012. The study focuses on civil servants under the state government with a case study of Ministry of Information.

1.5 RESEARCH ASSUMPTIONS

- i. Fuel subsidy removal is as a result of IMF and World Bank debt conditions.
- ii. Civil servants' standard of living deteriorated by fuel price increase.
- iii. Fuel subsidy removal is a threat to the Nation's economy.

1.6 METHOD OF DATA COLLECTION

This study employs two sources of data collection. These sources are primary and secondary sources of data collection. The primary source used in this study is a survey research by means of questionnaire administration. The questionnaire comprises of demographic questions such as age of respondents, marital status, number of children and also questions on how fuel subsidy removal affects the civil servants such as transportation, feeding and educating their children and other dependants. The questionnaire was administered on the civil servants of Ministry of Information, Youth, Sport & Culture Kano state, being the case study of the research. Forty respondents were randomly selected and administered with the questionnaire due to resource constraints of the

researcher. The total population of the ministry is 236 civil servants, and constitutes the sampling frame. A representative sampling method which is a probability sampling is used in their selection where for every forty people there were 6 respondents as the sampling ratio. This is because the method provides for equal and fair chances of representation to each of the sampled groups.

For the secondary data, newspapers, textbooks, academic journals, government gazettes, conference and seminar papers and the internet were utilized.

1.7 CHAPTERIZATION

The study is organized in the following order. Chapter one, captured the General introduction, statement of the research problem, objectives of the study, justification of the study, scope and limitation, research assumptions, method of data collection and chapterization.

Chapter two is titled literature review and theoretical framework, and concentrates on reviewing the relevant materials related to the area of study.

Chapter three is on the historical background of the study area. It treats the discovery of crude oil in Nigeria, setting of the NNPC as the beginning of oil policy and the background to the case study, which is Ministry of Information, Kano.

Chapter four is designated for the presentation of data and analysis and contains the research findings. Chapter five which is the concluding chapter gives a summary, conclusion and made recommendations.

CHAPTER TWO

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.0 INTRODUCTION

This chapter is concerned with the literature review and the theoretical framework pertaining to this study. Under the literature review, the chapter looks at the conceptualization of deregulation and civil servants, the oil sector and the Nigerian economy, role of multinational corporations in the Nigerian oil sector. The theory used in this study is the neo liberal theory of economic development.

2.1 CONCEPTUALIZATION; DEREGULATION AND CIVIL SERVANTS

The concept of deregulation is perceived and defined by different authors in their own different ways. For Adegbemile, he conceptualizes deregulation “as an economic reform, a fiscal and monetary policy measures in order to enhance the competitiveness of economic actors.”(Adegbemile, 2007 in Kalejaiye *et al*, 2013:2).

Ajayi and Ekundayo, 2008; Ojo, 2010; sees it as the “simplification or dismantling of the legal governmental restrictions in the operation of market forces especially in relation to price fixing.”(Ajayi and Ekundayo, 2008; Ojo, 2010) in Kalejaiye *et al*. They see deregulation as a goal to tackle corruption, promote operational efficiency and effectiveness, create employment through the private sector expansion, to get rid of public debt and to control public spending, to enhance capital market and encourage privatization and share ownership in public enterprise. (Kalejaiye *et al* 2013:5). They stated the opinion of Oladapo Akinrele citing the telecommunication and broadcasting industry, that deregulation ushered Nigeria into the global system bringing a

change to business process, bridging gaps and bringing in “new class of entrepreneurs.”(Kalejaiye, 2013:5).

Although difficulties are being experienced in transportation and power industries, they recognized the oil sector as the most debated sector over deregulation. Deregulation may benefit Nigeria because if the four refineries are privatized, importation of petroleum products may be halted and that may result into having a number of suppliers in the oil market thereby likely to encourage competition and eventually petroleum products would be cheaply bought.(Kalejaiye et al,2013:6).

Godwin and Dagogo corroborates Ahmed, 1993 cited in (Dappa and Tamuno 1999:126) the latter opines that the deregulation of a country’s economy could be conceptualized as “privatization, divestiture and marketization of the economy.”(Dappa and Tamuno, 1999:126). This is to enable competition in the economy which allows for price mechanism of demand and supply, while the former is of the view that deregulation charges the private sector with the burden of being the “prime mover” of the economy which opposes the emphasis on the dominance of the public sector”.

Dappa and Tamuno conclude that deregulation is a policy masterminded by the International Monetary Fund (IMF) and the World Bank. They see a symbiotic relationship among capitalism, colonialism and imperialism as gateway to deregulation, being that colonialism is an extension of control of the super powers over weaker nations, so also capitalism is a weapon of colonialism which seeks market for finished goods of the super powers so as to maximize profits which makes them seek foreign lands in order to secure cheap labour and raw materials in order to accumulate more profit.

According to (Adebayo1981), “The task of a civil servant administrator is to assist in the formulation and execution of policies as directed by the Minister or Commissioner.”(Adebayo,1981:93). Civil servants are always expected to

constantly engage themselves in gathering facts that may lead to change in policy or decision making. Civil servants are guided by specific code of conducts which govern their work and official behaviors. They are assigned specific roles which they have to strictly abide and carry out loyally. According to (Onah 2005), civil servants are also entitled to permanency of employment, therefore they are not expected to be dismissed except on cases of gross misconduct. They are entitled to retirement benefits such as gratuity and pension. Civil servants are expected to be non partisan and non political.(Onah, 2005:64-65)

2.2 PRIVATIZATION AND DEREGULATION

The issue of increase in fuel price is a widely discussed subject matter among Nigerians. Right from the year 1978, there had been a constant fuel price hike in the country. This could be traced to a turning point in Nigeria's debt history in 1978. According to Ogwu and Alli,(2006), it was the time when "jumbo loan" of 1 billion US\$ dollar was contracted from International capital market which was not secured on concessionary or favourable terms like previous loans from bilateral and multi lateral sources.(Ogwu and Alli,2006:138). The trend of contracting jumbo loan continued between 1979 and 1986 which made the nation's external debt to grow in leaps and bounds, thus, Nigeria's external debt stock rose from \$5,091 billion US dollar in 1978 to \$23,403 billion US dollar by 1986. This was the time when debt burden and service payment crisis reached a very high level that it could not be restructured, and over 30 percent of total foreign exchange earning was needed to service debts. This compelled "Nigeria to initiate dialogues with its major creditors and also to succumb to IMF/World Bank prescribed structural adjustment programme(SAP)." (Ogwu and Alli,2006:139). Despite the adoption of SAP, the country's state of indebtedness continued growing, by 1990s, the debt had reached \$33 US billion dollar.

Aremu perceived that, the Bretton woods institutions instigated the adjustment program simply because they were worried that Nigeria would not be able to manage her debt crises. They introduced the adjustment programme with the major element of devaluation of national currency, privatization, removal of petroleum subsidy and price deregulation (2001:3) In addition, the IMF and World Bank being the advocates of these structural adjustment programme announced the termination of the programme yet the major elements of the policy were right there with their footprints in the society and have continued haunting Nigerian regimes since the time of General Babangida.

The government on the other hand, argued that there is the need to deregulate the petroleum sector. This argument “rested on the claim that Naira price at which NNPC sells crude Oil to the domestic refineries was below the world dollar price when converted at increasingly devalued exchange rate” (Aremu, 2001:3). Furthermore, the government is of the opinion that subsidy brings about inflation as well as high level of NNPC’s bankruptcy as claimed by Gaius Obaseki in (Aremu, 2006).

Another reason government gave for the increase in fuel price is to discourage smuggling of petroleum products into neighboring countries. It is also another way of generating revenue for developmental purposes. That the removal of subsidy would be used for developing the grassroots, rehabilitation, as well as job creation so as to eradicate poverty. Moreover, the Nigerian petroleum product is the cheapest in the world even though when compared, the price is in order and their population is relatively smaller. The increase in fuel price is believed, would bring a lasting solution to the fuel shortages. This is because the money will be used to maintain refineries.

However, labour contested these arguments blaming the government for subsidy removal, believing that nothing like subsidy exists and that the government chooses to shift the cost of refining on the masses which is higher

in Nigeria compared to other oil producing countries. For the NLC, fuel price should be determined by “cost of production, local industries requirements as well as how they helped in ensuring mobility of human resources.” (Aremu, 2001:43). The **NLC** argued that smuggling should be checked by proper border policing and not by increase in fuel price. That it is the sole responsibility of the customs and immigration to put a stop to all sorts of smuggling. They further agreed that the government is just after satisfying the condition of IMF and World Bank. it will also reverse the worsening of unemployment situation as well as the crises of production. The labour further agreed that higher prices will not in any way enhance efficiency in the consumption of petroleum products rather it will lead to more disastrous happenings such as deforestation and desert encroachment. This is because people will resort to using fire wood as fuel for cooking. Moreover, it will cause extra burden on consumers due to the fact that industries will resort to buying diesel at a higher price and so the end product will be very prohibitive.

Price deregulation is caused by the cartels in the Nigerian petroleum industry, these cartel dictate fuel pricing with the aim of maximizing profit and exploiting the people.(Aremu, 2001).

The labour had tirelessly fought any form of fuel increase in all administrations. For instance in 2000, Obasanjo’s first budget proposal stated that there was going to be a kind of deregulation of petroleum prices. The NLC rejected it declaring that it is a “budget for the IMF, big business and dubious victory for powerful oil cartels and basically anti people”. (Aremu, 2001:55) the labour union got support from the people, the Lagos State house of assembly and the senate. “The Senate local and foreign Debts committee chairman Alhaji Idris Abubakar corroborated Senate President, Dr. Chuba Okadigbo, the former seeing it as “an unwanted policy” imposing hardships on Nigerians that should be resisted while the latter attributed it to undue pressure from IMF/ World Bank. He said that senate would not support any form of

interference on the economy of Nigeria by the IMF which he believes played a role in bastardizing Nigerian economy, (Aremu, 2001:55-56).

As stated by Fawehimini (2002) the other hand, NNPC denied the fact that government was trying to increase fuel price as was rumored in 2000, warning the independent marketers not to increase their prices. The government however, proclaimed that fuel increase is for the good of the economy and not to torment the people and that it will help to end the irregularities in the oil sector (Rasheed Gbadamosi in Fawehimini, 2002:26-27), stated that the reasons for fuel price increase are not far from the fact that there is going to be a renovation of depots as well as construction of new ones, that there is going to be employment opportunity as there is a prospect for more investment.

Absence of monopoly in the sector will occur, thereby bringing in competition and efficiency. Proper oil supply will become the end result of expected massive importation which will tame fuel scarcity. Cross border trade and foreign exchange will witness lots of improvement, the tendency for private refineries that are export oriented will be high which may aid poverty alleviation.

Furthermore, (Fawehimini, 2002:59) made a comparative analysis of Nigeria, Japan and Germany which are non-oil producing countries yet price of oil had never risen above one dollar per liter and they have price stability. Despite the fact that Nigeria is an oil producing nation, making a production average of more than 2 (two) million barrels per day and only 10% of what we produce per day is used for refined petrol and other products which we consume in our country. What an irony of economic life

Fawehimini wonders why Nigerians should continue to languish in abject poverty when about two million barrels of crude oil is being produced on daily basis. Nigeria had witnessed only twelve years of fuel price stability at N84/5 per liter which was shattered in 1978 by the Obasanjo military Junta in which

the price was doubled and petrol sold at 15¼ per liter and here we are in 2014 where the fuel per liter is N97.

Another issue is that while revenue in Nigeria is constantly rising yet value of currency is terribly depreciating, whereas, the official minimum wage is very low. Fawehemini analyzed the minimum wage, the fuel price increase and the value of currency comparatively as it is clear that the minimum wage has only increased nominally by 9,666.67% between 1974 and December 2001 whereas the Percentage depreciation of our currency between 1974 and 2002 at the parallel market rate is 22, 809%. The percentage increase in price of petrol per liter from 1974 to date, January 2002 is 29.445%. The minimum wage increase is still at the lowest rung of the ladder with a percentage increase of only 9,666.67% (2002:73).

He reiterated that, the government is not interested in alleviating the suffering of Nigerians especially wage earners because they make sure that “ the combined effect of high price of petrol and cascading depreciation weighs heavily on cost of living” (2002 :74).

In the opinion of Moyo and Songwe, the decision of fuel subsidy removal is a good move despite all the unrest it is causing. Nigeria, they stated, is making loss due to market instability and that the funds could be used for more great programmes if well utilized. Despite the large oil reserves of Nigeria, being one of the largest oil producing countries in the world is not resulting in significant programmes for the citizens. Instead, they are continuously being impoverished due to improper utilization of funds. They maintained that, in the wake of the global financial crises and increase foreign debt risk, financing for development is drying up and developing countries must now look inward to finance their growth and development needs. (Moyo and Songwe, 2012).

They lamented that the government is spending 30% of its expenditure on fuel subsidy with the increased population which increases fuel consumption. The

government is not making any profit but rather producing at a loss. The subsidy on fuel has overshadowed other important sectors such as health and education. There is an increase in infant mortality rate. For about 1000 live births, 90.4% die due to lack of good roads and other infrastructural facilities which could be solved with the subsidy money. They also agreed that due to the artificial money invested in the oil sector, there have been low private investment in the sector. This is because about 20 licenses of refineries were given, yet not even one is built. They maintained that the rich benefit the most from the subsidy to the detriment of the poor who mainly rely on public transport.

However, they agreed that the government have not planned well before removing the subsidy coupled with lack of enlightenment for the citizens before the implementation of the policy. (Moyo and Songwe, 2012:13).

For Idowu, she sees the policy as the only therapy to soothe the ailing Nigerian economy, and that by deregulating the oil sector will solve issues such as unemployment, lack of infrastructure, devaluation of the Naira and other problems of the Nigerian economy. She is optimistic that there would be efficiency in the sector just as in the telecommunications which brought about lots of business opportunities. The problem of Nigerian economy and growth of industries will continue to prevail if not quickly tackled, which is the removal of the fuel subsidy.(Idowu, 2011).

Enakoko, stressed that the Jonathan Administration does not want to tell the truth of what is really happening in the oil sector.

...899,403,074 barrels {2.46 million barrels per day (bpd) of crude oil was lifted in year 2010. Out of this, the Joint Venture Companies (JVC), and the indigenous Oil Firms lifted 510, 616,311 575% or 1.399 million bpd) while the NNPC lifted 388,786,763 barrels (43%) averaging 1.07 million bpd. Of the total quantity lifted by NNPC, export for the Federation Account was 257,333,705 barrels. If we are to multiply this quantity with the US\$90 per barrel

projected by Jonathan Administration in its so-called subsidy Reinvestment and Empowerment Programme (SURE) Policy document, it will amount to US\$23.2 billion or N3.4trillion. The remaining 131,453,058 barrels (360,145bpd), lifted by the NNPC was earmarked for domestic refining, but only 34,700,973 barrels (95,071bpd) was supplied to the 4 Refineries. (Enakoko, 2012).

Enakoko maintained that it is not all the barrels allocated to local refineries that reach them but the remaining are being exported. Nigeria cannot give account of how crude oil is being subsidized to the Organization of Petroleum Exporting Countries (OPEC). Although Nigeria is the sixth largest exporter among the OPEC and the twelfth largest in the whole world with four refineries, yet have the lowest standard of living with fuel price rising astronomically, resulting to the removal of the subsidy on fuel price entirely while other member countries with infrastructural facilities subsidizes highly and maintains low prices.

Although Malaysia have waived its fuel by 40% in 2008, yet made an annual cash rebate to its citizens and made it in a way that only Malaysians enjoys the subsidy on petrol while selling at market price on its borders to neighboring countries while enjoying good power supply, infrastructure and transportation system. Indonesia as well, the 21st largest producer of crude oil with 10 functional refineries, enjoy a government subsidy on petroleum products most especially the poor masses excluding private car owners in the subsidy who are believed to be wealthy. (Enakoko, 2012:4).

The administration of President Goodluck Jonathan tried to convince Nigerians that they have never enjoyed any subsidy on fuel and promised that the price of petroleum products will fall when deregulated. But we can evidently see that diesel had been deregulated about five years back yet the price keep inflating leading to closure of industries. As claimed by President Jonathan, if the sector

is not deregulated the entire economy of Nigeria will collapse in five years to come and Nigeria will be worse off than Greece.

Nigerian economy is driven by corruption and mismanagement of the whole system. It is believed that;

When a Nigerian pays for imported fuel rather than locally refined fuel, he is subsidizing the incompetence of the government. When a Nigerian has to buy a generator, petrol and diesel because of lack of power supply, he is subsidizing incompetence of the government, when a Nigerian has to maintain 3 phone lines or 3 different internet subscriptions because of poor phone quality and crippled band width, he is subsidizing the poor regulation by government. When a Nigerian pays to secure his life and property, he is subsidizing the inability of government to protect him. We also subsidize the government when we visit roadside mechanic more often than usual or sometimes with our own lives due to bad roads. (Enakoko, 2012:6-7)

Onifade and Ojukwu opined that fuel scarcity have become a feature in the Nigerian crisis situation causing lots of questions and consequently loss of precious time, high cost of living, transport fares and inflation of foodstuffs. The situation is further worsening by the day. They attributed these with bad governance and state failure. Structural Adjustment Programme by Babangida government in 1986 is as a result of bad governance which goes a long way in contributing to the high rate of corruption, making the state a platform for accumulation of wealth by the ruling class. This explains the reason why oil cartels liaise with the federal government to frustrate Nigerian citizens in the guise of deregulation of the oil sector (2011:66). As a result of bad governance, deregulation and privatization were introduced in the absence of enabling environment paving way only for the ruling class to become stronger to the detriment of other citizens of Nigeria.

For Adelabu, the importation of petroleum products which is increasing so rapidly, while the refineries of the country are malfunctioning and is causing the country an economic crisis threatening its balance of payment and expenditure. Nevertheless, Nigeria derives an average of 95 percent of its external earnings from petroleum products (2012:193). Furthermore, Adelabu sees the government as justifying a pro-capitalist measure which has favored only the fraudulent government officials through subsidy and fuel hikes.

Adeyemo cited in Aluko says that most of the private sector makes their profit by fraudulent means such as inflating contracts. The ruling class also derives their status from the state resources using all available means to secure and preserve power. Olukoshi in Olaniyan and Nwoke also argued that:

The position that drives towards privatization is little more than an attempt by members of the domestic bourgeoisie of the country to partake in the process of re composition of capital which the on-going accumulation has unleashed in Nigeria. (Olukoshi in Olaniyan and Nwoke,1990:103).

Also, (Yahya in Olukoshi eds, 1993:26), argued that privatization whatsoever is not justified. As he said, “the in-occurrence of financial losses cannot be itself providing a wholesale justification for privatization.

Furthermore, he opined that these firms to be privatized are not operating at a loss altogether but have made and are making reasonable profits and had been contributing to the generation of funds as well as dividends. He gave the example of the Nigerian flour mills which earns the profit of 12.6 million in 1979 and N13.2 million on a turnover of N14.7 million the following year, gaining a sixth position out of 52 major manufacturers in the country, and it was among the organization for full privatization despite the profit it continued making.

Bangura and Beckman in Olukoshi (1993:76) argued that oil subsidy in Nigeria just as the case of wheat, maize and rice in Egypt, Zambia and Sierra Leone respectively is a policy of a structural adjustment by the International Monetary Fund (IMF) and World Bank, requiring that all subsidies on consumer goods must be removed by governments. This caused wage freezing and low incomes, this causes a lot of hardships on people and a continuous devaluation of our currency in relation to the US dollar. This made the civil servants to go on protest despite the government sponsored adverts on the removal of subsidy. The Nigerian Labour Congress being the central umbrella of civil servants was at the front of these protests.

According to Akpanuko and Ayandele (2012), there are two forms of subsidy on energy; those designed to reduce the cost of consuming fossil fuel and those aimed at supporting domestic fossil fuel production. The producer subsidy which lowers the fuel prices having no direct impact on the consumer subsidy are intended to keep fuel prices low in order to trigger some sectors of the economy or alleviate poverty by making the population have access to energy. These could be in form of price control. For them, no subsidy on fuel ever existed and if there is any, the beneficiaries are the famous oil cabals and not Nigerians. The payment of subsidy is only a benefit to the profits of oil importers. They argued that if subsidy existed, Nigerians would not be paying the amount of fuel price we are paying now but would be paying much less. They concluded that, the fuel subsidy removal have no benefit but shifting of burden of fraud from the government to the general public making the economy worst and will bring about the increase in poverty.

Wolfe on the other hand argued that privatization is a promising idea “to free economic decision from the direct control of political bureaucratic and administrative forces” (1993:60). He further argued that by means of privatization, freedom and democracy are better practiced where an individual

have the capability to think for himself and create better ways to earn reward for his ability.

Heald and Steel cited in Wolfe argued for privatization, stating that freedom is increased because privatization reveals its link with free market thereby breaking market monopoly. Furthermore, they said there are more efficacies in privatization which frees the government from the grip of labour union and other complaint of wage increment at will. Another argument is that deregulation prevents passing of burden of wage increase on consumers and public sector borrowing will be reduced to the barest minimum. Hutcheson cited in Wolfe is also for privatization arguing that it is a way by which the state resources will be stopped from being drained. For him;

Privatization is recognition that when resources are scarce, as they always are, it is better for government to concentrate on doing those things that only the government can do-providing an effective judicial system; maintaining law, order and national security; promoting public health; supporting primary and secondary education; building rural roads and keeping the streets repaired. Private enterprise can generate and distribute electric power, provide telephone service, refine petroleum, produce steel, operate ports, build and maintain toll roads etc. (1996:12)

The first attempt at privatizing state enterprises and parastatals was in 1981 during the regime of President of Shahu Shagari. A committee was appointed to look at the issue of privatizing state parastatals and they came up with the report in October same year. This issue arises because the state oil profit was declining from its boom in 1980. There was an absolute decline in country's economy most especially in the production of crude oil from 1982. The government in its attempt to find a solution to the economic crisis introduced economic stabilization program which failed and eventually the government had to resolve to seeking loan from IMF which came with conditionalities including a "curb on government spending, privatization and

commercialization of parastatals, rationalization of tariffs and structures which would involve considerable trade liberalization”. (Yahaya,1993:19-18)

The oil sector found itself on the verge of full privatization and deregulation as far as 2000 which generated lots of debate between the government and the organized labour.(Adelabu, 2012:193), with the debt burden of Nigeria which had been earlier discussed, the government see no other alternative than to discontinue the subsidy in pump price of gas which was bought at exorbitant prices only to be sold at half the price. The government went further in 2006 to privatize and deregulate the downstream sector of the oil industry (Ibanga,2011). There are three camps regarding Deregulation. Some believe that it should be implemented in phases while others believe that it must not be deregulated in all respects, among these include the Nigeria Labour Congress. The third camp believes that deregulation and privatization should be implemented with immediate effect so as to ensure the continuity of the oil sector.

For Adelabu, It is obvious that government have been subsidizing fuel for many years but unfortunately, others have misused the gesture in order to enrich themselves. (Adelabu, 2012:19).

According to Iheme,

In a broad sense, privatization refers to any of a variety of measures adopted by government to expose a public enterprise to competition or to bring in private ownership or control or management. However in a strict sense, privatization means the transfer of ownership and all the incidence of ownership including management of a public enterprise to private investors (Iheme,1997:60).

The labour force stand on their ground that deregulation will affect employment adversely because, the Nigerian oil market is dominated by cartels

who determine and change the prices at their own will and deregulation cannot work where cartels dominate the society.

Nwafor et al, (2006) categorized subsidy in Nigeria as two types: Explicit and Implicit. Defining the explicit subsidy as the difference between costs of production and selling price while implicit subsidy is the type observed as a result of exploitation of wasting assets such as crude oil. It is the difference between opportunity cost of a wasting asset and the present selling price. Furthermore, they see the impact of petroleum products in poverty as having three major channels:

1. Having impacts on firms
2. Impacts on on and off distribution and transportation system
3. Impacts on government income and expenditure.

These three channels go down to affect households and the direct impact would be increased in price of goods which will in the long run affect the welfare of the household (Nwafor,2006:14). This is because labor income has changed due to the income of firms and parastatals. (Ovaga,2012), see subsidy as a device employed by government to assist either the consumer or producer to consume or produce certain commodities at prices below the prevailing market price. According to him, it is an incentive given to either side (consumers or producers) to consume or produce more of the goods and services (Ovaga, 2012:18).

Ovaga highlighted that Nigeria has the highest pump price of petrol per liter among the OPEC member countries which the opponents of subsidy removal see as there is nothing like subsidy in the petroleum sector in Nigeria.

They rather see it as “the difference between price of imported fuel in Nigeria and what the final consumers pay for same” (Ovaga,2012:25) He also see the cabals as responsible for the malfunctioning of the refineries which allow them

to sell crude oil and import finished products which they sell at a price determined by them. This is to say that they monopolize the oil industry. These cabals are not after the interest of Nigerians but rather are only after enriching themselves. According to center for public policy alternatives, “a subsidy is a reverse tax”. It is a deliberate attempt by government to support a chosen economic agent, a consumer and a provider which can be applied in any market that involves the buying and selling of products as such:

The event of market failure here, subsidy is necessary so as to stimulate demand and supply for goods. Another reason is that there is a “clamour for a greener cleaner and sustainable environment”. This is to say that the burning of fossil fuel is being discouraged and the encouragement to use a cleaner fuel. (CPPA desktop study, 2013:48).

However, there is an argument for the removal of subsidy. They argued that if price is relatively cheaper, there would be extravagance in buying of such goods and that the targeted beneficiaries of the subsidy will be better served if the subsidy is removed (CPPA desktop study, 2013:49)

In the case of the existence of a somewhat permanent producer subsidy, the producer develops an unfair advantage relative to other competitors. The implicit costs of production that has been somewhat subsidized and by that do not reflect the real price of production. if on the other hand there is a consumer subsidy, there is a possibility that target beneficiaries will not fully benefit from planned support subsidies such as fossil fuel subsidies that adopt a consumer focused subsidy in the form of price controls as is the case in Nigeria-are believed to result in the following

Inefficient markets, Fiscal pressures on the governments purse and on the foreign trade balance Environmental degradation. (CPPA Desktop study, 2013:49)

The study suggests that there would be a high level of distress of living standard as a result of subsidy removal and the urban population are the ones to feel more of the impact because of the high level of fuel consumption most especially the working class communities. There will be a fall in the standard of living as it affects their incomes. Household budgets have to be weighed in order of priority such as “fuel consumption/transport costs, feeding allowance, education allowance, saving investment opportunities until some adjustments have been made to the wage levels (CPPA Desktop Study, 2013:53)

The study recommends that implementation strategies should be employed so that ways to see to the social welfare of the stakeholders in the industry are also taken care of. Further recommendations made are:

1. Setting up of fund from the withdrawn subsidy to be managed by a committee of highly respected Nigerians.
2. Infrastructural and social services projects involving road constructions, major public maintenance work, and improving on the progress made in power generation and distribution through additional investment.
3. Facilitation of a comprehensive mass transportation system, schemes for skilled and unskilled youths. Social programs targeted at pregnant women, children and the elderly.
4. Public private partnership to establish refineries and increase domestic fuel production and supply. (CPPA Desktop research (2013:55)

Despite all the above suggestions, government is yet to present a detailed plan with specific projects that will cushion the initial shocks to the economy and difficulties that may be suffered by the poor and the vulnerable groups in the society. The withdrawal of subsidy there is no gain saying, affects the poor in the society and will result in inflation as food, transportation and other living

expenses will rise which directly affects the earnings of Nigerians and the benefits expected from the low income earners especially the newly employed are going to be eroded.

Although there were protests by the citizenry, the government still argues that what will be realized of the subsidy removal would be channeled towards other sectors so that the effect of the subsidy removal will be alleviated.

Agbedo and Akan (2011), see the government as coercing Nigerians to accept the subsidy removal. The federal government argues that it is necessary to phase out fuel subsidy beginning from 2012 fiscal year because it is the only way of harnessing revenue for projects. And that it's the only way of regulating the industry and that the subsidy paid on the petroleum products have created a short in government spending to provide adequate infrastructure. There is also inefficient utilization of the products and the smuggling of fuel across borders complied with the facts that consumers of kerosene do not buy it at the regulated price due to bottle necks and corrupt practices.

There is also the problem of unhealthy competition. Furthermore, the government see subsidy removal as a long term goal because the refineries are over aged, so by removing subsidy, the industry will open up to investors who will in turn establish refineries which will enable them to meet 40% of fuel needs 30 million liters. Another points made by the president is that if subsidy is not withdrawn, Nigeria will be importing fuel from major neighboring countries such as Ghana and Cameroon, in the next 10 to 15 years. (Agbedo and Akan, 2011:5-6).Widodo et al (2012), opines that fuel subsidy is a poor policy of the Indonesian government which is used to transfer funds to targeted households or industries. Though they believe that elimination of fuel subsidy will bring about economic pressure as price levels will increase but will improve government budget and will result in variety of fiscal qualities (Widodo et al, 2012:174-176).

Beaton and Lontoh (2012) in Widodo et al narrated that as there was fiscal pressure in Indonesia, government solicited for foreign aid and “liberalized capital flow by offering investors generous incentives on investments packages in foreign investments acts in 1967” (2012 : 179).

Bacon and Kajima (2006) in Widodo et al, ellaborates that while the poor benefit from subsidy removal, on the other hand, it is detrimental to the government and society at large. They suggested that the government should emerge with policies that will assist the poor. They listed four limitations of removing the subsidy such as price hike, hampered speculation, hoarding and political turmoil.

Ering and Akpan examined two different views regarding fuel subsidy removal, with the protagonists arguing that subsidy removal is the right thing as it will tackle corruption and excess profit by unpatriotic cabal. It will help the problem of borrowing so the money realized will be ploughed back into job creation, power, transportation and other infrastructural facilities. (Ering and Akpan,2012:4).They also argued that it will build foreign reserves so as to position the Nigerian economy and enhance its growth. The Antagonistic on the other hand argued that the amount which will be generated from the subsidy removal and the one to be shared among the three tiers of government is not certain because it has not been worked out. For them the removal of subsidy will lead to a hike in pump price and will affect transport fare in the long run. Other daily needs such as food items will witness inflation as a result of the subsidy removal, school fees has also increased which led most parents to withdraw their wards from school. House rent across the country is not an exception because as landlords complain, prices of building materials such as cement, roofing sheets, iron rods, flooring materials and blocks have also inflated. (Ering and Akpan,2012:4).

They also argued that subsidy removal could result to psychological problems such as depression and suicide. In Nigeria, there is the problem of unstable infrastructural facilities. Moreover, the minimum wage of 18,000 Naira which defines purchasing power and still have not been implemented in many states. They also ascertain that subsidy removal could also result in broken homes and increase in the number of divorce because people cannot fend for themselves and their families. And it could also lead to rebellion against the government which may consequently result in anarchy. It was feared that Nigeria could borrow form “Arab Spring” into “Nigerian Spring” (Ering and Akpan, 2012:4–5). According to(Akinyemi et al, 2012:2). “Abundance of energy in oil producing countries makes energy subsidy a means for redistribution of wealth”. Stating that petroleum subsidies were introduced in 1960s so as to enhance social welfare and to assist the poor to benefit from the country’s endowed resources.

Furthermore, since the inception of petroleum products pricing regulatory agency (PPPRA), they had been calculating the amount of subsidies being paid to importers which represents the difference that government pays between domestic fuel pump price and international fuel price after calculating landing cost, distribution cost and others. (Akinyemi et al,2012:2).

Some objectives of fuel subsidy removal are being stated which varies from economic objective that see subsidy removal as a way of strengthening industrial growth and the expansion of energy access for poor households and also distribution of oil rents in countries endowed with petroleum resources. However, Akinyemi et al observed that energy subsidies have its negative effects on the economy. They see it as wasteful and inefficient, frustrating efforts to tackle climate change, distorting the market, encouraging smuggling activities, serving as obstacle to investment plan in the oil sector and enhancement of corrupt practices (Akinyemi et al, 2012:2).

The issue of fuel subsidy removal is a global issue and as a result of the above objectives which seem unachievable, there is a global effort to eliminate or reform subsidies on fuel. This is because they are unsustainable; therefore, different countries have begun conscious efforts at reforming fuel subsidies. Fuel subsidy argument itself originates from decline in oil revenue for many oil producing nations due to fall in international price and an increase in refined fuel.(Akinyemi et al, 2012:2)

Akinyemi et al observed that there are three impacts of fuel subsidy reform namely; economic, social (welfare) and environmental implications. The economic impact revolves around cost considering the fiscal burden of large and increasing subsidy payments on the economy. “There is evidence suggesting that about us \$ 750 billions of public funds are being spent every year to support the consumption and production of fossil fuels” (IEA,OPEC,OECD, world bank joint report 2010). These funds are being delivered from other sectors such as health, education and infrastructure. The social impact view the implications of subsidy reform on the level of income of poor households because the subsidy itself is targeted at protecting them from international oil price shock.

For the environmental impact, they suggest that subsidy leads to deterioration of environmental quality leading to gas emissions from green houses which in turn affects climate change and global warming. As a result of subsidizing fuel which makes it cheaper and when it is being consumed more often, emissions from the fuel will deteriorate the environment. Akinyemi et al cited (Jones 2011) asserting that a conservative estimate of US \$ 550 billion investment into subsidy in developing countries raised the percentage of global green house gas (GHG) emission by 5 – 10 percent. (Akinyemi et al, 2012:3). Fuel subsidy is used in both developed and developing countries to enhance the level of production of goods and services by minimizing the cost of production and in certain cases to lighten the burden of rising prices on consumers. Theoretically,

they added, it is believed that rationalizing fuel subsidies could remove market distortions, improve efficiency in the oil market and will bring relief to the government from its financial problems. According to them, “Nigeria found it necessary to embark on subsidy reform in order for the country to overcome its fiscal challenges and substantiate its support for environmental policies”.

(Umar and Umar, 2013:11) stated two opposing views on fuel subsidy removal, the proponents and the opponents of fuel subsidy removal. The proponents of subsidy removal argued based on efficiency and that fuel subsidy reduction will remove market distortions which will give the avenue for price signal to be the only basis for consumption and investment. Furthermore, they see the subsidy removal as a stepping stone to tackle the endemic problem of corruption in the Nigerian oil sector.

The opponents of fuel subsidy removal on the other hand argue on the basis of equity.

That the fuel subsidy removal may adversely affect the lower income groups. Umar and Umar focused their study on economic arguments for removal of fuel subsidy. They pointed out those scholars that argued on the inefficiency of fuel subsidy that it hampers economic growth and therefore should be wiped out completely (Beers and Moore 2001) in (Umar and Umar 2013:24) reported,

An increase in global welfare of \$ 35 billion if consumer subsidies in non OECD countries are removed. Real income for the world as a whole would increase by 0.7% annually while the terms of trade would improve by 0.5 per year. Furthermore, in most countries where energy Price reform had taken place such as Colombia, Ghana, Indonesia, Turkey and Zimbabwe, GDP growth has been higher than before the reform. (Beers and Moore 2001 in Umar and Umar 2013).

Terkimbi (2015) corroborated Umar and Umar (2012) asserting that a number of developing countries have also engaged themselves in fuel subsidy reforms

policies. He made mention of countries like Argentina, France Brazil, China, Ghana, Senegal, Canada and India. However, in terms of acceptance and the success of subsidy reform the above mentioned countries differ from Nigeria. (Terkimbi, 2015:339).

“In Ghana, attempts at reforming fuel subsidy began in 2001 in a collaborative effort with the IMF, as part of the latter’s Poverty Reduction and Growth Facility Programme. In February 2001, the Ghanaian government in a bid to deregulate the sector raised fuel prices by 91 percent and also introduced an automatic price setting mechanism by June the same year. (CPPA, desktop study,2012).

Ghana’s motive behind fuel subsidy reform was to help revive the state owned Tema oil refinery and to pay its debts. Ghana’s oil price reform was successful because measures were taken by the government before the removal of subsidy in 2001. (Terkimbi, 2015:339). The oil price reform did not witness much opposition from the Ghanaian people because research was conducted to identify those most likely to be impacted by the reform and there was adequate information and communication so that the reform gets a popular support. There were also established semi independent and transparent institutions to manage fuel pricing and to see that domestic prices had a link with international prices and the policies were implemented to minimize negative impacts on the poor households.

Terkimbi identified six approaches to fuel subsidy removal as stated by the international institute for sustainable development (IISD), these approaches are; research, establishing reform objectives, building a coherent reform strategy, implementation, clear frames of progress and monitoring and evaluation. These logical steps were meant to be followed before embarking on subsidy removal. (Terkimbi 2015:399).

In the case of Senegal, environmental factors triggered the removal of import duties on liquefied petroleum gas in order to discourage deforestation, use of

firewood and charcoal for cooking in the 1970s, and in 1988, the liquefied petroleum gas was completely subsidized. Ten years later, in 1998, the subsidy had already become a burden on the government and was unbearable, therefore on advice of the IMF, the Senegalese government restated its policy of subsidy removal as it clearly shows that the rich were the beneficiaries of the subsidy because they were the ones who used the LPG as a means of cooking, coupled with the problem of smuggling the LPG to neighboring countries.

Terkimbi further stated that the idea of subsidy removal is derived from economic adjustment programmes like the SAP which aims at an efficient allocation of scarce resources such as foreign currency and energy in order to boost the productive efficiency of the economy. The implementation of policies of SAP by Nigeria which is a stepping stone to the country's integration into the global capitalist system has resulted in making economic development worst. Another point by Terimbi still on SAP is the decline in exchange rate which directly reflects the gap between official and parallel market exchange rates and which clearly shows the failure of SAP.

2.3 THE OIL SECTOR AND THE NIGERIAN ECONOMY

Petroleum is an oil substance mainly bituminous liquid consisting of a mixture of many substances such as carbon and hydrogen, and is known as hydrocarbons. It also contains a spare amount of non hydrocarbon elements which are sulphur, nitrogen and oxygen. (Angaye,1986:50).

According to Ikien,(1990), Oil accounts for 93% of Nigeria's export revenue, 87% of total government revenue and 45% of Gross Domestic Product. Agriculture was once the bedrock of Nigerian economy before the emergence of oil which declined with the discovery of oil, (Ikein, 1990:19). Nigerian economy became solely reliant on petroleum products, which led to redundancy in other sectors of the economy such as agriculture and other non-

oil sectors. The oil dependent economy not only did cause redundancy but also unemployment of the citizens because other sectors were neglected coupled with the retrenchment of civil servants especially in the public sector in the 1980s. Moreover, Nigerian development plan was and is still banking on the oil industry which is another burden. With this, the entire sector and its administration are being controlled by foreign powers. The oil has resulted in another form of dependency on the foreign powers but has earned Nigeria recognition in the global market. Any political or economic changes could affect Nigeria positively or negatively. In the 1970s and 1980s, the need for expansion of oil production resulted in increase on oil prices in the world market with the Nigerian crude oil at \$37 per barrel which was so exorbitant compared to other countries. This made the Nigerian oil more advantageous over others, being sulphur free (bonnylight) was again increased to \$40 per barrel.

The oil industry has played a very vital role in the growth and development of Nigerian economy most especially in areas such as:

- i. Providing a source of revenue through rents and royalties.
- ii. It provides investment, demand, wages and salaries linkages, as well as stimulating spending, rise in aggregate demand and expansion of industrial production.
- iii. Provides a source of Foreign exchange
- iv. It is also the generator of energy and fuel such as electricity.
- v. It is also a source of infrastructural facilities such as roads. (Abdullahi, 2008:70).

As Odularu (2007) captured, the place of oil in the mind of the average Nigerian have become very important most especially now that the price of crude oil has risen in the global market which earns more external income to Nigeria and have also increased the burden of imported refined petroleum

products. This is a very contradictory situation making Nigerian economy appear strange. The oil boom witnessed in 1970s led Nigeria to neglect Agriculture and pursued crude oil which we are today dependent upon. Many people migrated from the rural areas to urban centers in search of greener pasture. Nigeria has four refineries with a combined installed refining capacity of 445,000 barrels per day. They are;

1. The first Port Harcourt refinery which was commissioned in 1965 with an installed capacity of 35,000 bpd and later expanded to 60,000 bpd.
2. The Warri Refinery which was commissioned in 1978 with an installed refining capacity of 100,000 bpd, and upgraded to 125,000 bpd in 1986.
3. The Kaduna refinery which was commissioned in 1989 with 150,000bpd processing capacity, and designed to fulfill the dual role of supplying the domestic market and exporting its surplus.
4. The second Port Harcourt Refinery was commissioned in 1989 with 150,000 bpd processing capacity, and designed to fulfill the dual role of supplying the domestic market and exporting its surplus. (Odularu, 2007).

The capacities of these refineries exceed the need of domestic consumption most especially Premium Motor Spirit (PMS) which demand is 33 million liters per day, but these refineries are operating far below expectations due to negligence during the military regime. Nevertheless, the oil industry has created employment opportunities. Although from the onset Nigerians were employed in a variety of non-basic activities such as building of roads and bridges, clearing of drilling sites, transportation of materials and equipments as well as building of houses and recreational facilities. But as time goes on, the room for training helped Nigerians to be employed in seismic and drilling operations as well as supervisory and managerial functions. It has contributed towards Gross Domestic Product (GDP) by adding together the local payments to the Government in form of rents, royalties, profits and taxes, harbor dues etc.(Odularu,2007)

Another contribution to the Nigerian economy is through the injection of purchasing power through local expenditure on goods and services. This is in the form of payment of wages, salaries, and payments to local contractors, local purchases of goods, vehicle licenses, telephone and postal charges, local rents, educational grants and scholarship awards, donations, subventions and other social charges which are minor.

The oil industry also contributes to government revenue due to increase in crude oil prices which increase the country's bargaining power. It also contributes to foreign exchange reserves which is very important to the Nigerian economy without which the oil could not have attained greater heights due to Nigeria's massive industrialization process. Contribution to energy supply is another impact of the oil industry on the Nigerian economy. Through the utilization of locally discovered natural gas, cheap energy sources are provided for the industry and commerce.

However, the oil industry is facing some challenges such as; Public control and bureaucracy: The Nigerian National Petroleum Corporation is controlled by Ministry of Petroleum Resources. This makes the NNPC lack autonomy thereby rendering decision making too cumbersome and highly bureaucratic. This characterized the NNPC as inefficient especially in refinery operations, distribution and marketing.

Poor funding of investments due to frequent delays in payment of cash calls to the joint venture operations have tended to discourage increase in the level of investment by the oil companies.

There is also the problem of communal disturbances disrupting crude oil production as communities are involved in cut throat competition for higher stake in oil operations. There is also the smuggling and diversion of petroleum products across the borders in order to earn foreign exchange and to take undue advantage of the lower domestic prices over the neighboring countries' prices.

There is the fraudulent domestic marketing practice of the oil marketers who hoard products especially in periods of scarcity so as to sell at higher prices. There is also pipeline vandalism, corruption, non-remittance by the NNPC.

2.4 ROLE OF MULTINATIONAL CORPORATIONS IN THE NIGERIAN OIL SECTOR

There is no gainsaying that the multinational corporations have made impact in the Nigerian oil sector. These corporations have no doubt caused more harm than good to the economy. Despite the fact that they have been in operation right from the time oil was discovered in Nigeria and the huge profits they have made out of it....“they have succeeded from[in] displaying ineptitude towards development in[of] the country”. (Aluaigba,2006:72). All they were pursuing was to build an empire multilaterally, so as to monopolize the oil sector for the sake of profit to the detriment of the inhabitants, through making huge profit and acquiring overwhelming assets with tremendous influence over the sector, yet having no interest in developing the host country, but rather, degradation of the environment resulting in lots of hazards. For instance, environmental pollution of the Niger Delta area as a result of gas flaring resulting into high temperature of about 1000⁰c. In the same vein, the problem of oil spillage killing the aquatic life as well as contaminating water and going as far as killing fertile lands. Worse still, even the food for human consumption is contaminated. Moreover, these multinational corporations have caused labour crisis in Nigeria because they employ mainly casual staff as part of their labour force thus denying them further training and acquisition of new skills, but rather dismissing them at will.

Aluaigba (2006) accused the oil multinational corporations of instigating political instability in the country so as to influence policy making thus determining the leadership and the leader resulting in “political feud”. For instance, the civil war of 1967. This is because;

The oil MNCS felt that the government fervent participation in the oil sub sector in the country and the higher oil prices were not conducive for their exploitative hyper profits to persist. Thus, the government under Gowon was to be destabilized to pave way for a more pro-capitalist government to be [installed] that will allow the oil companies to operate unhindered. (Aluaigba, 2006:81).

Oil drilling is very consequential to the host community bringing along persistent unrest, destruction of lives and properties, crimes associated with pipelines and destruction of farmlands. All these are being suffered by the people without any compensation or reward from the multinational corporations.

Otaha (2012), opines that oil revenue has resulted into war in the Niger Delta community, this is because the multinational corporations and the government agents are the only beneficiaries of the oil wealth to the detriment of the community who are made to take all the burden and consequences. These multinational corporations do not have any regard for the oil drilling community in collaboration with political elites. These factors worsen the situation of the environment breeding lawless atmosphere as well as polluting the environment with harmful toxic chemicals, thus creating what economists refers to as “Dutch disease”.

...with an unequal distribution of power and a detached disinterested government create an explosive expectation gap among population which caused uprisings, holding of hostages of oil workers by angry Ijaw Youths in the Niger Delta.(Otaha,2012)

In response to such forces, oil dependent government and the elites that run them place an inordinate amount of resources in military and security spending which makes democracy and the rule of law the first casualty. (Otaha,2012).

Another baffling issue is that Nigeria and other oil producing states do not have the capacity of exploiting their oil but by the multinational corporations. None of the oil companies in Nigeria is owned by a Nigerian but by foreigners.

2.5 THEORETICAL FRAME WORK.

This study seeks to employ neo-liberal theory of economic development.

The term neo liberalism was coined in 1938 by a German scholar, Alexander Rustow at the Colloque Walter Lippman, which he defined as the “priority of price mechanism, the free enterprise, the system of competition and strong impartial state”. Proponents of this theory are Friedrich Hayek, Milton Friedman and Ayn Rand.

Neo liberalism is a resurgence of ideas associated with economic liberalization, free trade and reductions in government spending in order to enhance the private sector performance. It was originally an economic philosophy which emerged in the 1930s among European liberal scholars in an attempt to find another way between conflicting philosophies of classical liberalism and collectivist central planning. The term had declined in the 1960s only to re-emerge in the 1980s as a result of economic reform in Chile by Augusto Pinochet. It is associated with scholars like Friedrich Hayek(1960) and Milton Friedman(1962) which is later absorbed into the study of political economy. Neo liberalism is the bedrock of economic liberalization policies such as privatization, open markets and deregulation.

It also assumes that the increase in public expenditure paved the way for workers to demand for higher wages while at the same time, entrepreneurs cannot raise the level of national investments. The theory favours market forces at most and therefore advocate that the state has become ‘inefficient and interventionist’ argued in favour of withdrawal of most of the subsidies introduced by the Keynesians. They also indicate:

...the elimination of subventions to public enterprises and the privatization of the enterprises, and the jettisoning of the regime of fixed exchange rate which the Keynesians had constructed as part of their strategy for introducing order and predictability into the informational financial system and its replacement by a system of free floating exchange rate in which currencies find their levels. Besides, they advocate for measures that would reduce and regulate money supply in the domestic economy as the market forces can play a more crucial role in the determination of their levels. (Olukoshi and Nwosu 1995:15) cited in (Alabi 1999 : 27).

Neo liberalism blossomed at the end of 1970s when conservative western leaders came into power. These leaders were Ronald Reagan of the United States of America, Margaret Thatcher of Britain, Brian Mulroney of Canada and Helmut Kohl of Western Germany. They were so committed to this doctrine in order to fight inflation, to promote private sector activities and reduce the power of state, to curtail the power of trade unions and promote individualism and a cut in public spending especially welfare programs.

These conservatives gave a new orientation to the World Bank and the International Monetary Fund to embrace the new market forces. They made sure that these two institutions accepted economic reform programs, implementation of market reforms and the pre conditions of financial assistance. This is a deliberate policy because most third world countries especially the African countries did not have the will to resist this conditionality. These ideas have spread under the auspices of IMF and World Bank under the guise of Structural Adjustment Program (SAP). (Alabi 2009:27-28).

Due to their poor economic conditions, the Structural Adjustment Program have to be adopted by the third world countries which is also the condition for the approval of foreign debt. For (Stanley Please,1984:18) cited in (Alabi,2009:29) Structural Adjustment Program has three elements namely:

...a financial program designed to discipline aggregate demand and incorporating credit and budget policies as well as variation in exchange rate; a programme of structural adjustment designed to monitor and discipline the use of prices and rationalization of the public sector; and a programme of external financial injection aimed at providing foreign exchange resources to facilitate the expansion of domestic supply (1984:18).

Frances Stewart (1994:99) also identified three components of structural adjustment programs as demand restraint, switching policies and policies related to long term efficiency. The demand restraint entails reduction in government spending and budget deficit of money supply and the creation of credit and other policies to cut wages. Switching policies are targeted at moving resources from non tradable to tradable by changing incentives. Long term supply policies are made to secure a proper market oriented economy subject to less segmentation.

Notwithstanding, the main elements of SAP applicable to most sub Saharan African countries are:

- a) The strengthening of existing management measures;
- b) The adoption of measures to stimulate domestic production and broaden the supply base of the economy;
- c) Local currency re-alignment;
- d) The rationalization and re-structuring of tariffs and the liberalization of payments;
- e) The elimination of complex administrative control side by side with the promotion of market forces;
- f) The adoption of appropriate pricing policies on public sectors/utility services;
- g) The rigorous encouragement of private sector participation in the economy (Nwoke and Olukoshi 1994:18 cited in Alabi 2004 :30)

The practical implications of these measures for any country willing to adjust are devaluation of currency, removal of subsidies and a general price increase, banning of marketing boards, uncertainty of public expenditure, less money

supply in the economy, restrictions of wages, liberalizations of trade and capital importation and exportation, making the private sector a priority to mention but a few. Looking at the fuel subsidy removal phenomena, there is no gain saying that the Nigerian government has adopted this doctrine in order to obtain foreign aid. This is because all the above mentioned implications have manifested in Nigeria, this has clearly shown that fuel subsidy removal is a policy of the International Monetary Fund, the World Bank and the World Trade Organization. For any country to adjust there is no escape route away from adopting monetarist policies.

The critics of this doctrine such as William K Tabb, in a magazine article, see it as a focus to redefine democracy on the contemporary world system which is the rallying cry of both Washington consensus and Bush doctrine. The “Washington consensus “is the claim that global neoliberal agenda and core finance capital’s economic control of the periphery and the entire world by means of the International Monetary Fund (IMF) and the World Trade Organization(WTO) is the only realistic alternative to misery and disaster. “The Bush doctrine” is the neo conservative justification of U.S global military domination so as to safeguard democracy. This doctrine is nothing but a global dictatorship and incorporation of governing elites. The neoliberal doctrine has brought failure in the global economic growth, high rate of poverty and unstable economies, slow growth and economic crises globally. There is increased dominance of multinational corporations, International financiers and sectors of local elites.

However, the Neoliberal doctrine has been criticized by scholars such as Joseph Stieglitz(2002) whose criticisms could be categorized under three main headings.

- exposes a series of profound flaws in the theoretical framework of neo liberalism.

- provides a considerable empirical documentation of practical failure of neoliberal policies.
- attempts to explain why the neo liberal agenda continues to be pursued irrespective of its flaws.

Stieglitz strongly believes that market functions properly only if there is already suitable background institution available when laws enforcing competition are absent, privatization results in monopolies and oligopolies which are very harmful to the consumer. Unemployment is unpreventable following the removal of protectionist trade policies especially if there are no provisions for job creation. Wealthy economies are capable of handling the stampede of capital inflows and out flows but for smaller economies, it will result into havoc. Stieglitz maintains that privatization should occur only after an effective set of antitrust laws has been put into place. Opening up of trade should be instituted only after the social cost of free trade has been addressed. Stieglitz gave the example of international monetary fund's intervention in the financial crises of East Asia and Eastern Europe in the late 1990's, encouraging premature deregulation of capital markets which led to economic stampede of overheated stock and real exchange markets.

This led to austerity measures by the IMF. Governments were compelled to adopt the restriction of credits and spending even though it was a time which needed credits and spending by the government. Funds were provided by the IMF in order to prevent the rise in exchange rate and to protect international investors while giving local elites the opportunity to protect their own assets. In the long run, the exchange rate was devalued and the burden of paying back the loan fell on working men and women whom were the least beneficiaries (Stieglitz, 2002).

CHAPTER THREE

BACKGROUND HISTORY OF THE NIGERIAN CRUDE OIL

3.0 INTRODUCTION

This chapter highlights on the discovery of crude oil in Nigeria and the role played by foreign companies in the oil exploration, the major oil drilling companies and the beginning of oil policy by the NNPC. It also highlights on deregulation and how it all began in Nigeria, its impacts, prospects and challenges. The chapter also looks into the oil sector as the backbone of the Nigerian economy today and the roles of multinational corporations in the oil sector and oil business. Finally, the chapter looks into the background of the case study which the information ministry, Kano State.

3.1 THE DISCOVERY OF CRUDE OIL

Oil operation started before independence. The German company named the Nigerian Bitumen Corporation was given license to start operation in Ararume, the present day Ondo state, and later in Lagos, where fourteen oil wells were drilled in 1908 and stopped operating due to World War I in 1938. It resumed later in 1946 when an acreage was granted to shell D' Archy which was owned by Royal Dutch shell and British Petroleum(BP) and later named as shell British Petroleum BP which is the forerunner of today's Shell Petroleum Development Company(SPDC). They later won a concession to explore the Niger Delta Basin but their effort was hindered by the World War II. Oil was discovered in large commercial quantity in Nigeria in 1956 at Oloibiri, the present day Bayelsa State and was lifted to the World market in 1958 then, 5,000 Barrels were produced per day. Other companies later joined shell British Petroleum (BP) and obtained their acreage. These companies were Tenneco, Gulf, Agip, Safrap and Phillips. However, these companies remained the giant drilling companies amongst others because they "not only chose the

best fields but also underpaid Nigeria, taking advantage of the country's weak legislation" (Mohammad cited in Jega and Farris eds, 2012: 153). This was a concession given to shell British Petroleum (BP) by colonial Administration.

Aremu viewed the dominance of petroleum industry by these multinational corporations as dictating "the pace and pattern of the development of the industry according to their objective of ensuring high returns". (2002:9) After independence, Nigerian government did not endure with any policy on oil but continued with the British policy and had no access to business with oil apart from issuance of acreage or tax collection on oil through finance ministry. In 1965, a refinery was established in Port Harcourt in order to meet the domestic needs of petroleum products (Mohammad cited in Jega and Farris eds 2010:154).

With the discovery of oil and the establishment of the oil industry in Nigeria, contributions were made to the development of human resources. For instance, scholarship was awarded by Shell British Petroleum (BP). Between 1954 and 1976, over 1000 secondary school scholarships were awarded; polytechnics and colleges of technology got 241 scholarship awards between 1961-1976. 181 scholarships were awarded to universities between 1960-1976 and 290 scholarships to overseas universities between 1961-1976. With respect to manpower utilization, there was a direct employment of the petroleum exploration and production, refining, marketing and servicing companies in 1978. Out of 15,258 employees of the oil industry, 14,548 or 95% were Nigerians and 706 were expatriates making 5%. (Angaye,1986:60-61).

3.2 SETTING OF THE NNPC AS THE BEGINNING OF OIL POLICY

In 1971 during Gowon's administration, Nigeria joined the OPEC in order to take advantage of its oil resources. A decree was enacted in April 1971 which set up the Nigerian National Oil Company, (NNOC). This gave Nigeria the impetus of having direct participation in all aspects of the petroleum industry. Indigenous workers were trained by the company; the NNOC also managed oil leases over large areas of the country and encouraged participation in the industry. The company also managed refineries, ensuring price uniformity across the domestic market and construction of pipelines to mention but a few. In 1977, another decree changed the company's name to Nigerian National Petroleum Corporation, (NNPC) which witnessed simultaneous restructuring in 1983 and 1988 and the inspectorate department was renamed Department of Petroleum Resources (DPR). The DPR formulated petrol policies, regulates, supervises and maintains the upstream and downstream sectors of the petroleum industry. According to Aremu, the objectives of NNPC are;

- i. To be an integrated international oil and gas company capable of competing in the global petroleum business.
- ii. Capacity building in order to ensure effective management of government interest and investment in the oil sector.
- iii. To provide a vehicle for government participation in the industry.
- iv. To provide growth of the industry and create opportunities for Nigeria to fully participate in the oil and gas sector.

NNOC was established in 1971 which marked the beginning of oil policy, it was later renamed NNPC IN 1977. This was two decades after the discovery of oil in commercial quantity. There are arguments that NNPC had been performing effectively within set goals. There are lots of progress recorded in the upstream sector such as progressive increase in the production of crude oil

and the discovery of oil reserves which have played a vital role in enhancing government revenue. The production of oil per barrel rose from 5,000 barrels per day in 1960 to 2.2 million barrels per day in 2000. (Aremu,2000:12-13) There had been encouraging investments and improvements of production as well as making a joint venture with private companies which led to additional reserves. By the year 2002, Nigeria had 22 billion barrels of oil reserves in addition to condensates not to talk of gas reserves which are more than 164 trillion as far back as 1995. Nigeria has gained a lot of significance in the Organization of Petroleum Exporting Countries. The NNPC has the credit of building a pipeline network covering the distance of 500 kilometers managed by its own subsidiary, the Pipelines and Products Marketing Company (PPMC), and has a storage infrastructure consisting of 22 loading depots which are all linked by pipelines of various diameters ranging from 6 to 8 miles. There are also about 3,500 independent marketers registered by the NNPC which are 100% privately owned and have organized themselves into an association; Independent Petroleum Marketers Association of Nigeria (IPMAN). There is also job creation in the petroleum sector with about 60,000 jobs. (Aremu, 2002:14).

Despite the above achievements of the NNPC, there are challenges being faced by the NNPC. Others have argued that NNPC have performed below expectations and have become a failure. This is as a result of “wastage”, corruption, low productivity and unchecked dominance of foreign multinationals” (Aremu, 2002:15). The 22 billion reserves are not working up to expectation as 40 – 50 billion are anticipated in the upstream operation all things being equal, that the Memorandum of Understanding and Joint Operative Association signed between the government and the oil companies are not adequately funded which brought distrust between the government and the oil companies. Another factor is that Nigeria is a weak link within the

OPEC exceeding her quota of oil export due to incessant pressure for oil export which undermines the world crude oil price.

The technical know-how in the industry still remains with foreign multinationals. The NNPC also allowed environmental degradation of Niger Delta in the quest for crude oil which killed their fertile land and polluted the water from which they drink and do fishing. Above all, the incessant fuel scarcity witnessed in the country for about three decades even though there are four refineries. There is also inflationary rise in fuel prices which the labour and NNPC or rather the governments are still battling over. There is also corruption in the sector which had been there for a long time.(Aremu, 2002:16).

3.3 OIL POLICY IN NIGERIA

Policy according to Nwaobi, can be defined as a course of action intended to be followed by government with a view to achieving certain objectives. Nigeria's oil policy can be traced to the year 1971. These policies encompassed various areas of the oil industry such as Indigenization and accelerated transfer of technology, coordinated national policy on energy, subsidy on petroleum products, special oil price to other African counties, oil pollution and counter trade.

The government states that subsidy must be removed in order to encourage private refineries as well as to end the irony of importing oil while we produce it. An example was given with Canada, a North American country having 16 refineries due to private sector involvement in the oil sector.

According to Daily Trust newspaper, the then government spokesman the Minister of Information, Mr. Labaran Maku stated that the postponement of deregulation by previous government brought more harm than good to the economy and that by removing the subsidy, the private sector would be able to

invest. The government urged Nigerians to put on little more patience for a while as they anticipate the upcoming benefits and promised that the prices will come down stating that the increase is only temporary. He reaffirmed the government's intention to ensure adequate means of transportation is provided in form of buses to ease the high cost of transportation to the people (Daily Trust, January (2013).

Danladi Adamu, a newspaper commentator took sides with the government, stating that this issue of fuel subsidy removal is not bad at all but an optimistic policy that will bring smile someday, though he understands that it is only part of human nature to resist any form of price increase in any commodity. In his words;

And for us in Nigeria in particular where we have over the years grown to have a sense of entitlement to cheap petroleum products, argument for subsidy removal is doubly hard to sell by any salesman whose lot is to sell it. Rightly or wrongly, many Nigerians have come to believe that if there are any goods that should go for next to nothing in our country, those commodities should be petroleum products because according to our thinking, crude oil is a free gift of nature to our country, therefore, its products should be extremely cheap. (Sunday Trust, January 2012:16)

The then CBN Governor, Sanusi Lamido Sanusi stood by the government supporting the subsidy removal affirming that fraud, forgery and other unpalatable corrupt practices had been there during the subsidy regime. Often times, the oil marketers also known as the oil cabal, direct their petrol tankers to other countries. And that even during the time he was serving in First Bank, some of the companies owed the Bank in Millions, while receiving subsidy without paying their debts. (Sunday Trust, January 2012: 15).

President Goodluck Jonathan further states that fuel subsidy removal is the only means of taming the members of the powerful oil cartel. These cartels are

a few groups of oil marketers also called the Cabal. There are both internal and external factors that triggered the removal of fuel subsidy, coupled with the actors who are the movers and shakers of the Nigerian economy particularly in the oil sector who are said to be benefiting from the oil subsidy because these actors are directly connected to the state apparatus and they compose of highly placed and powerful individuals in the society. (Terkimbi, 2013:397).

Nigerian oil policy can be viewed in three dimensions namely {1} internal {2} external and {3} environmental (Nwaobi, 1992:4)

1)Internal dimension policy; At the initial stage, Nigeria had a limited interest in oil reducing it to only collection of royalties and order offered today by the multinational companies and only making laws to regulate the oil companies. The petroleum products tax was introduced by Nigeria in 1967 due to the decree no 1 amendment in order to improve its financial status from the oil industry. As time goes on, “oil became predominant and more strategic to the economy [therefore] government decided to participate in the industry activities.”(Nwaobi, 1980:5)The second national development plan gave more impetus to the government to participate in exploration and production of Nigeria’s mineral resources. This policy made the government to acquire “33 1/3% equity interest NAOC” (Nwaobi, 1980:5) in 1979 and 35% Elf. Hence government had been in the oil industry through an organization, the NNPC. As a result of this indigenization policy, there are now indigenous oil companies and entrepreneurs. Government obtained 70% share of crude oil sold by the NNPC in which the proceeds realized goes to the federation account. It is the policy of the NNPC to sell oil to direct users at the same price which is the official selling price. These policies were distorted due to smuggling of petroleum products by Nigerians.

2. External Dimension Policy: this policy is as a result of Nigeria’s relation with organization of petroleum exporting countries (OPEC) which is very strong and highly committed. Nigeria among other OPEC member countries

participates in counter trade which their refusal to do so could result to a disadvantage for Nigeria. Nwaobi further suggest that the government's pricing policy should be (1) adequate to allow the corporation to cover its production and delivery costs, (2) It should encourage efficient inter fuel competition in the energy market (3) it should be allowed to perform its allocation functions, and those direct income transfers instead of price subsidies are more appropriate for pricing policy. He suggested that a petroleum price regulatory agency should be established for the benefit of consumers.

3. Environmental Dimension policy: These are policies concerned with the environmental issues such as water poisoning, destruction of vegetation and agricultural lands by oil spills as a result of petroleum activities. Among these policies are creation of federal ministry of housing and environment in 1979 which was concerned with environmental protection and control. Some state governments also established their ministries to handle all problems related to environment. Another measure was the establishment of environmental unit by the petroleum inspectorate of NNPC within its field operations. This unit ensured that oil field operations are carried out at acceptable standards and in accordance with the provisions of the various petroleum laws and regulations. The oil companies also initiated environmental education and awareness campaign for all personnel involved in oil exploration. However, all these measures did not function effectively due to financial and infrastructural limitations.(Nwaobi, 1992: 10-11)

3.4 BACKGROUND TO THE CASE STUDY: MINISTRY OF INFORMATION, KANO STATE

The Ministry of information, internal affairs, sports and culture came into existence with the creation of Kano State in 1967 during the time of Police commissioner, Audu Bako, the then governor of the state. The main

responsibilities of the ministry are dissemination of information, managing of internal affairs of the state and the promotion of sports and cultural activities. It is part of its responsibilities to coordinate these parastatals as well as to control the federal owned media and the private media operating in the state. The key departments of the ministry are;

- i. Information
- ii. Internal Affairs
- iii. Public Enlightenment
- iv. Administration and General Services
- v. Planning and Statistics

In addition to these departments, the Ministry have nine parastatals, they are:

- i. Kano State Television Corporation (36150 sub code)
- ii. Kano State Radio Corporation (36160 sub code)
- iii. Triumph Publishing Company (36170 sub code)
- iv. History and Culture Bureau (36180 sub code)
- v. Kano State Sports Council (36190 sub code)
- vi. Film Censorship Board (36200 sub code)
- vii. Government Printing Press (36210 sub code)
- viii. Kano Pillars Football Club (36220 sub code)
- ix. Youth Development Directorate (36230 sub code)

The information department as the name implies is the nucleus of the ministry responsible for publicity and enlightenment. It projects the image of the state and foremost adviser to the government on issues regarding the dissemination of information and related policies. It instigates public enlightenment,

sensitization as well as mass mobilization. The ministry undertakes the coordination of all publicity, publications and public relations aspect of the government. They are responsible for organizing ad hoc and regular press briefings on monthly or quarterly basis during which ministries and their parastatals give account of their activities and achievements. They are also responsible for the production of State diary and calendar as well as leaflets and posters. They also produce radio television programmes for airing on state electronic media and they also liaise with other national media both electronic and print media. (Danyaro,2012:251)

Public enlightenment department has the basic responsibility of enlightenment of the general public and mass mobilization towards understanding public policies, programs and achievements of the government. There is the introduction of zonal information offices which will monitor how local government information officers are faring. (Danyaro,2012:253)

Internal affairs department oversees and coordinates all sporting activities, the activities of civil defense corps and they receive, processes and recommend all applications of naturalization and citizenship by expatriates. They also plan independence anniversary. (Danyaro, 2012:255)

Radio Kano was set up in 1946, and was transformed to the state from NBC in 1976. Its main aim and function is disseminating information so as to ensure a well informed society. (Danyaro, 2012:257).

The Triumph publishing company was incorporated in 1980 as a limited liability company to enlighten readers on governmental policies at local, state and federal levels to make constructive criticisms of public institutions and to compete favorably with National dailies across the 36 states of the federation. (Danyaro,2012:261).

Abubakar Rimi Television formally CTV 67, was established in October 1982 and was charged with the responsibility of providing wide range of television broadcasting covering the activities of the government to inform, educate, entertain and mobilize the general public. Danyaro(2012:262).

The History and Culture Bureau was established in 1987 with the aim of collation, preservation, promotion and presentation of anything to do with culture and history of the Kano people. The bureau has been credibly performing well especially in areas of intellectual activities. Its establishment was an amendment to “the principle edict in 1987”. The main functions of the bureau are organizing and undertaking historical research, arts and crafts exhibition and managing of public archives.

Kano State Sports Council was established in 1967 and is largely responsible for organizing, managing, promoting and developing sports competitions in the state. It is aimed at raising the standard of sporting activities, coordinating and harmonizing of sports associations and clubs. It is also aimed at using sports as a tool for state integration, state building and as a means of establishing friendship with other states and to engage youths in more positive activities. To provide and maintain all sporting facilities, maintaining lands and acquiring them for building sporting facilities. They also charge fees for the use of any sporting facility and building belonging to the state. (Danyaro,2012:266-267).

Film Censorship Board was established in 2001 aimed at being a first class agency to manage and sanitize film and video production and written materials to satisfy the yearnings of the people over what is being produced as films clashing with the norms and values of the society. The board regulates through the issuance of permits, license, film censorship and supervision of cinema houses and written materials. It is also charged with the responsibility of screening and registering of cinema houses, soccer video centers, cassettes and CDs rental shops. The board is headed by an executive secretary assisted by

three directors who oversee three operative departments. These departments are; Admin and general services, responsible for the general day to day activities of the board such as staff recruitment, discipline and promotion. Film production department is responsible for censoring of films and issuance of certificates to certified films and video albums. It is also part of their duty to screen, register and issue permits to cinema houses, soccer/video viewing centers. Publication Department is responsible for overseeing the activities of stakeholders of publication industry such as preview of books, posters, literature work, magazines, billboards and dramatic works, (Danyaro,2012:284-285).

Government Printing Press was established in 1930 as a unit of the survey department of the Native Authority Press and was charged with the responsibility of printing stationeries, local tax payment receipts (haraj and jangali). It did not only serve the Native Authority but served other provinces of the northern region. The press was taken over by the Kano state government in 1967 at the state creation. It was saddled with additional responsibility of printing government laws in form of gazettes, reports and white papers. It also serves as an avenue for creating awareness on government programs by means of posters, books, and hand bills.

Kano Pillars Football Club is one of the most prominent football clubs in Nigeria and the most prestigious club in Kano state. It was established in 1991 and was solely financed by the Kano state government and has become one of the best teams across the country. (Danyaro, 2012:298-299).

Directorate of Youth Development was established in 2007 by the state government to answer the agitation by youth over a sole ministry for their affairs as resolved by the federal government. Rather than creating a ministry, the state decided to establish a directorate for youth development. The action plan conforms to the traditional contents of youth development services as

outlined by the National Youth Policy which is reviewed after every five years. Five key areas of government's interest are vocational and skills acquisition, raising of law abiding and patriotic young generation, creation of data bank of unemployed youths and the reactivation of existing community skills development centers. (Danyaro,2012:291-292).

The ministry has a population of 236 staff presently and had 28 commissioners right from inception to date.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSES

4.0 INTRODUCTION

This chapter analyzes the data generated from the responses of 34 respondents using a questionnaire. A total of 17 questions were administered on 40 respondents, but only 34 were returned. As well, a secondary data collection was made from journals, newspapers, official publications and materials from the internet.

4.1 CIVIL SERVANTS' REACTION TO THE SUBSIDY REMOVAL.

In the course of this study, questionnaires were administered as earlier stated to collect primary data. It contained 17 items distributed among 40 respondents. However, only 34 out of the 40 were returned. So the analysis was done with 34 questionnaires. It contained mostly close ended questions with a few open ended ones.

TABLE 4.1 QUESTIONNAIRES ADMINISTERED AND RETURNED

FREQUENCY OF RESPONSE	FIGURE	PERCENTAGE %
No of questionnaires administered	40	100%
No of questionnaires returned	34	85%
No of questionnaires not returned	6	15%

Source: Questionnaire (May 2013)

Forty questionnaires were administered but only thirty-four were returned making 85% of the questionnaires. There is no specific reason for the non-

return of the 6 questionnaires, none the less, it did not affect the validity of the research.

TABLE 4.2 AGE DISTRIBUTION OF RESPONDENTS

RANGE OF AGE	NO OF RESPONDENTS	PERCENTAGE (%)
20 – 30	2	5.88
31 – 40	7	20.58
41 – 50	18	52.94
51 – above	7	20.58
TOTAL	34	100

Source: Questionnaire (May 2013)

The age distribution of the respondents is between 20 – 50 years above. Those of the age range between 20–30 are 2 in number making 5.88% of the respondents. Those between the range of 31 – 40 are 7 in number making 20.58%, those between the age range of 41 – 50 are 18 in number consisting 52.94% while 51 and above are also 7 in number consisting of 20.58%. This shows that majority of the respondents were middle aged.

TABLE 4.3 MARITAL STATUS OF RESPONDENTS

MARITAL STATUS	NO OF RESPONDENTS	PERCENTAGE (%)
SINGLE	1	2.94
MARRIED	33	97.05
TOTAL	34	100

Source: Questionnaire (May 2013)

Only one (1) of the respondents is single that is 2.94% of the respondents while 33 of the respondents are all married consisting of 97.05%, this shows that majority of the respondents are shouldered with the responsibility of taking care of their immediate families and are the right target for this research being that they are breadwinners.

TABLE 4.4 GRADE LEVEL OF RESPONDENTS.

GRADE LEVEL	NO OF RESPONDENTS	PERCENTAGE (%)
01 – 04	-	-
05 – 07	-	-
08 – 12	13	38.23
13 – 16	21	61.76
Total	34	100

Source: Questionnaire (May 2013)

The table above shows that there are 13 respondents within the range of grade level 08 – 12 making 38.23% while 21 of the respondents are within the range of grade level 13 - 16 making 61.76%. Consequently, most of the respondents are in the senior category or cadre. This implies that even those civil servants in the senior cadre are feeling the impact of fuel price increase.

TABLE 4.5 GENDER STATUS OF RESPONDENTS

MARITAL STATUS	NO OF RESPONDENTS	PERCENTAGE (%)
MALE	30	88.23
FEMALE	4	11.76
TOTAL	34	100

Source: Questionnaire. (May 2013).

The table shows that male consist of 30 respondents making 88.23% while female respondents are 4 consisting of 11.76%. This shows that majority of the respondents are male who are the bread winners of their families.

TABLE 4.6 NUMBER OF DEPENDENTS OF RESPONDENTS

NO OF DEPENDENTS	NO OF RESPONDENTS	PERCENTAGE (%)
LESS THAN 5	6	17.64
5 – 10	20	70.58
11 – 15	6	17.64
16 – 20	1	2.94
21 – above	None	None
None of the above	1	2.94
TOTAL	34	100

Source: Questionnaire (May 2013)

The above table shows that 6 of the respondents have less than 5 dependents consisting of 17.64%,while 20 of the respondents have the range of 5 – 10 dependents consisting 70.58%, 6 of the respondents have the range of 11 – 15 dependents also making 17.64%.

1 respondent have the range of 16 – 20 dependents making 2.94% while none of the respondents have the range of dependents between 21 and above. However, 1of the respondents have got no dependent making 2.94, this shows that majority of the respondents have at least 5-10 dependants. This implies that they are in a good position to explain the impact of fuel price increase.

TABLE 4.7 EFFECT OF THE INCREASE ON TRANSPORTATION

EFFECT	NO OF RESPONDENTS	PERCENTAGE (%)
Adverse	26	76.47
Indifferent	8	23.52
TOTAL	34	100

Source: Questionnaire (May 2013)

The response to the question of effect of the fuel increase on transportation has 26 respondents saying the effect is adverse making 76.47%. 8 respondents are indifferent to the question making 23.52 %. However, there are details given by the respondents on the question, majority of them stating their experience of high cost of living, not able to go to all places they want to go due to lack of enough fuel in their tanks or high cost of transportation, the inability to cater for all their needs, the transport fares consuming most part of their salaries. Some of the respondents spent about =N=100 to =N= 150 before the increase, but now spends between =N=200 to =N=300 to and from work place. This response corroborates Audu Ogbe, former PDP Chairman's view that, the subsidy removal is an ambush for those who travel for the end of the year because they may not be able to afford to return to their places of work. He urged the Federal Government to go back on the drawing board and change the policy. (Daily Trust, January, 2012:4). This table has answered research question iii.

TABLE 4.8 SUBSIDY REMOVAL INIMICAL TO ECONOMIC DEVELOPMENT

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
AGREE	7	20.58
STRONGLY AGREE	8	23.52
DISAGREE	13	38.23
STRONGLY DISAGREE	4	11.76
INDIFFERENT	2	5.88
TOTAL	34	100

Source: Questionnaire (May 2013)

The response to the question of subsidy removal being inimical to economic development have 7 respondents who agree, constituting of 20.58%, while 8 respondents strongly agree constituting of 23.52%, 13 respondents disagree making 28.23% while 4 respondents strongly disagree making 11.76%, 2 respondents are indifferent making 5.88% of the respondents. This response corroborates a business report by Idris Ahmed and Boco Edet stating that, the removal of subsidy has quickly brought hardships to the poor who are who are the majority, with poverty taking 54% while employment takes 23% which will further broaden dependency ratio. At the same time the minimum wage of =N=18,000 have not been implemented, the worker have to go borrowing. (Daily Trust, January2012:19).This have also answered hypothesis both hypothesis 1 and 2 and also research question iii.

TABLE 4.9 WHO BENEFIT FROM THE SUBSIDY REMOVAL

BENEFICIARIES	NO OF RESPONDENTS	PERCENTAGE (%)
THE PEOPLE	2	5.88
THE OIL CABAL(OIL MARKETERS)	12	35.29
THE GOVERNMENT	19	55.88
FOREIGN COMPANIES	1	0.34
TOTAL	34	100

Source: Questionnaire (May 2013)

On the question of who benefits from the subsidy removal, 2 of the respondents believe the people are the main beneficiaries constituting of 5.88%, where as 12 of the respondents are of the belief that the oil cabals are the major beneficiaries constituting 35.29%, 19 respondents believe that the government is the beneficiary making 55.88% while 1 respondent believed it is the foreign companies constituting of 2.94%. Most of the respondents have the belief that government have a total monopoly over the fuel increase or better still the subsidy removal and at the same time not accountable to the people. The respondents accuse the government of executing white elephant projects so as to enable them loot everything coming from the subsidy removed. This corroborates Chief Adeniyi Akintola's opinion that fuel subsidy removal is a threat to the Nation's economy and is capable of throwing the country into a revolution. He concluded that the government is only dancing to the tune of foreign powers especially International Monetary Fund and the World Bank. (Daily Trust, January 2012:2). It was discovered that the high and mighty among the government officials had been compromising the Petroleum Support Fund (PSF) to the extent that "round tripping, back loading and other

fraudulent practices became the order of the day” that was the reason why the government declared its inability to continue pumping money into bottomless pit referred to as petroleum products subsidy. This prompted the House of Representatives to take a bold step and set up the ad hoc committee to detect the actual subsidy requirement of the country. The oil marketing companies were also alleged to have obtained foreign exchange but did not import petroleum products and the committee recommended the EFCC and the ICPC to investigate into the activities of these fraudulent companies including Zenon petroleum and Gas limited, Carnival, Energy oil limited, East Horizon Gas Limited company limited, Tridax energy limited, Emadeb energy and gas, Horizon gas company limited. The committee found out that the oil subsidy fraud was perpetrated by these government agencies, marketing companies and public officers in the industry because contrary to statutory requirements and other guidelines under the Petroleum Support Fund scheme mandating them to keep reliable information data base, which there is understanding among them not to do that. This lack of record keeping has hindered the committee’s knowledge of administration of the PSF:

The Lawan led committee found out that the subsidy regime, as operated between the period under review (2009 and 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. Government officials made nonsense of the PSF 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. (News Watch May 14, 2012:13)

The Table answered research question ii raised in chapter one under the statement of research problem.

TABLE 4.10 THE GOVERNMENT USING SUBSIDY MONEY FOR DEVELOPMENT PROJECTS.

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
YES	5	14.70
NO	28	82.35
INDIFFERENT	1	0.34
TOTAL	34	100

Source: Survey Research (May 2013)

In response to the question of the government using the subsidy money for developmental projects, 5 respondents answered Yes constituting 14.70%, while 28 respondents are responded with No constituting of 0.34%, with 1 respondent being indifferent consisting of 0.34%. This response also corroborates Audu Ogbe's as he declared lack of confidence on the government even though the government reassured that the money from the subsidy will go into meaningful projects. He further advised the government on devaluation of Naira and to encourage local production rather than importation. (Daily Trust, January 2012:4).

In the same vein, Prince Bola Ajibola opines that the removal of subsidy is a "time bomb" that could explode any moment. He called upon the government to see the possibilities of reversing the policy which to him is untimely and that it is only a policy which cannot be finished. He opted for gradual withdrawal of the subsidy and concluded that the president's advisers only misguided him. (Daily Trust, January 2012:2).

TABLE 4.11 SUBSIDY REMOVAL AFFECTING FAMILY FEEDING PATTERN

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
NORMAL	7	20.58
ADVERSELY	27	79.41
TOTAL	34	100

Source: Questionnaire (May 2013)

On the question of subsidy removal affecting family feeding pattern, 7 respondents answered normal making 20.58%, while 27 respondents answered adverse making 79.41%. Most of the respondents complained about the high inflationary rate of all commodities such as foodstuffs, for example, a bag of rice was =N=8500 before the increase but have now inflated to =N=11,000. A gallon of turkey oil was =N=900 before the increase but is now =N=1050 after the increase. Some of the respondents have forgone a lot of things no matter how much they want it doing the basic ones or rather weighing them on the scale of preference. Luxury types of food have already become history to their families. But a few of them said they were not affected because they plan everything. This table has also answered research question iii.

TABLE 4.12 REMOVAL OF SUBSIDY AFFECTING RENT

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
YES	16	47.05
NO	18	52.94
TOTAL	34	100

Source: Questionnaire (May 2013)

16 respondents answered Yes making 47.05% while 18 respondents answered No making 52.94%. Some of the respondents are living in their houses while others commented that rent was not increased. But then some responded that the rent have increased by 30%. A house which is being paid =N=150,000 as rent before the increase is now =N=180,000 or =N=200,000 in Tudun Maliki quarters in Kano.

TABLE 4.13 CHALLENGE OF SUBSIDY REMOVAL ON CHILDREN'S EDUCATION.

CHALLENGE	NO OF RESPONDENTS	PERCENTAGE (%)
Increase in school fees	-	-
Increase in cost of books	-	-
Increase in transport cost	3	8.82
All of the above	30	88.23
None of the above	1	0.34
TOTAL	34	100

Source: Questionnaire (May 2013)

Concerning children's education, 3 of the respondents complained on increase in transport fares, making 8.82%, while 30 respondents complained of increase in school fees, increase in cost of books, and transportation constituting of 88.23%. for example, those with children at Yandutse primary school paid =N=30,000 per term but have been increased to =N=40,000 per term. However, 1 respondent have no complain at all, which makes 0.34%. In the same vein, the Bayelsa state NLC condemned the whole policy saying that more hardship will come the way of the people. They were worried about the inflationary rise of transport fares considering the fact that average civil servants were already

struggling to train their children/wards in school with their meager salaries even though the minimum wage is not fully implemented. (Daily Trust, January 2012:5).

TABLE 4.14 LIVING STANDARD AFTER FUEL PRICE INCREASE

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Very Good	-	-
Good	4	11.76
Very Poor	7	20.58
Poor	9	26.47
SATISFACTORY	14	41.17
TOTAL	34	100

Source: Questionnaire (May 2013)

Concerning the question of living standard, after the fuel increase, 4 respondents enjoy good living standard as they said because the increase have not changed making 11.76%. 7 respondents are experiencing a very poor living standard because they cannot meet most of their needs most especially the basic ones. This category makes 20.58%. Nine respondents are experiencing poor standard of living constituting 26.47%, whereas, 14 respondents have a satisfactory standard of living being able to have most of their needs fulfilled constituting 41.17%. The former military head of state General Ibrahim Babangida stated that the move is faulty and not at the right time. He further said that government should be for the good of the people and not to impose hardships on them. He suggested that it will be better if the government had found another solution to the subsidy removal or have postponed it to sometime in the near future. He also blamed the executive for taking the decision alone without the involvement of other arms of government as the country should be practicing a participatory and all inclusive democracy, warning the government

that the move will be a threat to the nation's security and peace. (Daily Trust, January, 2012:2-3).

TABLE 4.15 CONDITION OF WORK AFTER FUEL PRICE INCREASE

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Very Good	None	None
Good	3	82.82
Very Poor	9	26.47
Poor	9	26.47
SATISFACTORY	13	38.23
TOTAL	34	100

Source: Questionnaire (May 2013)

Among the 34 respondents, 3 were of the view that their condition of work is good making 8.82%, 9 of the respondents have poor conditions of work constituting 26.47%, while 9 respondents have a very poor condition of work also constituting 26.47%, whereas 13 respondents have a satisfactory working condition making 38.23%, therefore, majority of the civil servants have a satisfactory working condition.

TABLE 4.16 SALARY SUFFICIENT TO CATER FOR ALL NEEDS OF AFTER FUEL PRICE INCREASE

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
YES	1	0.34
NO	31	91.17
INDIFFERENT	2	5.88
TOTAL	34	100

Source: Questionnaire (May 2013)

Only 1 respondent said the salary is enough to cater for all needs, constituting of 0.34%, while 31 respondents said their salary is not enough to cater for all their needs constituting of 91.17% and 2 respondents who are indifferent making 5.88% of the respondents. The majority of respondents said their salary is not enough to cater for all their needs.

TABLE 4.17 IF NO HOW DO YOU MAKE ENDS MEET?

RESPONSE	NO OF RESPONDENTS	PERCENTAGE (%)
Giving consultancy Service	4	11.76
Personal business	22	64.70
Coping strategies	2	5.88
TOTAL	34	100

Source: Questionnaire (May 2013)

4 among the respondents make ends meet by giving some private consultancy services related to their fields for example, somebody who is a journalist can

give consultancy service to someone who may need a write up for some kind of presentation constituting 11.76%, 22 respondents involve themselves in personal business such as running a small provision shop, marketing or vendor ship of properties such as houses or plots, some run business centers or internet cafés usually in the evenings after working hours constituting 64.70% while 2 respondents makes ends meet by utilizing some coping strategies such as okada. However, the rest of the 6 respondents made some comments such as; they make ends meet by God's Grace, they sit and wait for God's intervention, some say they utilize the three means above for their survival. Some even say they involve themselves in menial jobs all in order to survive with their families. The above table has also answered research question iii.

4.3 SUMMARY OF RESEARCH FINDINGS

The study finds out that fuel price increase have inflated cost of transportation and a large portion of the civil servants' salary goes into transport fares.

The economy of Nigeria has deteriorated which brings lots of hardships to the majority who at the same time are expected to support their dependants.

The Government is the beneficiary of fuel price increase and have a total monopoly over the increase because highly placed government officials, government agencies and oil marketing companies had been tampering with the petroleum support fund which resulted into lot of corruption in the sector and which triggered the government to declare its inability to continue giving subsidy on petroleum products.

The proceedings realized will be invested into meaningful projects that will be more beneficial to Nigerians.

The increases have led to the rise in household items like foodstuff and other domestic needs and lots of necessity goods have become a luxury.

There is inflationary rise in the cost of rent and lots of challenges in education of children because there is increase in school fees, increase on books and transport fares of the children to and from school.

There is a poor living standard and a poor working condition of the civil servants because their salary is not enough to cater for all their needs. Civil servants makes end meet by means of some private business or other coping strategies and menial jobs.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 SUMMARY.

This is the final chapter of this study: impact of fuel price increase on civil servants in the Ministry of Information, Kano which has been guided by the neoliberal theory of the economic development. With this theoretical guide, the study discovers that the people lack confidence in government. Nevertheless, the policy is aimed at impacting the socio-economic situation of the country and to save funds from going to the oil marketers who have been the beneficiaries of the fuel subsidy and to reinvest it in what will be more meaningful to the country.

The study begins with the conceptualizing deregulation and civil servants. Deregulation is seen as a goal to tackle corruption and to promote efficiency, effectiveness and creation of employment by expanding the private sector. The civil servant is seen as a faithful administrator who assists with the formulation and execution of policies.

Government have reasons for increase in fuel prices among which are enhancing the value of Naira, discouraging of smuggling of petroleum products into neighboring countries of West Africa, a way of generating revenue for development purposes and above all ending fuel shortages because the money will be used to renovate and maintain the refineries. It is also a means of harnessing revenue for capital stock and away of regulating the industry which will serve as a surplus to government spending in order to provide adequate infrastructure.

Fuel subsidy removal is seen as a long term goal to investment into the petroleum sector by establishing refineries that will at least meet 40% need for fuel. This will stop importation from neighboring countries which if not tackled

now may continue up to the next 15 years. It will also assist in building foreign reserve to position the Nigerian economy and enhance its growth.

Nigeria found it necessary to adopt the policy of fuel subsidy removal to overcome its fiscal challenges.

5.1 CONCLUSION

The major concern of the study has been an analysis of the reasons behind the fuel price increase with particular emphasis on its impact on civil servants in the Ministry of Information, Kano. The study concludes that the subsidy removal on fuel is a means for redistribution of wealth in oil producing countries. This is because it is one of the ways of enhancing socio-economic welfare that will assist the poor to benefit from the Nations endowed resources.

The fuel subsidy is a global issue and many countries are up to reforming or eliminating subsidies on fuel because they are unsustainable due to fall in oil revenue.

A major impact of fuel price increase identified is that it affects transport fares which consume a lot from salaries of civil servants. Not only transportation but also rent, feeding and education of children, because the prices of everything have inflated.

It is also note worthy that Nigeria has the highest pump price and the lowest minimum wage. Therefore, fuel price increase (subsidy removal) is untimely as some scholars and some well meaning Nigerians view it. Some improvements need to be made on minimum wage and the availability of the oil itself.

The whole idea of subsidy removal is a policy of structural adjustment programme aimed at efficient allocation of scarce resources like foreign currency and energy to boost the economy and the implementation of these

policies of SAP is a stepping stone to the integration of Nigeria into global capitalist system.

The study concludes that people are suffering from the consequences of fuel subsidy removal simply because of a class of few people enjoying all goodies of the country. The civil servants who are the focus of this study are mostly living from hand to mouth due to the fact that there is a high inflation in the cost of living. The whole issue of fuel subsidy removal is a policy of the International Monetary Fund as a result of debt relief and it is in their bid to promote capitalism. Civil servants are finding it very difficult to cater for all their needs and that of their families, complaining that school fees, books, transportation and even food items are very inflationary and that they have resorted to coping strategies in order to make ends meet which is adversely affecting their standard of living.

5.2 RECOMMENDATIONS

Arising from the findings of this study, the following recommendations are generated:

Government must always enlighten the people on any policy before its implementation; not only enlightenment but knowing their opinion and seeking their mandates over any decision especially the decision directly affecting their lives. The executive should always consult the legislative arm by sending a bill to them because the decision of fuel subsidy removal was solely taken by the executive arm. And I believe the legislative arm is the representative of the people and therefore they must defend and speak for the people. Not only the legislative arm, but also there is need for an opinion poll all over the Nation before such decisions are carried out.

The International Monetary Fund have influenced the decision to remove fuel subsidy, therefore, it is necessary to stop accepting any form of loan from them and instead, utilize the vast resources we have to generate more funds so that

we will not be indebted to them. This will help the government regain its sovereignty so that any policy detrimental to the people by the multinational corporations would be refused.

Condition of work should be improved for the civil servants because the policy is adversely affecting them and their families. This is to ensure qualitative work by the civil servants and the absence of corruption in civil service because the study shows that civil servants are evolving with some strategies so as to make ends meet.

Government need to reverse the fuel price increase because it has led to inflation in virtually everything including education and transportation. Subsidy removal is not the only strategy to tackle corruption in the oil sector because of its adverse effect on the economy. Rather, a policy that will protect the masses should be taken. For instance, there should be a great penalty on the oil marketers who try to hoard or divert to any country.

There should be policies by the government to raise the standard of living by means of welfare packages so that the impact of neo liberal agenda would be less felt.

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APPENDIX

QUESTIONNAIRE

I am a graduate student from the Department of Political Science, Bayero University Kano (BUK) writing a dissertation as part of the requirement for the award of Master of Science (M.Sc.). The topic is “THE IMPACT OF FUEL SUBSIDY REMOVAL ON CIVIL SERVANTS IN KANO STATE”.

Therefore, part of my research is to administer a questionnaire on civil servants in order to understand what they are facing due to the subsidy removal. The information given shall be treated with all confidentiality.

1. Age:

- a. 20-30 ☐
- b. 31-40 ☐
- c. 41-50 ☐
- d. 52 and above ☐

2. Marital Status:

- a. Married ☐
- b. Single ☐

3. Grade Level:

- a. 01-04 ☐
- b. 05-07 ☐
- c. 08-12 ☐
- d. 13-16 ☐

4. Gender:

- a. Female ☐
- b. Male ☐

5. Number of dependents:

- a. Less than 5 ☐
- b. 5-10 ☐
- c. 11-15 ☐
- d. 16-20 ☐
- e. 21 and above ☐

6. How does the increase in fuel affect your transport fares?

- a. Adverse ☐
- b. Indifferent ☐

Give details

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.....

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.....

7. Do you agree that the fuel subsidy removal is inimical to the development of the economy?

- a. Agree ☐
- b. Strongly agree ☐
- c. Disagree ☐
- d. Strongly disagree ☐
- e. Indifferent ☐

8. Who do you think benefit from the subsidy removal?

- a. The people ☐
- b. The government ☐
- c. The oil cabals ☐
- d. The foreign companies ☐

Why?

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9. Do you see any hope in the government using the subsidy money for development projects?

- a. Yes ☐
- b. No ☐
- c. Indifferent ☐

10. How have the increase affected your feeding pattern?

- a. Normal ☐
- b. Adversely ☐

Give reason

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.....

11. Does the removal of fuel subsidy affect your rent payment?

12. (a) If yes, in what

way?.....

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.....

(b) If no, give reasons

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.....
.....

13. What challenge have the increase brought in the education of your children?

14. How will you rate your living standard after the increase in fuel price in 2012?

- a. Very Good ☐
- b. Good ☐
- c. Very Poor ☐
- d. Poor ☐
- e. Satisfactory ☐

15. How will you rate your condition of work as a civil servant after the increase in fuel price 2012?

- a. Very Good ☐
- b. Good ☐
- c. Very Poor ☐
- d. Poor ☐
- e. Satisfactory ☐

16. Is your salary sufficient to cater for all your needs after the fuel price increase?

- a. Yes ☐
- b. No ☐
- c. Indifferent ☐

17. If no, how do you make ends meet?

- a. By offering some private consultancy service ☐
- b. By doing some personal business ☐
- c. By adopting coping strategies such as taxi, okada etc. ☐