

The Effects of Subsidy Removal on the Escalation of Political Corruption in Nigeria

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Abstract. The historical study analyzed the effects of subsidy removal on the escalation of political corruption in Nigeria. Previous administrations in Nigeria were investigated with specific emphasis on President Sheu Shagari, General Ibrahim Babangida, Late General Sanni Abacha, General Abdulsalam Abubakar, President Olusegun Obasanjo and President Goodluck Jonathan administrations. The study revealed that none of these past governments judiciously made use of the gains realized from subsidy removal. President Shehu Shagari mismanaged US\$16 billion in oil revenue between 1979 and 1983; General Ibrahim Babangida could neither account for the oil revenue accruable to the nation during the Gulf War nor could he make justification on the frivolous expenses on Better Life Programme of his administration. In the same vein, late General Sanni was found to have emptied the treasury by carting away huge amounts of money from the Central Bank. The democratically elected leaders, after 13 years of the military, paid lip services to corruption and this increased the poverty level, with many Nigerians living on less than US\$1 per day, while the supply of basic infrastructures in the country is in shambles. The study recommended that the Federal Government should rebuild citizens' confidence by cushioning the effects of the fuel subsidy removal and curb the excesses of corrupt public office holders, by bringing them to justice, irrespective of their status. Lastly, that the report of the House of Representative Ad-Hoc Committee on subsidy should be

implemented by the Federal Government, to demonstrate its zero tolerance to corruption.

Keywords: Subsidy, Political Corruption, Mismanagement, Downstream Sector, and Poverty

1. Introduction

Nigeria is one of the world's most endowed nations with abundant human and natural resources. Ironically, the country remains one of the world's most unindustrialized and poor nations. Nigeria is economically and politically backward with trauma of bad governance or mismanagement due largely to corruption in spite of its huge natural resources. Today, the image of this endowed country is battered by corruption and leadership crises. Corruption has tragically devastated Nigerian societies and made millions of people destitute. The tentacles of corruption has reached everywhere in Nigeria inclusive of children. From the offices of President and Ministers to the smallest administration unit of government, corruption is found everywhere (Ovaga, 2012).

Research has shown that the prevalence of corrupt leaders in Nigeria has a tremendous adverse effect on the quality of life, living standard, and national psyche. According to Eulou (as cited in Dike, 2006), to the leaders, the national objective is secondary; more considerations are given to self than the interest of the society without minding the disruptive

impact. Corruption by Nigerian leaders is a social malaise, which has accounted for lack of vision and mission by government officials. Keeper (2012) agreed with Dike (2006) who opined that corruption is an ill wind that brings a country no good.

It is on record that Nigeria is endowed with many natural resources, which unfortunately, have remained untapped except petroleum. In the same vein, agriculture, which was the mainstay of the economy, prior to the discovery of petroleum in commercial quantity in 1956, was equally abandoned. This was due to the rapid inflow of oil revenue to the country in the early 1970s (Ovaga, 2010). Since Nigeria's first export of crude oil in 1959, it has become the major contributor to the country's economy and that is why over 80% of her foreign exchange earnings come from the oil sector today.

Despite the fact that Nigeria is rated as Africa's second largest producer of crude oil after Libya, the 18th largest exporter in the world, and possessing the 10th largest oil reserves, the huge revenues that are realized from the export of the products since inception has not translated to any significant economic level in the Gross National Development, (Omotoso, 2010). Instead, it has been wide protests of various degrees from different quarters against short supply and steady increases in the pump prices of refined products. Corroborating this stand, Bring and Akpaii (2012) assert that Nigerian governments have been unable to use the oil wealth to significantly reduce poverty and provide basic social and economic services for her citizens' needs. This is connected with the monumental level of corruption that has characterized the petroleum subsidy regime in Nigeria. The nation has not only been short-changed economically, but Nigerians have been made to go through untold hardship as a result of a high cost of living, poor service delivery by operators of the subsidy process, and the partial removal of the subsidy from petroleum products by the Federal government of Nigeria.

The result of this ugly situation, the Federal government had to come up with the policy of fuel subsidy, with the aim of reducing the prices

of the products, thereby minimizing the direct burden on the masses. The introduction of this policy brought a dawn of huge expenses on the part of the Federal government. This is evident from the sum of about 1.5 trillion naira spent on fuel subsidy alone Between 2006 and 2009, and 600 billion naira Budgeted for the fiscal year 2010 (Movement for Economic Emancipation, 2010). In the 2011 fiscal year, the Presidency and National Assembly approved 240 billion naira as oil subsidy in the Appropriation Act (Folasade-Koyi, 2011), but as of October 2011, the subsidy scheme has gulped about 1.5 trillion naira showing extra-budgetary spending of 1.2 trillion naira.

In reaction to this ugly situation, Senate President, David Mark (2011) in Folasade-Koyi, (2011) accused "a cabal" in the petroleum industry to be responsible for the mismanagement of the oil subsidy. This goes to prove that the problem of Nigeria does not rely on the withdrawal of oil subsidy but how well funds are managed, the thesis of this paper. That is why many Nigerians remain skeptical about removal of the oil subsidy because for over 17 times now, past administrations had removed the subsidy in the downstream oil sector at one time or another, but up until today, there is nothing to show for it, (Akinlotan, 2012; Amos, 2011). Amos (2011) reiterated that the issue of fuel subsidy removal has never been translated into building of refineries and development of basic infrastructure that could ordinarily add value to the lives of Nigerians. Bearing in mind that fuel subsidy has not benefited most Nigerians, several economists, civil society, pro-democracy groups and ordinary Nigerians see the subsidies as hugely corrupt, wasteful, and bleeding money from the treasury into the pockets of rich fuel importers.

The Special Taskforce on Governance and Controls in the NNPC and other parastatals were set up to design a new corporate governance code for ensuring full transparency, good governance, and global best practices in different sectors. Despite this, the report of the House of Representative Committee on Petroleum Subsidy revealed high levels corruption in the fuel subsidy saga in Nigeria.

Subsequently, the Federal government directed the Economic and Financial Crimes Commission, (EFCC), to arrest and prosecute anyone, however highly placed, and connected to fuel subsidy fraud.

Despite the encouragement generated by the above efforts of the Federal government unfortunate no meaningful action was taken on the outcome of the investigations carried out by the relevant anti-corruption agencies. This is no different from previous experiences in the country where various committees were set up at different levels of government only for the recommendations or reports of such committees to be swept under the carpet at the end of the day. This paper, therefore, intends to expose that subsidy removal in Nigeria, rather than assist the economy, is a bane and the resultant effect is the escalation of political corruption. It thus proffers recommendations of reducing the monster, called corruption in the country.

2. Literature Review

A subsidy is an assistance paid to a business or economic sector mainly by the government to prevent the decline, (Todaro & Smith, 2009). The Oxford Advanced Learners Dictionary (2001) defines it as money that is paid by a government or an organization to reduce the cost of services, or of producing goods so that their prices can be kept low. Bakare (2012) posited that, to subsidize is to sell a product below the cost of production. Within context of this paper, fuel subsidy means to sell Nigerian petrol below the cost of importation.

Agu (2009) describes subsidies as a payment made by governments to producers of certain goods and services, to enable their production and distribution to be at lower prices than they would otherwise have been. He opined that the policy helps to lower the market prices below the factor costs, so that consumers would have the privilege to pay less for the goods and services than the cost the producer used to produce the same. So, Ovaga (2010), stated that subsidies are devices employed by government to assist either the consumers or producers to consume or produce certain commodities at

prices below the prevailing market prices. That it is an incentive given both to consume and produce more of goods and services.

3. Fuel Subsidy Removal

Advocating removal of subsidy, Iyobhebhe (2012), stated that the Medium Term Fiscal Framework (MTFF) would not work in Nigeria, unless the subsidy was scrapped. That the government needed the ₦41.3 Trillion/USD \$653103 from fuel savings for critical infrastructure development projects. The Minister for finance and coordinating Minister for the Economy, Dr. Okonjo-Iweala, advocating the International Monetary fund. (IMF) and World Bank Agenda, was of the notion that deregulation and removal of the subsidy may initially lead to inflationary pressures, but as the market is opened up to investors, billions of dollars will flow into the downstream sector and more private refineries will open for business in Nigeria. She argued further that, eventually, the market will self-regulate and the prices for refined petroleum products and other goods and services will be at the natural market level as competition forces prices down. The long-term benefit will be more than the short-term pain. Concluding she said that if the government is indirectly pursuing the IMF agenda for Nigeria, the removal is just one puzzle in the massive jigsaw.

4. Effects of Fuel Subsidy Removal on the Socio-Economic Lives of Nigerians

There are contending arguments on the merits and demerits of fuel subsidy increases or removal. The protagonists led by the Federal and State governments argued that fuel subsidy removal was a step in the right direction and in the interest of Nigerians. They maintained that it would help eliminate incentives for corruption and excess profiteering by an unpatriotic cabal in the petroleum sub-sector. It would minimize borrowing and save money for investing into job creation, power and transport infrastructure and others. It would eliminate capital flight and build Nigeria's foreign reserve in order to position the economy for speedy growth and global

competiveness. Fuel subsidy removal, according to President Goodluck Jonathan, will trigger private sector investment in a deregulated downstream petroleum sector, enthrone efficiency, and catapult the development of the nation's productive sectors such as agriculture and industries. According to the 2012 MTFF and the Fiscal Strategy Paper (FSP), which President Goodluck Jonathan sent to the national assembly, he stated among other things, that removal of fuel subsidy will free up to about ₦1.3 trillion, that is, about \$8 billion dollars in savings. The money, he added, would be deployed into providing safety nets for segments of society, which will help to ameliorate the effects of subsidy removal. Furthermore, subsidy removal and the money generated would guarantee the success of the MTFF. The money realized would be used to build more refineries and procure resources that would also help cushion the effect of the subsidy removal.

The antagonists of the fuel subsidy removal present a contrary view that the Federal government has not revealed the total amount that will be generated and the actual sharing. In other words, what will actually go to the states and local governments and what will be left for the Federal government has not been worked out. The effect this will have on the infrastructural development, as being put by the President and his economic advisers has not really been clear. Therefore, it was premature to speak of the benefits of the subsidy removal. Fuel subsidy removal will automatically lead to increases in the pump price of fuel. This was shown by the different pump prices witnessed across the country when the subsidy removal was announced, which ranged from ₦141 to ₦200 per liter. In other states of the country, a liter of petrol was sold for as much as ₦250. Other marketers created artificial scarcity in order to raise the pump price.

Fuel subsidy removal also affected transport fares and doubled motorist transport charges. Since this happened during the 2011 Christmas period when many Nigerians and their families had travelled to celebrate the Christmas with their families, including extended families, many were stranded. Those who could afford it did so

by abandoning their families in their villages. For many Nigerians, these were indeed interesting times requiring an interesting approach to life. Despite the reduction in the pump price of petrol to ₦97, the costs of transport as well as other products and services are yet to reflect the reduction, thereby forcing people to rethink their lifestyle and mode of transportation as a strategy for surviving the hard times.

Increases in transportation cost have ripple effects on other social issues. The prices of foodstuff went up. Food sellers use transportation to bring in food items, while cars and vehicles have to struggle to get fuel at very exorbitant prices. The result was that the food sellers had to factor in the increment increase in order to maintain marginal gains. School fees and charges were not spared, as they also increased. Most parents had no other choice than to withdraw their children and wards from schools.

House rents across the country have increased dramatically and the argument is that fuel price increases affected the price of cement astronomically. Before the fuel subsidy removal, there were indications that cement price may crash following the take-off of Dangote, Lafarge Cement Company in Ogun State. However, the withdrawal of the subsidy on January 1, 2012, catapulted the price of cement to over ₦2000 naira per bag, thus affecting the prices of house rent. According to Iroegbu-Chikezie (2012), a cement dealer, he had to raise the price of the product because he had to pay double the cost of transporting cement to his shop. The fuel subsidy removal also affected the cost of haulage of basic building materials such as iron rods, roofing sheets, flooring materials, and others.

Agboola (2012) maintained that the Organized Private Sector (OPS) were not happy with the removal of fuel subsidy. It described the policy as a deliberate move by the Federal government to worsen the decaying industrial sector. The OPS, he argued, may be forced to pay more for providing generating plants at its factories. Similarly, the Small and Medium Enterprises (SMEs) are affected since most of them use petrol for their relatively smaller power

generating plants. The group, according to its Director General, Nigerian Employers Consultative Association (NECA), Mr. Segun Oshinowo, members were neither invited nor represented in its institutional capacity at the meeting held with government and business operators. Their concern is that government should have fixed or put in place a number of measures and infrastructures before going ahead with the fuel subsidy removal. That is, the problem of power should have been fixed so that Nigerians would have to contend only with the fueling of their cars instead of looking for ways to power offices, industrial generation plants, and other things. New refineries should have been built and the older ones put into functioning so that the availability of the product locally will affect the economy and play a role in bringing down the price of the pump price.

5. Empirical Review of the History of Subsidy Removal in Nigeria

The history of fuel subsidy removal according to Bring and Akpan (2012) dated back to 1978 when the pump price of fuel was 8.4 kobo USD \$0.05 per litre, moved upwards to 15.37 kobo USD \$1.07 per liter under the administration of President Olusegun Obasanjo. They wanted to generate enough money to run the government, particularly when it was preparing for the 1979 democratic elections and to cater for the social needs of Nigerians. Midway into the second republic under President Sheu Shagari, specifically in 1982, the pump price was raised to 20 kobo USD \$0.10 per litre. In 1986, the military administration of General Ibrahim Babangida declared that due to the devaluation of the Naira, the domestic price of fuel had become unreasonably cheap and was therefore burdensome to the Federal government's purse. The price of petroleum products was thus raised from 20 kobo USD \$0.10 per litre per liter through a negotiation process and was sold at, before stepping aside in 1993 (Bring & Akpan, 2012).

Chief Ernest Shonekan in 1993 increased the pump price of fuel from 70 kobo USD \$0.07 per litre to ₦5.00/ USD \$.035 per litre while on October 2nd 1994, the Sanni Abacha junta

increased the price of fuel to \$15/ USD \$0.10, but after massive street protests, the regime reduced the increment to Nil/USD \$0.78 on October 4, 1994. That was the price until Abacha passed on, and the Abdulsalami Abubakar caretaker regime raised the price from ₦11/USD \$0.78 to ₦25/USD \$0.18 on December 20, 1998 and after days of sustained protests, was forced to reduce the increment to ₦20/USD \$0.14 on January 6, 1999 (Bring & Akpan, 2012).

President Olusegun Obasanjo's adopted the fuel subsidy removal as the bedrock of its economic policy. He was barely sworn in as the President when he effected an upward review of the pump price of fuel to ₦30/USD \$0.21 on June 1, 2000; however, protests and mass rejection forced him to reduce the increment to ₦25/USD \$0.17 on June 8, 2000 and further down to ₦22/ USD \$0.16 on June 13, 2000. The regime increased the price to ₦26/ USD \$0.19 on January 1, 2002 and again to ₦40/USD \$0.19 on June 23, 2003. He raised it to ₦70/USD \$0.07 by the time he left in May 2007 but the incoming Yar'Adua regime reduced it to ₦65/USD \$0.06, after general protests against the new price regime. Although the Yar'Adua government made efforts to increase the price of petroleum products, it could not scale through following increased mass disapproval for such act. President Goodluck Jonathan, however, increased the price of fuel from ₦65/USD \$0.06 to ₦41/USD \$0.04 on January 1, 2012 before it was reduced to ₦97/USD \$0.08, the current price (retrieved from <http://www.TheMaceOnline.com/hous-of-reps-news/241-fuel-subsidy-removal-the-challenge-befor-house-committee-onpetroleum-downstream>).

Considering the Case Study of Fuel Subsidy and Previous Administrations in Nigeria, we have:

5.1 Subsidy Removal Under the Second Republic Headed by President Sheu Shagari

President Sheu Shagari maintained the status quo on the prices of petroleum products and prices were relatively stable except in January 1982, when the pump price was raised from 15.37kobo/USD \$0.11 to 20 kobo/USD \$0.14 per litre. The marginal increase did not have much

of a devastating effect on the populace. Also, under his leadership, the Ethical Revolution was set up in 1981 to transform, for better, the country's national values which was hitherto, characterized by fraud and corruption. These efforts of curbing corruption were not effective as the government itself, was immersed in corruption practices; Welch (1987) described Shehu Shagari's leadership as uncontrollably corrupt. In fact, the massive corruption at the leadership level formed part of the reasons for the military take-over of the regime in 1983 (Emma, 2006; Ogundiya & Baba, 2004)

President Shehu Shagari was weak in the leadership of the country-A soft-spoken and mild mannered gentleman, he was pathetic in his inability to call his ministers and political lieutenants to order, or stop them from embezzling state funds. Politicians, like the combative Transport Minister, Alhaji Umaru Dikko, symbolized the graft and avarice under Shagari's government, he was alleged to have mismanaged about ₦4 billions/USD \$.02 billion of public funds meant for the importation of rice (Dash, 1983). Besides, it was claimed that over \$16 billion of oil revenues were lost between 1979 and 1983 during the administration. It became quite common, for Federal Administrative buildings to go up in flames particularly before the onset of ordered audits of government accounts, making it impossible to discover written evidence of embezzlement and fraud (Dash, 1983).

However, it should be noted that the money realized from the fuel increase was used by members of the regime to buy personal properties in major capitals of European nations (USA, UK, Spain, France and others), as against using the same to put in place social services that Nigerians badly needed. The inept leadership of the then NPN national government and the corruption that bedeviled the administration led to its overthrow (Bring & Akpan, 2012)

5.2 Subsidy removal under the General Ibrahim Babangida 's Administration

When the self-styled military President Ibrahim Babangida took over in 1985, his first focus was

oil. The regime increased the pump price of fuel to 39.50 kobo/USD \$.28 on March 31, 1986. This regime was notorious for numerous pump price increases. On April 10, 1988, the regime, increased it to 42 kobo USD \$.30 per liter and then again to 60 kobo USD \$.43 per litre for private cars on January 1, 1989. These increases came at the time the regime chose to adopt a home grown Structural Adjustment Programme (SAP) as opposed to external borrowing. Nigerians greeted his decision with massive protests. The economic downturn coupled with the fact that the increases made life unbearable made Nigerians to react angrily (Bring & Akpan, 2012).

General Ibrahim Babangida's leadership was observed not to have significantly controlled corruption. Rather, corrupt practices heightened under him (Dike, 2001). Indeed, his regime was seriously criticized for its personification of state power and the institutionalization of corruption (Derin, 2007). For instance, the Pius Okigbo Report of 1995 indicted Babangida for his inability to account for the \$12.4 billion that accrued to Nigeria from the Gulf War Oil Sales (Derin, 2007).

In his submission, Maduagwu (1995) listed some of the highlights of Babangida's corrupt practices as: \$200 million siphoned from the Aluminium and Smelter project, ₦400 million USD \$2.9million wasted on the Better Life project, extra budgetary spending of ₦186.9 billion/USD \$1.34billion between 1989 and 1993. The regime is said to be the epitome of corruption in the history of Nigeria. Maduagwu (1995) citing The News December 20, 1993 listed the following as some of the highlights of Babangida corrupt practices as:

- (i) \$12.4 billion Gulf war wind fall in 1991
- (ii) 30% of oil revenue diverted to frivolous uses throughout the time.
- (iii) Huge extra-budgetary spending: 1989, ₦15.3 billion/USD \$.11 billion; 1990, ₦23.4 billion/USD \$.17billion; 1991, ₦35 billion/USD \$.25billion; 1992, ₦44.2 billion/USD \$.32billion; 1993 (by

- (iv) August), ₦59 billion/USD \$42 billion.
- (iv) ₦28,400billion/USD \$200 million siphoned from the Aluminum Smelter project.
- (v) ₦400million/USD\$2.86million wasted on the Better life project
- (vi) Colossal Corruption at the NNPC, e.g. \$101 million for the purchase of strategic Storage facility.

Gboyega (1996), in his summary of the corrupt nature of Babangida's administration opined that the benign treatment of corruption in the early years of the Babangida administration foretold a much more conscious instrumental use of corruption to ensure regime stability. For a military administration, Babangida's government was unique in its unconcern about corruption within its rank and among public servants generally; it was as if the Government existed so that corruption might thrive.

Again, there was enormous electoral fraud and corruption involved in the transition to a civil rule programme initiated and organized by General Ibrahim Babaginda that was eventually annulled. The annulment of the June 12th presidential election resulted in a political impasse that eventually forced General Ibrahim Babaginda to step aside and to hand over the leadership of the nation to an Interim National Government (ING) under Chief Earnest Shonekan. He raised the fuel price from

70kobo/USD.005 to ₦5.00/USD \$.035 within the 87 days of his illegal rule (Bring & Akpan,2012).
Fuel Subsidy Remover under General Sanni Abacha

General Sani Abacha forcefully hijacked power from Chief Shonekan and raised the fuel price from ₦5.00/USD \$.035 to ₦11/USD \$.079. The income generated from oil, which could have been used to develop the economy in his tenure, was wasted while billions of dollars were unlawfully withdrawn from the Central Bank and taken abroad in foreign accounts. Table 1 below reflects the number of times and the amounts withdrawn by the junta from the Central Bank. The level of corruption and despotic tendencies by his leadership was such that Nigeria became a pariah nation and was ostracized from the comity of nations. Indeed, General Sanni Abacha's leadership was so corrupt that after his death, over \$600 million and £75 million were recovered from his family as part of the money he corruptly enriched himself with (Emma, 2006).

According to media reports, the interception of Abacha's widow, Mariam Abacha, at the Kano Airport, allegedly in possession of 38 suitcases stuffed with hard currency and on her way to Saudi Arabia, provoked investigations into Abacha's corrupt acts. (News week, 13 March 2000).

Table 1. Withdrawals Effected at the Central Bank of Nigeria by General Sanni Abacha

Date of Withdrawal	Date of Withdrawal
15 th February, 1995	\$4 million and £2 million
7 th February, 1995	\$4 million and £2 million
8 th July, 1995	\$5 million and £4 million
29 th December, 1995	\$5 million
28 th March, 1996	\$3.8 million
29 th May, 1996	\$12.5 million
20 th June, 1996	\$10 million and £5 million
20 th August, 1996	\$30 million and £15 million
24 th September, 1996	\$50 million
30 th September, 1996	\$50 million and £3 million
14 th October, 1996	\$5 million
11 th November, 1996	\$5 million and £3 million
18 th February, 1997	\$6 million

28 th February, 1997	\$3 million
3 rd March, 1997	\$3.27 million
6 th March, 1997	\$1.21 million
22 nd April, 1997	\$60 million and £30 million
28 th April, 1997	\$60 million and £30 million
30 th June, 1997	\$4.9 million
9 th July, 1997	\$5 million and £2 million
8 th August, 1997	\$10 million
18 th October, 1997	\$12.3 million
21 st October, 1997	£5.88 million
23 rd October, 1997	£14.76 million
29 th October, 1997	£11.76 million
14 th November, 1997	\$10 million
26 th November, 1997	\$24 million
10 th December, 1997	\$24 million
18 th December, 1997	£6.15 million

Source: Ugolor, 2002

During a press conference on 6 September 1998 General Abubakar announced that investigators had uncovered at least 130 bank accounts in 50 different banks (foreign and local) in which millions of dollars stolen from the Nigerian public treasury were stashed. The General also confirmed that in a bid to recover the funds, his government had requested the cooperation of the countries where the funds were kept (The News, 31 May 1999). By the time he left office in May 1999, General Abubakar had recovered \$825 million from the Abacha family, leaving a total of \$1.3 billion frozen in several banks in Switzerland, Luxemburg, and Liechtenstein (Daniel, 2004).

5.3 Fuel Subsidy Removal under the General Abdulsalam Abubakar

When Sanni Abacha died in 1998, General Abdulsalami Abubakar became the Head of State and virtually concentrated on oil. He took the fuel price from ₦11 /USD \$.079 to ₦20/USD \$.14 within the ten months he ruled Nigeria. Because of his short stay in power, not many of his corrupt acts were known until the year 2000, when an official inquiry, commonly known as the Christopher Kolade Panel, was set up following the return to democratic rule. The Christopher Kolade Panel indicted the preceding military regime of General Abdulsalami Abubakar (1998-1999), of "massively inflating and flagrantly awarding contracts, licenses, awards, etc., usually to firms in which top

members of the regime had substantial interests, often at very exorbitant prices, thereby causing a sharp drop in the country's external reserves" (Federal Republic of Nigeria 1999b). The panel, specifically in its final reports, reviewed 4072 contracts, 576 licenses, 807 appointments, 768 awards, and 111 approvals all made within five months. The panel submitted that the 4072 contracts cost Nigeria ₦ 635.62 billion/USD \$4.5401 billion as against the ₦ 88 billion/ USD \$.6billion budgeted for in 1998 budget, this, representing a deficit of ₦551 billion/ USD \$3.93Billion. The panel also revealed the depletion of the foreign reserve, which as at the end of 1998 stood at \$7.6 billion/ but shrank to a \$3.8 billion by May 1999 (Onanuga, 2000).

5.4 Subsidy Removal under the President Olusegun Obasanjo

When General Obasanjo returned to office in May as elected President in 1999, his first point of call was oil capitalization on the precedent laid by his predecessor He raised the price of fuel from ₦20/USD \$.14 to ₦ 70/USD \$.5 within the eight years he spent in office. This act incited the masses to start kicking against such actions. The price hike resulted that for eight days, the economy was at a standstill (Ojameruaye, 2011).

In an attempt to ensure that petroleum product prices reflected supply cost and the forces of demand and supply, President Obasanjo em-

barked on the deregulation of the downstream oil industry in August 2000 with the setting up of a Special Committee on the Review of Petroleum Products Supply and Distribution (SRCPPSD). The Committee submitted its report in October 2000 and the government issued its White Paper in January 2001. The President forwarded the Bill for an Act to Establish Petroleum Products Pricing Regulatory Committee (PPPR) to the National Assembly in March 2001. In January 2002, the government commenced the liberalization of the downstream sector of the oil industry by fixing the ceiling prices for petrol (PMS), diesel (AGO) and kerosene (HHK) at ₦26/USD \$1.19, ₦26/USD \$1.19, and ₦24/USD \$1.17 per liter, respectively. An import duty ₦1.50/USD \$0.01 per liter on imported petroleum products was introduced, while the selling price of crude to local refineries was increased from \$9.50 to \$18.0 per barrel (Ojameruaye, 2011).

The PPPRA announced new pump prices of petroleum products on June 20, 2003. This was greeted by a nation-wide strike declared by the Nigeria Labour Congress and its affiliates. The nation-wide strike action ended with the adjustment of the prices to ₦34/USD \$1.24 per liter for petrol, ₦32. /USD \$1.22 each for diesel and kerosene. Despite the deregulation of the downstream sector through subsidy removal, the rate of corruption in the sector was still very high (Ojameruaye, 2011). In the year 2006, he increased the pump price of fuel from ₦34.00/USD \$1.24 per litre to ₦40/USD \$1.29 per litre and by year 2007, the president had increased the fuel price from ₦40/USD \$1.29 per litre to ₦75/USD \$1.54 per litre. President Musa Yar'Adua, his successor, reduced the price to ₦65/USD \$1.46 per litre (Ovaga, 2010).

5.5 Fuel Subsidy Removal under the Administration of President Goodluck Jonathan

Nigerians got a shocking New Year gift from the Federal Government on January 1, 2012. They found long queues at the filling stations where fuel was sold above ₦140/USD \$1 per litre per liter. Fuel subsidy removal which the Federal Government under President Goodluck Jonathan has canvassed and lobbied for since he was

sworn in after the demise of President Musa Yar'Adua finally got to the blast off stage on Monday, 12 December 2011, when the National Economic Council (NEC), headed by vice President Namadi Sambo decided that government should finally remove the subsidy come January 2012. The body, which consisted of the Vice President, governors, strategic ministers and Central Bank of Nigeria (CBN), claimed that fuel subsidy removal had become inevitable to avert the collapse of Nigerian economy (Onanuga, 2011).

However, despite public criticism against subsidy removal and to the greatest dismay of Nigerians, the pump fuel price was on January 1, 2012 increased from ₦65/USD \$1.46 per litre to ₦141/USD \$1 per litre. The "Save Nigerian Group" led by Tunde Bakare, organized protests across the length and breadth of the Southwestern part of the country with heavy impact in Lagos. He lamented that the Nigerian capitalist government predicated the hike in fuel price on the need to stop the financial hemorrhaging of the country through the subsidy paid on petrol price and that according to government sources, over ₦3.6/USD \$1.025 trillion has been spent on fuel subsidy since 2006 (Bakare, 2012).

The report of the Ad-Hoc Committee set-up by the House of Representatives on fuel subsidy led by Farouk Lawal discovered that the fuel subsidy regime was fraught with endemic corruption and entrenched inefficiency. Much of the amount claimed to have been paid as subsidy was actually not for consumed Premium Motor Spirit (or Petrol). The committee reported that "contrary to the earlier official figure of subsidy payment of ₦1.3 trillion/USD \$1.009 trillion, the Accountant General of the Federation put forward a figure of ₦1.6 trillion /USD \$1.011 trillion, the CBN ₦1.7trillion /USD \$1.012 trillion, while the committee established subsidy payment of ₦2,587.087 trillion/ USD \$18.48 trillion as at 31 December, 2011, amounting to more than 900% over the appropriated sum of ₦245 billion/USD \$1.75 billion" (Igbuzor, 2012).

The committee in its report established that NNPC was found not to be accountable to

anybody or authority. The corporation, in 2011 processed payment of ₦310.4 billion/ USD \$2.22 billion as 2009-2011 arrears of subsidy on kerosene, contrary to a Presidential Directive which removed sub-sidy on Kerosene in 2009. The corporation also processed for itself, direct deduction of subsidy payments from amounts it received from other operations such as joint venture before paying the balance to the Federation Account, thereby depleting the shares of states and local governments from the distributable pool. Worse still, the direct deduction in 2011 alone, which amounted to ₦847.942 billion/ USD \$6.01 billion, was effected without any provision in the Appropriation Act. The Committee also found out that some of the marketers were involved in claiming subsidy on products not supplied (Igbuzor, 2012).

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From the report of the House of Representatives Ad-Hoc Committee on fuel subsidy, it has been established that the fuel subsidy regime is characterized by monumental corruption. The statutory guidelines and financial regulations guiding the administrations were completely ignored. It also revealed that there was a lot of deceit by government officials on the actual amount of money paid out as subsidy. It shows

further that a cabal in of less than 1 per cent of the population is holding the country to ransom. It also revealed high level of irresponsibility of the political elite and businesspersons in this country (Igbuzor, 2012).

6. Recommendations

The following are recommendations based on the findings of this study:

Firstly, the government needs to rebuild the people's trust by cushioning the effects of the fuel subsidy removal, curbing the excesses of the three tiers of government, investigating, and bringing to Law all those corrupt officials/economic saboteurs/cabal that squandered the fuel subsidy largesse. The report of the House of Representative Committee that probed subsidy removal for example should be implemented by the Federal government without fear or favour to demonstrate its commitment to curtailing corruption in Nigeria.

Secondly, the Economic and Financial Crimes Commission (EFCC) should always be at alert and make sure those responsible for the embezzling of the fuel subsidy funds are punished. The EFCC should be allowed full access to relevant government information, especially with the passage of freedom of information act and prosecute public corrupt officials irrespective of status, tribe or age to serve as deterrent to others.

Thirdly, the governance structure should be more cost effective and corruption must be more effectively tackled. Government must ensure accountability and transparency in the use of the savings from the policy decision for the benefit of the people. There is a seeming agreement among Nigerians that the Nigerian National Petroleum Corporation (NNPC) is corrupt and needs a complete reorganization and persons found to be guilty be appropriately punished.

7. Conclusion

The study posits that, corruption was very much celebrated during elections and unusual excesses were recorded during campaigns, also a lot of

funds were unnecessarily squandered for flimsy reasons, to the extent of giving bribery for budget approval, similarly, payment were made by personalities, to be confirmed ministers by the legislators, etc. all revealed that those who were supposed to be fighting corruption were themselves deeply involved in corrupt practices (Derin, 2007). Funds realized on subsidy removal are better spent for all citizenry by providing, functional social services, like, power, portable water, roads, health services, housing, and employment, with enabling policies put in place to ensure adequate food supply for both local consumptions and possibly for export.

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