

**FUEL SUBSIDY REMOVAL AND THE NIGERIAN ECONOMY
(A CASE STUDY OF ABAKILIKI LOCAL GOVERNMENT AREA,
EBONYI STATE)**

BY

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PA/2008/182

**DEPARTMENT OF PUBLIC ADMINISTRATION
FACULTY OF MANAGEMENT AND SOCIAL SCIENCES
CARITAS UNIVERSITY, AMORJI-NIKE, ENUGU.**

ENUGU STATE

AUGUST 2012

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DEPARTMENT OF PUBLIC ADMINISTRATION,

FACULTY OF MANAGEMENT AND SOCIAL SCIENCES,

CARITAS UNIVERSITY, AMORJI-NIKE, ENUGU,

ENUGU STATE.

AUGUST 2012

CERTIFICATION

This is to certify that Nkwagu Oluchi Winifred with Registratoin Number PA/2008/182 has successfully carried out a research work on “Fuel Subsidy Removal and the Nigerian Economy (A case Study of Abakaliki Local government Area, Ebonyi State.) in partial fulfillment of the requirement for the award of Bachelor of science (B.Sc.) degree in Public Administration

Mr. M. O. Ugada
(Project Supervisor)

Date

Mr. M. O. Ugada
(HOD Public Adminstration)

Date

External Examiner

Date

DEDICATION

This research work is dedicated to God Almighty and to my parents Mr. and Mrs. Wilfred Nkwagu who chose my education and academic carrier as of paramount importance to them.

ACKNOWLEDGEMENT

In line with the saying the proverb “A tree cannot make a forest”, it will be an exercise in self deception to live under the illusion that this work could have seen the light of the day, without the assistance and contributions of many others who supported me.

I acknowledge the Almighty God first; the giver and source of my wisdom and for making my four years stay in Caritas a successful one.

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ABSTRACT

When the researcher chose this topic “fuel subsidy removal and Nigerian economy”-she was inspired on how Nigerians reacted towards the fuel subsidy removal, the strikes, violent demonstrations, high cost of fuel and transportation etc, it was these problems that made the researcher carryout this work. To do this, researcher developed three major questions and other sub/minor questions aimed at prying into fuel subsidy removal and the Nigerian economy. These questions were administered in the form of a questionnaire to 399 respondents who were selected as a sample of the population. Apart from the primary data collected through questionnaire, secondary data were also collected. In organizing and presenting data collected, tables and percentages were used. Data analysis and interpretation revealed the level of impact felt in the sectors of the economy. A high level of impact was felt in health, transportation, education and power sector, a low impact was felt in agriculture, infrastructure and basic amenities, majority of the respondents had no idea of the achieved impact in communicating and no impact was felt at all in tourism. It was therefore recommended that government should pay adequate attention to these sectors of the economy, this should also be supplemented by providing social amenities and infrastructures in the country. If the sectors of the economy are in a very good shape, it will not only go along way in sustaining and reviving other sectors of the economy, it wil also help to hasten growth and development in Nigeria.

CHAPTER ONE

INTRODUCTION

1.1BACKGROUND OF STUDY

A subsidy by definition is any measure that keeps prices consumers pay for a good or produce below market level for consumer or for producers. Subsidies take different forms,these include grants, tax reductions and exemptions or price controls. Others affect prices or cost indirectly such as regulations that skew the market price in favour of a particular fuel, government. Sponsored technology, or research and development.(R & O) Alozie (2009).

According to Eyiuche (2012) the federal government operated fuel subsidy with the aim of making petroleum products available to cushion the effect of actual market prices of the product on the general populace. The federal government during the military era was of the opinion that the cost of production, transportation of fuel will be so much a heavy burden for the poor masses of Nigerians to bear alone and therefore decided to pay part of the total amount of fuel cost for every Nigerian in order to make the product available and affordable. This is actually what is referred to as fuel subsidy, that is the government paying part of the total amount of fuel cost. His intention of cushioning the effect of actual market price of fuel product actually worked for a period of time, say from 1973-1983. On March 31st 1986. Gen. Ibrahim Babangida increased the pump price of petrol form 20k to #39.5k. This was about 97.5% increment.

Sources have it that issues worsened with the advent to democracy. On June 1st, 2000 Chief Olusegun Obasanjo increased the pump price of petrol from #20 to #30 (50% increment). Gradually, the aim of the military government that introduced fuel subsidy was subdued and defeated.

The benefits of fuel subsidy to the average Nigerian was short lived. The federal government claim to have spent over #1.4 trillion on fuel subsidy in the past five years. It also claimed to be paying heavily to subsidize kerosene which is imported into the country through the Nigerian National Petroleum corporation (NNPC), the fuel subsidy policy has also bred several unintended consequences and practices such as smuggling of petroleum products out of the country, the federal government also claimed that the fuel subsidy policy has made them unable to tackle problems of our collective infrastructure which are the roads, power, agriculture, fixing the refineries etc. Omoniji (2012).

Given the antecedents that most Nigerians have not benefited from fuel subsidy, several economists view subsidies as highly corrupt, wasteful and bled money from the treasury into the private pockets of rich fuel importers. As a result of this obvious reality, the federal government on January 1st 2012 dramatically announced the end of fuel subsidy. With the intention of using the money accrued from fuel subsidy to develop other sectors of the economy , and also to ensure sustainable develop and wealth generation for the nation. Onanuga (2012).

The removal of fuel subsidy by the nigeian government raises lot of dust. It can be said to be the most talked about issue since the inception of democracy in

Nigeria. It can also be said that the subsidy will go down in history as one of the most unpopular policies ever imposed on Nigerians. The protest and war of words that the policy generated pointed out glaringly the mistrust Nigerians, most especially the youths have for the government due to years upon years of failed promises and unaccomplished government policies/programmes. Nigerians got a shocking new year gift from the federal government on January 1st 2012. They found long queues at the filling stations where petrol was sold above #65 per litre. Fuel subsidy removal which the federal government under the leadership of President Goodluck Ebele Jonathan has canvassed and lobbied for since he was sworn in last May 29, 2011 appeared to have finally got to the blast off stage. It was on Monday, December 12, 2011, that the National Economic Council headed by the Vice President Nnamdi Sambo decided that government should finally remove the subsidy come January 2012. The body consists of the vice president, governors, strategic ministers and central bank of Nigeria (CBN) claimed that subsidy removal had become inevitable to avert the collapse of Nigerian economy. Daily sun (2012:18).

The withdrawal of fuel subsidy by the federal government generated heated debates by Nigerian Labour Congress (NLC) owing to its socio-economic implications on the nation's economy. The prices of goods and services rose, the cost of transportation also rose drastically even commercial motorcycle instantly adjusted their fares as soon as the subsidy removal was announced. Many artisan like welders, aluminum window filters, tailors, who cannot afford power

generators are today out of work, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street hawtorny just to keep body and soul together. The NLC and government workers went on strike which resulted the nation (Nigeria) to loose chose to \$617 million daily, translating into about #100 billion, this removal also brought about mass poverty to Nigerians as the prices of goods and services increased while their income still remain constant, and also violent demonstration which distorted peace and tranquility in the country. Following the pronouncement, motorist who were traveling back to their various destinations after the new year and Christmas celebrations were hit by sudden likes on petrol prices. Prices rose dramatically ranging between #140 and #150 per litre and at between #170 to #200 on the black market. Omoniji (2012: 4).

In the words of Kauffmann (2010: 128) subsidy removal as a programme enjoyed relative success with limited social stress, in others cases the exercise was deemed a failure. Elimination of subsidies on essential commodities like fuel has been known to precipitate social dislocation and in the extreme led to street riots and civil strike. Fuel subsidy removal programmes are sensitive to economy structure, level of development of the country, political system and the state of the economy. There is evidence that the more successful countries have taken a phase or gradual approach, have engage in conscientious research prior to implementation and followed a regorious approach to policy making. The effective communication and fair level of trust between citizens and government

may be the other critical success factors in such an exercise. We examine Nigeria's proposal for subsidy removal against this back drop.

The stake holders, unions and people made snide comments about the removal of fuel subsidy, they say that the policy is unconstitutional because the policy does not favour the poor masses, and they did not seek the consent of the people and their full support before implementing such policy. They also stated their view saying that subsidy removal is not the only means that the government can accrue or save money to develop other sectors of the economy.

1.2 STATEMENT OF PROBLEM

Nigerians did not embrace the new policy of fuel subsidy removal by the federal government. On 1st of January 2012 when president Ebele Goodluck Jonathan announced the fuel subsidy removal. Nigerians reacted negatively towards such policy. The Nigerian labour congress and government workers went on strike which made the nation (Nigeria) to lose a huge amount of money close to #100 billion naira. Emeh (2012).

The removal of fuel subsidy by the federal government also generated inflation in the country which bought about a high cost of fuel and other items in the market, not only did it bring about inflation, it was also accompanied with mass poverty because the price of goods and services increased while the income of people still remained constant. Nigerians were also traumatized by the new of the new policy and it also brought about violent demonstrations which disorted the

peace and tranquility of the country. It was these problems that prompted the researcher to carry a thorough research on the impact of fuel subsidy removal on the Nigerian economy.

1.3 OBJECTIVES OF THE STUDY

The objective of this study is to look into fuel subsidy removal and the Nigerian economy, to achieve this, the researcher wishes

1. To assess the rational for the removal of fuel subsidy by the federal government.
2. To assess what petrol subsidy removal portend for the Nigerian economy.
3. To assess the failure or success of the oil subsidy regime.

1.4 RESEARCH QUESTIONS

The following shall constitute a question for this research

1. Was the fuel subsidy regime useful to a majority of Nigerians.
2. Was the federal government reasonable in removing the subsidy on fuel.
3. What does the fuel subsidy removal portend for Nigerians.

1.5 SCOPE OF STUDY

Because of the vast nature of Nigeria, the researcher limited its study to Abakaliki local government area and its environs

1.6 LIMITATION OF THE STUDY

In this research work like every other purposeful act, it was met with many obstacles in the gathering of information the major problem encountered by the researcher is the limited time given within which to gather and analyse data because this topic is based on current issues in our society. Also the researcher was faced with the problem of finance as well as the negative attitude and non-cooperation of the respondents to give information to the researcher. Also, there is the problem of transportation from one place to another. Other problems include physical problems such as energy used in carrying out this work and it was carried out when normal school activities were on, the researcher devoted more time in order to meet up with the time limit for the submission of this work. Another problem the researcher encountered was lack of textbooks because this research work is a current issue in Nigeria, people have not written any text books on it, the researcher had to reach on journal, magazines, newspaper and the internet.

1.7 SIGNIFICANCE OF THE STUDY

The findings of this study will be very useful to the government and stakeholders to be able to adopt a bottom-up approach to that will be beneficial to Nigeria both the ordinary masses and the elites. The result of the study will also be useful to Nigerian citizens as they will comprehend and be enlightened on the usefulness or otherwise of fuel subsidy removal. The finding will also be useful to students, staff and researchers looking for reference materials on fuel subsidy

(removal). The public, private sectors and public affair analyst will learn a lot from the findings and recommendations made in this work

DEFINITION OF TERMS

Impact – consequences, outcome, reparations

Fuel subsidy – The amount of money that the government pay to the cabals or fuel importers while importing fuel so the price of fuel will be cheaper for the people to purchase

Removal – Elimination, withdrawal or taking away

Nigerian economy – The wealth, resources financial system of Nigeria

Subsidy – Any measure that keep prices consumer pay for a good or produce below market price for consumer or for producer

Regime - A period of existence of something

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CHAPTER TWO

LITERATURE REVIEW

2.1 SUBSIDY AND FUEL SUBSIDY

Subsidy can be defined as a financial assistance to certain products or category of industry so that the price will be low and hopefully continue to provide jobs and spin off economic activity. Subsidies have been around for ages and it comes in many forms such as cash, labour form, export, consumption, education, housing etc. According to sun news papers May 5, 2012, the idea of subsidizing petroleum products to Nigerians was born following the collapse of the nation's four refineries, which had forced the country, form being a massive producer of refined product to becoming a net improper of petroleum products notably, petrol, kerosene and diesel for domestic users. In the mid 1990's, Nigerians refineries – Kaduna, Port Harcourt and Warri, had collapsed due to the negligence of its management to carry out a routine turn around maintenance (TAM). As the refineries collapsed, it created a short-fall in the system, as the supply of petroleum products could not match the demand by local consumers. Therefore the next option left for the government was a resort to importation through the NNPC importation had become inevitable to curb the embarrassing scarcity of products and the attendant soaring high prices experienced in all nooks and crannies of the country. However it was not only the refineries that collapsed due to the alleged graft in the system, key infrastructure in the down steam end of the business also went down the refineries. The various petroleum products storage and distribution

pipelines ferrying fuel from the refineries primarily from Lagos, Port Harcourt, and Warri to other parts of the country had all aged, rotten, obsolete, bursting and non-functional. Indeed, importation poses a serious economic challenge in the country, the challenge came in and government had to opt to ferry the products via trucks (rather than pipelines) to the various part of the country. The trucks had to be hired and owners paid for. Another economic challenge was that imported products had more templates (importers had to approach banks for credit facilities, which came with huge interest rates, they had to hire and pay for vessels, pay port change, duty to customs and other taxes), which normally shot up the landing cost of products, far above what would have been obtainable had the products been refined in the country.

2.1.1 AGENCIES INVOLVED IN SUBSIDY

Some analysts have pointed at a price variation that is above 50 percent products are refined locally. To cope with these challenges, the petroleum equalization fund (PEF) and petroleum support programme (PSP) were both launched by the government with budgetary provisions to accommodate them. The equalization fund handled what government called the “bridging cost” – the logistics of carrying products from Lagos to other parts of the country, while the PSP was mandated to pay marketers the extra sum incurred in bringing in products into the country and selling at a uniform price. For e.g. as at today, it is estimated that the landing and selling cost of imported products would be in the region of #140 and

#141 a litre in Lagos state and very nearby states. So if the government wants importers and marketers to stay on a #97 per litre price, and marketers import and land should sell at #141 per liter to stay afloat as profitable businesses, it means government had to refund the extra cost of #14 borne by the marketers in that deal. The government to pay marketers cost of taking the products from Lagos to other parts of the country via trucks.

On the other hand, the petroleum products pricing regulatory agency (PPPRA), manages the petroleum product support fund (PSF) scheme. The PPPRA quarterly grants approval or permits to oil firms to import products into the country. The oil firms have to apply, but the PPPRA will grant the volume that each oil firm can bring in per quarter – all in an attempt to ensure that a glut or scarcity is not experienced in the system. The PPPRA also fixes the price that marketers will have to sell products to consumers. The PPPRA through the PSF scheme, refines the extra-cost (as we later calculated the #14) borne by marketers who import and land production in the country.

It will be also instructive to note that most of the marketers who import do so on behalf of the NNPC. And one marketer can import at a given period on behalf of the NNPC and thereafter share the product to other marketers. The PPPRA originally reports to the president but in the last two years, that had been altered, as it now reports to the minister of petroleum resources.

Another regulator is the Department of petroleum resources (DPR). This agency is statutory responsible for the regulatory of all aspects of the industry – up

stream, middle steam and down stream industry. DPR ensures that the right quality and quality of products is imported into the country by each marketers approved by the PPPRA.

2.2 ORIGIN OF FUEL PRICE INCREASE IN NIGERIA

The history of the fuel price increase in Nigeria dates back to 1973 when Gowon increased fuel from 6k to 8.45k (about 40.8% increase). Murtala Mohammed also increased it in 1976 from 8.45 to 9k (about 0.59% increase). Obasanjo also increased it again on October 1, 1978 from 9k to 15.3k (about 70% increase). Shehu Shagari also increased it on April 20th from 15.3k to 20k (about 30.71% increase). Ibrahim Babangida also increased the fuel price on March 31st 1986 from 20k to 39.5k (95.5% increase). He also increase it on April 10, 1988 from 39.5k to 42k (6.33% increase). On January 1, 1989, he increased the price from 42k to 60k (although the regime said it was for private vehicle only but the price remained 42k for commercial vehicles). On December 19, 1989, he also moved it to a uniform price of 60k (42.86%). On March 6; 1991, the price of a litre increased from 60k to 70k (16.67% increase) and that was the price when Babangida Ibrahim stepped aside in August 1993.

Chief Enerst Shonekan increased the price of a litre of fuel from 70k to #5 (614% increase) on November 8, 1993 but a hectic mass protest saw Abacha take over power. The incoming Abacha regime reduced the increment to #3.25 on November 22 1993. On October 2nd 1994 the Abacha Junted increased the price of

fuel to #15 from #3.25 (361.54% increase). But after massive street protest, the regime reduced the increment to #11 on October 4, 1994. That was the price until Abacha passed on 8th of June 1998 and the Abdul Salami Abubakar caretaker regime raised the price from #11 to #25 (127.27% increase) on Dec 20, 1998 and after days of sustained protest, it was forced to reduce the increment to #20 on January 6th, 1999.

The Obasanjo presidency adopted fuel subsidy as the bedrock of its economic policy, for no sooner than it was sworn in that it affected an increment to #30 (50% increase) on June 1, 2000 but protest and mass rejection forced it to reduce the increment to #25 on June 8, 2000 and further down to #22 (-10%) on June 13, 2000. The regime was again to increase the price to #26 (18.18%) on January 1, 2002 and again to #42 (23.08% increase) on June 2003.

On May 29th 2004 Obasanjo increased it from #42 to #50 (19.05% increase). On August 25th 2004 it rose from #50 to #65 (30% increase). On May 27th 2007, it rose again from #65 to #75 (15.38% increase).

Yaradua's regime/government reduced it to #65 in June 2007 after general protest against the new price regime. Although the Yaradua government made effort to increase the price of petroleum products it could not scale through following increased mass disapproval for such act.

The Goodluck Jonathan administration has said it is fuel subsidy removal or nothing else, when he increased it from #65 to #141 on January 1, 2012 and after much violent demonstrations by Nigerians, he later reduced it to #97.

2.2.1 PETROL PRICES IN SELECTED COUNTRIES

It must however be observed that at even at #65 per litre of petrol, Nigerians were buying fuel at the costliest price among the oil producing nations in the world and in some of them fuel is almost free yet the federal government had to increase the prices further. This fact is buttressed by the table of selected countries below.

COUNTRIES	US \$
- Algeria	0.14
- Bahrain	0.27
- Brunei	0.39
- Egypt	0.31
- Iraq	0.38
- Kuwait	0.22
- Libya	0.17
- Nigeria	0.87
- Oman	0.31
- Qatar	0.22
- Saudi Arabia	0.16
- Vanuatu	0.023

(nations news paper Jan. 4, page 5, 2012)

The table above showing the price petrol in some selected countries speaks volume by exposing how Nigerian masses have been exploited by constant

increase of price of petrol. The fact is that while poor neighbouring countries are building new refineries, Nigeria cannot maintain the ones we inherited from past military governments, instead the present government is desperate to protect its concept cronies and punish Nigerians in the process. Former minister of interior captain Emmanuel Iheanacho said during the inauguration of the executive council of the maritime reporters association of Nigeria maintained that #3.4 million oil subsidy was in wrong hands. He noted that the beneficiaries for the subsidy were not the poor masses as it was envisaged but the so-called politicians within the corridor of power and the cabals. This statement was corroborated by an official of the Nigerian maritime administration and safety agency (NIMASA) who said that the country was losing \$1 billion to oil theft monthly. He went further to reveal that the officials of NNPC, collude with thieves saying that oil is siphoned into the barges. Eyiuche (2012)

The table below shows the various petrol adjustment in Nigeria since 1973

1	Gowon,	1973:6k to 8.45k	(40.8% increase
2	Murtala	1976:8.45 to 9k	(0.59% increase
3	Obasanjo	Oct. 1, 1978:9k to 15.3k	(70% increase
4	Shagari	April 20 th 1982:15.3k to 20k	(30.71% increase
5	Babangida	March 31 st 1986:20k to 39k.4k	(6.33% increase
6	Babangida	April 10 th 1988:39.5k to 42k	(6.33% increase
7	Babangida	January 1 st 1989: 42k to 60k	(6.33% increase

8	Babangia	Dec. 1989: moved to uniform Price of 60k	(42.86%)
9	Babangida	March. 6, 1991: 60k to 70k	(16.67% increase
10	Shonekan,	Nov. 8 th 1993: 70k to #5	(614% increase
11	Abacha	Nov. 22 nd 1993:drops from #5 to #3.25k	
12	Abacha	Oct. 2 nd 1994: #3.25k to #15	(361.54%)
13	Abacha	Oct. 4 th 1994: price drops from #15 to #11	14
14	Abujbakar	Dec. 20 th 1998: #11 to #25	(127.27% ncrease)
15	Abubakar	Jan 6 th 1999: #25 to #20	(.20%)
16	Obasanjo,	June 1, 2000: #20 to #30	(50% increase)
17	Obasanjo	Jan 1,2000: #30 reduced price to #22	(-10%)
18	Obasanjo	Jan1, 2002: #22 to #26	(18.18% increase)
19	Obasanjo	June to Oct. 2003: #26 to #42	(23.08% increase)
20	Obasanjo,	May 29 th 2004: #42 to #50	(19.05%)
21	Obasanjo,	August 25 th 2004: #50 to #65	(30% increase)
22	Obasanjo,	May 27 th : #65 to #75	(15.38% increase)
23	Yar' Adua,	June 2007, #75 to #65	(-15.38%
24	Jonathan,	Jan 1 st 2012: #75 to #65	(-15.38%)
25	Jonathan	Jan 2012: #141 to #97	

(socio-economic implications of the fuel subsidy removal. Egiuche, 2012)

2.3 DEREGULATION

Deregulation is an act by which the government regulation of a particular industry is reduced or eliminated in order to create or foster a more efficient market place. This is enacted to weaken government influence and force greater competition. This can also be said as the removal or relaxation of government regulation of economic activities. In a popular parlance, to deregulate means to do away with the regulations concerning financial markets and trades. Ernest and young (1988) post that deregulation and privatization are elements of economic reforms programmes charged with the ultimate goal of improving the overall economy through properly spelt out ways. For eg, freeing government from the bondage of continuous financing of extensive projects which are best private investments by the sale of such enterprise, encouraging efficiency and affectiveness in resources utilization, reducing government borrowing while raising revenue, improving returns from investment and broadening enterprise share ownership Izibili and Aiya(2007: 228).

According to Akinwumi (2005), deregulation is the removal of government interference on the running of a system this means that government rule's and regulations governing the operations of the system are relaxed or held constant in order for the system to decide its own optimum level through the forces of supply and demand.

According to Ojo (1999), it is a way of liberating the economy, removing impediments to trade, the movement of goods and services thereby allowing for

the interplay of the forces of demand and supply in the determination of the prices of commodity.

According to Bankole (2001) deregulation entails the following elements privatization, removal of price control, to a large extent elimination of barrier to participate in all aspects of production, supply and distribution of goods and service by private business men. He believes that a regulated market can lead to shortage in supply which will give rise to hoarding and the existence of black market in the economy. Deregulation as accepted is sometimes interchangeably with liberalization which has been defined as follows by the British council programme and sector that promotes policy and institutional change designed to free internal and external markets for good and services, improving efficient operations of markets, correcting markets, distortion, restructuring enterprise and institutions in public sector, and strengthening public revenue and expenditure planning and management.

(<http://www.britishcouncil.org/government/ectin/liberal.htm>.1999).

Deregulation implies the absence of control or regulation of the prices of petroleum products of government leaving the determination of prices to the interaction of forces of demand and supply which also rule out subsidy and encourage competition, efficiency and increase output in the petroleum industries Umoru (2001). Deregulation pre-supposes market forces as the determination of prices rather than a decision to fix price by administrative fiat, it is also a way of

freeing government of the concurrent control and involvement in the business of refining, importation, and distribution of refined petroleum products in Nigerian market.

Deregulation allows services and enterprises to be restricted as little as possible. For our purpose, deregulation means either the partial or total withdrawal of government control in the allocation and production of goods and services. This question that should be asked at this juncture is, what are the gains of deregulation in Nigeria? This question cannot be convincingly answered in isolation of the theoretical foundation of deregulation. The most contentious issues in Nigeria is arguably the question of deregulation of the oil sector which has been generating heated debates from its protagonists and antagonist.

The protagonist posit that the liberalization and deregulation of the downstream sector of the petroleum industry would finally actualize the objectives of ending perennial fuel scarcity and maintaining sustainable fuel supply across the polity. It also added that liberalization and deregulation would enable either stakeholders, including major and independent marketers, to import and market products. As the NNPC lacks the capacity to import enough petroleum for the country, couple with the perennial malfunctioning of the refineries, the government's introduction of the petroleum support fund (PSF) from which it draws money to pay the excess expenditure incurred by the marketers for importing and selling petrol at regulated price and distributing it to every part of the country, should be stopped the thesis concludes. The major proponents of this

thesis include the federal government, the presidential steering committee on the global financial crisis, the Nigerian economic summit group (NESG).

The antagonist believes that the Nigeria petroleum industry must not be liberalized, or deregulated, or privatized completely, for whatever reason and that the status quo should remain, may be with minor fine tuning “here and there” to improve efficiency, “in the overall national interest”. This thesis also posits that the low capacity utilization of Nigeria’s state-owned refineries and petrochemical plants in Kaduna, Warri and Port Harcourt, the sorry state of despair, neglect and repeated vandalization of the state-run petroleum product pipelines and oil movement infrastructure nationwide, the collateral damage of institutionalized corruption, the insatiably corrupt task force operatives that assist diversions of both crude oil and petroleum products, large scale cross-border smuggling of petroleum products, of all of which are the root causes of the protracted and seemingly intractable fuel crises that have bedeviled the polity relentlessly for close to a decade now, are all predictable outcome of government involvement in the downstream sectors of the Nigerian petroleum industry. Finally, they posit that deregulation helps increase profit margin for the importers. Essentially, this extreme is the implied position of the Nigerian Labour Congress (NLC) and the organized civil society.

Between this extreme is the third class thesis that that believes that deregulation is desirable in freeing government of its concurrent control and involvement in the business of refining, importation and distribution of refined

petroleum products in the Nigerian market. In the opinion of this proponent, the deregulation of the petroleum industry in Nigeria should be implemented in phases, so as to enable the state-owned monopolies to regain efficiency, before full privatization.

This deregulation dance is the one Nigeria has been dancing since 1999. The dancers are the same, and the music is also the same- the state is the same and the musical instruments continue to remain the same. The only difference is the fact that new drummers are handing the drums and they may be doing a remix of the old beat, which may sound monotonously awful. The rent hike in fuel price and deregulation of downstream petroleum sector or, more precisely, the full scale deregulation of fuel prices and labour's retreat from unwillingness to organize mass actions, including strike to fight this anti poor, anti-growth policy is one sure process that at least, in the short and medium terms will worsen the socio-economic plights of the vast majority of the working class people Otaigbe (2009:24).

Deregulation of economic activities is generally an acceptable economic policy in a well balanced economy and not in a junk-mal-functioning economy as in Nigeria. Deregulation in Nigeria is usually bastardised by economic saboteurs. A test case is the deregulation of the foreign exchange in Nigeria in 1986 during the structural Adjustment programme. That singular deregulation which was poorly and compli implemented destroyed the economy because it brought in economic tribalism which was the worst type of economy. The Nigerian economy has never been the same since then, as such the confidence of the people has been eroded.

All the policy measures of the past regimes ended up, traumatizing and impoverishing the poor masses. Eyiuche(2012).

2.4 FUEL SUBSIDY REMOVAL

Fuel subsidy is a government programme created to reduce how much Nigerians have to pay for petroleum motor spirit (PMS), automotive Gas Oil (Diesel), and to protect the citizens from crude oil volatility on the international market. Fuel subsidy is particularly popular in oil producing countries such as Venezuela, Kuwait, China, Taiwan, South Korea, Trinidad, Tobago, Brunei, Nigeria etc. It can also be referred to the effort by the government to pay for the difference between the price of fuel in the pump and the actual cost of the product. So by paying the difference, the government enables fuel to be sold at a lower price so that it will help alleviate the burden on its people especially the lower income group. Fuel subsidy was before the coming of the Jonathan's administration, a policy of federal government meant to assist the people of Nigeria to cushion the effects of their economic hardship. Conceptually, fuel subsidy seeks to enhance financial capacity but also to accept the implied financial losses by it in the spirit of its national responsibility to ensure the well being of the populace. In other words, if a product, like fuel is to sell for #141 per litre, but for some considerations. It cannot be sold at that rate but at #97, this simply means that there is a subsidy to the tune of #85 for every litre purchased at the filling stations. Emeh (2012).

This is not the first time Nigeria is hearing of subsidy removal by the government and the promises by government when subsidy was removed from diesel and kerosene did not come afterwards. Today diesel which sell for #170 per liter and kerosene at the cost of #140 per liter are unavailable despite the high cost after subsidy removal. The people are angry that the revenue that was realized was embezzled by the cables and whosoever was in authority, hence there is continued scarcity of kerosene and diesel. Vanguard (2012).

Before a government began implementing a new policy on either reducing or increasing the fuel subsidy, it had to gauge the public response towards the policy, whether it is a gradual reduction or a sudden removal on the subsidy, it will have an impact on the people and the economy. A case in point will be the sudden removal of subsidy of fuel in Nigeria this year(2012). The government of Jonathan has been keeping the price of fuel down at \$0.45/litre. However on 1st January 2012, president abandoned the subsidy for fuel and resulted in a price increase to \$0.94/liter. The aftermath is the inflation of more than 100% in food and transportation, violent demonstrations and strikes which eventually reduced it to about \$0.69/liter. Another example will be the recent Indonesian government attempt to reduce fuel subsidy by another 30% on 1st April 2012, had been met with a road block. Due to intense public demonstration the government had to give its demand and delayed it for another six months.

Fuel in Nigeria is an inelastic product both from the demand and supply side which means that it is very difficult for consumers to find alternatives to the

use of gasoline, kerosine and petrol in their daily lives. In a country like Nigeria where private and group influences policy making, where the prizes are few and the stakes so high, the fight for the booty or “national cake”, the manipulation of the “game board” is inevitable. The question for who gains and who loses in the Nigerian policy area is rarely an accident. Thus understanding the political economy at play in the fuel subsidy is expedient Elekwa (2004)

2.4.1 THE SUBSIDY RE-INVESTMENT EMPOWERMENT PROGRAMME (SURE)

The president of the federal republic of Nigeria, Mr. Ebelechukwu goodluck Jonathan has set up a subsidy reinvestment empowerment programme board and appointed Dr. Christopher Kolade as the chairman. Similarly he has named a high-powered committee headed by a former chief justice of Nigeria, justice Alfa belgore, to meet with the organized labour and all other states holders with a view to resolving issues that may arise from the removal of the subsidy on petrol. The Kolade committee is to oversee and ensure the effective and timely implementation of projects to be funded with the savings accrued to the federal government from subsidy removal, major Gen. Mamman Kontagora (retd) will serve as the deputy chairman of the organized labour. The programme is basically designed to mitigate the removal of fuel subsidy and accelerate economic growth through investments in critically needed infrastructure.

The sure also includes two representatives of the organized labour, one representative of the national union of road transport worker (NURTW), one representative of the Nigeria union of journalist, one representatives of the Nigeria women group, one representative of Nigeria women youths, one representative of civil society organization, the coordinating minister of the economy, minister of finance, minister of national planning, minister of petroleum, minister of state for health, special adviser to the president on technical matters and six reputable individuals from the six geographical zones in the country, three of whom will be women. The mandate of the board shall be to oversee the fund in the petroleum subsidy savings account, and the programmes specifically initiated to improve the quality of life of Nigerians in line with the transformation agenda of the president.

The board will have the following responsibilities

- a) Determine in licision with the minister of finance and minister of petroleum resource, the subsidy savings estimates for each preceding month and ensure that such funds are transferred to the funds special account with the central bank of Nigeria (CBN)
- b) Approve the annual work plan and cash budgets of the various project implementation units (PIUS) within the ministries department of funds by the (PIUS) in other to certify and execute projects.
- c) Monitor and evaluate execution of the funded projects, including period poverty and social impact analysis
- d) Update the president regularly on the programme

- e) Periodically brief the executive council of the federation on the progress of the council
- f) Appoint consulting firms with international regulation to provide technical assistance to the board in financial and project management.

It is not worthy that while the 2012 budget allocated the best possible amounts of these critical projects, additional resources are allocated to the same project in the SURE programme to ensure that they are completed at faster rates. Some of these projects and allocations are as follows

- WORKS

N11billion is allocated to the Abuja-Lokoja road in the 2012 budget, with an additional N14bn from the (SURE) programme. N6million is allocated to be Benin-ore-shagamu, with an additional N16.5bn to be financed through SURE.#36billion is allocated to portharcourt-onitsha road with an additional N5bn from SURE. N18.5bn is allocated to Kano-Maidugri road with an additional N1.5bn from SURE. Another provision is made in the 2012 budget for construction of the second Niger bridge. Provision of N23.5bn is made for maintenance of roads and bridges across the country through

FERMA(FEDERAL ROAD MAINTENANCE AGENCY)

POWER

The total amount allocated to the power sector is N248 billion. A sum of N392 mullion allocated to Nigeria electricity liability management company and N650

million for bulk trader. N155billion will be spent on power projects through the SURE programme over the period 2012-2015

HEALTH

N4.6billion is allocated to the polio eradication programme. N3.5billion is allocated to the procurement of HIV/AIDS drugs

- N174 million is allocated to integrated material new born and child helath strategy, including capacity building and promoting school helath initiative.
- N8.42 billion is allocated to federal university teaching hospitals
- N6 billion and N3.6billion are allocated to the procurement of vaccines and mid wifery services scheme respectively.
- N73.8billion will be spent on material and child helath from SURE

AVIATION

N22.2billion is allocated for the, modernization of airport terminals and upgrading of facilities in the six geopolitical zones of the country

F.C.T ADMINISTRATION

N3.1 billion is allocated to the construction of a 20,000m³ /hr lower usuma dam water treatment plants.

N2.5billion is allocated to the construction of cultural and millenum power

N1.25 billion is allocated to the development of idu industrial area.

Various road project including the competition of roads BC, Bix and circle road (N4billion) rehabilitation and expansion of airport express way (N7.53billion)

NIGER DELTA

- East-west road (section I-V) the 2012 budget allocated N22.2billion to this road. In other to accelerate its completion, an additional N21.7billion is allocated in 2012 from SURE PROGRAMME.

WATER RESORUCES

N1.2 Billion is allocated to the construction of central ogbiu regional water project. Total of N4billion was allocated to the construction of dams. Rehabilitation of water basin authorities N13.91billion.

- N205.5billion will be invested in rural water shceme, water supply scheme, irrigation scheme and other water related project from subsidy re-investmetn and empowerment programmes. This projects will not only significantly improve the country's infrastructure, but will also create millions of jobs for Nigerians (www.nigeriafirst.org/sure.shtml).

The **SURE PROGRAMME** also consist of programmes which the government pledged to implement within 3-4 years. Some of these programems are

1. Maternal and child health services
2. Public work woman youth employment programme designed to provide temporal employment to youths in labour intensive public works
3. Urban mass transit scheme: the objective of this scheme is to increase mass transit availability, this will also involve the provision of zero-interest loans to establishes transport operators

4. Vocational training schemes: there will be vocational training centers in all the states in the country and federal capital territory
5. Road infrastructure projects
6. Rail transport project: this component of the programme will entail the rehabilitation and restoration of our abandoned rail way infrastructure and the construction of new standard guage railway lines, thereby providing alternative means of transportation of people and goods across the country
7. Water and agricutrue projects: the programme component will hamess nigerian's abundant water resources through sustainable food production and water conservation
8. Irrigation projects: this will increase local production of rice by over 400,000 tuns per year and other food crops, thereereby reducing importation of food into Nigeria rural
9. Urban water supply projects; the rural and urban water supply project will upon completion increase the level of water supply available to about 10 billion people or 70% of the population. It will also increase the nationals, likes to water supply from the rural levels of 58% to about 75%
10. Petroleum/NNPC project: the main objective of this component is to restore and improve domestic refining capacity and prevent short falls in supply of petroleum products. Three new refineries, will be built under counter part funding arrangement with the private sectors in bayelsa, Kogi and Lagos.

Thousand of workers will be employed at each of these locations. Punch (2012)

2.4.2 OBJECTIVES OF SURE

1. To mitigate the impact of the petroleum subsidy discontinuation on the population but particularly for the poor and vulnerable segments.
2. To accelerate economic transformation through investment in critical infrastructure projects
3. To lay a foundation for the successful development of a national safety net programme, that is better targeted at the poor and most vulnerable on a countinency basis.
4. A tool for ensuring transparency

2.5 RATIONAL FOR THE FUEL SUBSIDY REMOVAL

The federal government contended that it had spent billions on fuel subsidy, depriving other sectors of the economy such as education, employment, infrastructure. Nigeria fuel subsidy continues to crowd out other development spending. By comparism, Nigerian's total allocation for education is about \$2.2 billion and it is not much higher for health care. Infact mortality in Nigeria remains unacceptably high at 90.4 per 1000 live births. In 2004, it was estimated that only 15% of the county's road were paved. The billions from the fuel subsidy could help to address some of these issues. Corroborating the view of the senate, the National Economic council (NEC), the highest economic policy organ of the Nigerian

government, in its analysis state that it costs the country's treasury one trillion naira yearly to subsidize petroleum products in Nigeria. NEC stated therefore that it would be better if the huge sum of money spent on subsidy is used in smoothing potholes roads, providing hospitals, rehabilitant and building health facilities and schools or supplying portable drinking water and other basic amenities and infrastructures (Daily sun newspaper, Jan, 7th 2012).

According to Ajumogobia (2008) the initial budget for the PSF was #150 billion. This has since grown to over #1.5 trillion in 2007; clearly, subsidizing prices over the years has not only led to unacceptable high fiscal burden on government, imposes high economic cost, but also bred several unintended consequences and practiced including: smuggling of petroleum products out of the country, generating rents that must likely accrue to upper income groups. Petroleum subsidies largely benefited the consumption of upper income groups. Substantial evidence indicated that the poor and the near poor consume only a small fraction of these product. In debating the merits of Nigerians fuel subsidy, it is impotent to understand who benefits, the most form the programme. Contrary to popular belief, it is the rich and the cabals not the poor, who disproportionably benefits from Nigerian's fuel subsidy. With the government subsidizing the market to keep domestic fuel prices artificially low, it is those who consume the most that have a greater benefit from the subsidy. Nigerians poor rely primarily on public transportation as such their per capital fuel consumption is significantly less than the country's rich who generally use private vehicle. Some Nigerians wanted the

government to checkmate the oil cabal but the government saw removal of fuel subsidy as the easiest and most effective means to address the issue. The table below shows oil cabals/beneficiary and their promoters.

S/N	COMPANY NAME	PROMOTERS	ALLOCATION (#BILLIONS)
1	Oando Nigeria Plc	Wale Timubu	228.506
2	Mrs. Oil	Sayyu Dantata	224.818
3	Pinnacle construction	Peter mbah	300.000
4	Enak oil and gas		19.684
5	Conoil	Mike Adenugu	37.960
6	Bonvas and Co.Nig. Ltd	Banidele. O. Samson	5.685
7	Obat	F.E.O. Akinnuntan	85.000
8	Folawiyo oil	Yinka Folawiyo	113.300
9	IPMAN Investment ltd		10.900
10	ACON	Aliko Gwadebe	24.100
11	ATIO oil		64.400
12	AMP		11.400
13	Honey well	Nino Ozara	12.200
14	EMAC Oil		19.200
15	De Jone Oil		14.800
16	Capital oil	Ifeanyi P. Uba	22.400
17	AZ oil		18.613
18	Eternal oil	Muhamud Bamanga Tukur	5.570
19	Dozil oil		3.375
20	Fort oil	Zira Malagadi	8.582
21	Integrated oil and Gas	Capt. Iheanacho Emmanuel	30.777
22	African petroleum	Jimbo Ibrahim	104.58
23	A. RANO		1.140
24	A.S.B		3.160
25	Annon PLC		24.116
26	Aminul Resources		2.300
27	Avante guard		1.140
28	Avido		3.640
29	Bottas and Energy		3.670
30	Brilla Energy		0.9603
31	Daunstream Energy		0.7897
32	In coy Ray		1.988
33	AS CON oil	Barr. Grace Enemoh	1.308
34	Channel oil		5.271
35	First Deep water		257.396

Source: (Internet, nation on Sunday newspaper January, 5th 2012).

The cost of fuel subsidy has continued to grow exponentially. This is partly due to the rising cost of fuel which means that the government has to spend even more to keep domestic prices low and also due to Nigerians increasingly population which resulted in increased fuel consumption, together these pressure made the cost of fuel subsidy unsustainable. The price of crude oil increased from 30.4 dollar per barrel in 2000 to 94.9 in 2010 over the same period Nigerians population increased from about 123 million to 158 millions. By 2011, the fuel subsidy accounted for 30% of the Nigerians government expenditure and it was about 4% to GDP and 118% of the capital budget. In addition, keeping the domestic price of oil artificially low with the fuel subsidy has discouraged additional investment in Nigerians oil sector. This is especially problematic given that the oil sector is the lifeblood of the Nigerian economy. Since 2000, Nigerians has issued at least 20 refineries licenses to private companies, however not one refineries licensees to private companies, however not one refinery has been built because investors could not recoup their investment under the artificial low price structure (Daily sun newspaper. January 7th 2012).

Fuel subsidy removal is a contribution of government resolution to deregulate and liberalize the petroleum sector, it will also allow for government to increase revenue economy by saving at least \$ 8 billion. Fuel subsidy removal open up the petroleum sector to competition, higher profits for marketers and possibly attracts greater investments, it also opens up the petroleum sector to local and foreign investments (similar to the telecommunication sector) which in turn will

create more jobs for Nigerians directly and indirectly, it also reduces government interference and allow the federal government to focus more on the business of governance, improving social services delivery and building infrastructure. This is important as Nigerian's economy system sifts more to a private led (open market) economy. Fuel subsidy have always been a policy to help a country's under privileged to ease their burden. However the problem with fuel subsidy is that it had benefited the rich more than the poor, there are many cases where subsidized fuel are sold at 3-5 times the original price and instead of helping the lower income, it further burdens them. Subsidies become enriched, once subsidies are given to any sector of the economy, it is very difficult to revolve. Research have shown that the main beneficiaries of subsidies are the politically connected cronies and cabals. In other world, subsidy on fuel encourages crony capitalism and corruption. Another reason for the removal of fuel subsidy is that it distorts markets. The signaling effect of the price of the good or service is somewhat compromised leading to be wasteful in the purchasing and selling of such a product. It is believed that the target beneficiaries of such subsidies would be better served if the subsidies are removed (www.nigeriapolitico.com/subsidy.html).

The minister of petroleum resources Mrs. Diezani Allison Madueke, has outlined the benefits of subsidy removal to Nigerians and the economy. The minister who spoke at a town hall meeting recently in Lagos, said, "the discontinuation of fuel subsidy important because it posed a huge financial burden on the government, disproportionately benefits the wealthy, encourages

inefficiency, corruption and diversion of scarce public resources away from investment in critical infrastructure”. She was of the opinion that subsidy removal would save additional resources for programmes targeted at mitigating poverty and spurring economic growth. She noted that since 2000, the government had issued 20 licenses to build new private refineries and none of them had resulted in construction of new refineries. She claimed that deregulation of the down stream sector of the petroleum industry would lead to rapid private sector investments in refineries and petro-chemicals which will generate millions of jobs and increase the property for Nigerians. The minister said that a robust programmes structure has been developed to ensure adequate oversight, accountability and implementation of the various projects which accruals from subsidy removal would be used for to mitigate the subsidy removal impact.

2.6 POLITICS OF FUEL SUBSIDY REMOVAL

As the debate on subsidy removal became the most contentious issue most Nigerians spoke against and in favour of the removal. Prominent among them were two important people that is former minister of petroleum, Prof. Tam David west and a prominent eradiate economist, late Prof. Sam Aluko. Prof. I am David west and a prominent erudite economist, late Prof. Sam Aluko. Prof. I David west described the idea of subsidy as a fraud and believes that Nigeria is not paying any subsidy for oil we consume. These two among many Nigerians who should know and who shortly resisted the present move to impose hardship on Nigerians

through the so called subsidy. (most other Nigerians have equally spoken to warn date given our experience in the past. Subsidy removal will end up as another play to impoverish the masses and raise more money for leaders and their cronies to loot. International monetary fund (IMF) has commented the transformation programme of president Good luck Ebelechukwu Jonathan on the removal of subsidy to create job and agriculture.

Mr. president says “we are totally committed to changing things in Nigeria, our vision is that by the year 2010, Nigeria will have become a much bigger player in the global economy. We also said that his emphasis is on poverty alleviation and job creation, we are also looking at ways of improving education and health centre delivery. The managing director of IMF, Mrs. Christine Layarde told Jonathan that IMF team which recently reviewed the federal government’s economic programmes of fuel subsidy removal was positive, she said she is impressed with the government proritatoin of job creation, agriculture, poor supply, education, transportation, communication, health-care.

The federal government has explained why removal of subsidy on fuel was imperative and how the money that would accrue from its removal would be spent to ameliorate the suffering of the Nigerian people. The government position was made known by the minister of information, Labaran Maku when he paid a visit to the sun publishing newspaper in Lagos.

The minister alleged the fears of Nigerian by assuring them that the money gotten from the removal would not be taken away but would rather be transferred

into a common basket where it would be applied directly to ameliorate the impact of the deregulation of down stream oil sector which is continuous and emotional, and if the government don't do this, the country and the people will not progress.

The minister Labaran maku regretted that Nigerian which started exporting petroleum since 1958, was still exporting crude 53 years after with no value added to it, a situation which he said really shameful and sad. He was on the strong conviction that “visionary leadership and correct economic policies would have made Nigerian today, the hob of petro-chemical nation exporting petrochemical to Africa and the rest of the world regretting that this has not happened. In his word “we export crude to Malaysia, they add value to it and export to the rest of the world, make money and provide job for their people. A barrel of crude oil is sold for \$100. It has aviation fuel, it has kerosene, it has diesel and bitumen. And we are content to do just this as a nation. But you can never be an oil producing country by exporting oil, it is with the refined ones that jobs are created.

He spoke further that in the last 10 years, we issued license for new refineries to twenty (20) different organizations. None of them has taken off becauseof price control of fuel. They have to go to the banks to get credit and so on. The refineries that the government built have not been functioning because of inept government management. So what are we planning to do?

The government intended to open up to achieve the sound result we have achieved in other sectors. These private refineries will come on board if deregulation takes place. We have also entered into concrete agreement with

builders of public refineries who gave us assurance that within 18 months, they will return our refineries to full capacity. So with the existing four refineries, with the 3 new ones we are planning that in 3 years, Nigeria would be able to export oil products to the rest of the world. With this, we will be sure a true oil producing nation, not by selling crude. But by selling finished products and earning more money which will use to subsidize the life of Nigerians.

He also said that if we continue to borrow in order to subsidize fuel, we will mortgage the future. He also said that Mr. president has decided that, if they take the money gotten from subsidy and put it into the federal budget, the people will not feel the impact and also what the government is doing with it, so a special base has been established in the central bank of Nigeria. This money that will accrue from deregulation will go into that account. The money will be administered by a board of trustee made up of people outside government who are creditable and who are to be drawn from the media, civil society, the labour and other stake holders to manage the funds.

Mr. Maku went further to conclude that the funds would be utilized to further generate additional money to generate power to help in agriculture and serve as an intervention in other sectors of the economy. He also says that with the removal of fuel subsidy, we believe by the time it is done, we believe that it will have impact on the propel and we intend the programe to be completed by the end of this administration he informed and also appealed for people's understanding.

The General secretary of the conference of Nigeria political parties (NPP) Mr. Willy Ezugwu said the honourable way out for president Jonathan is to hands off the removal and focus on how to beak the subsidy cartel. in his words, ‘we are not surprised that the president who claimed to having risen to the top from poor background has joined the oppressing elites by planning to visit hardship on the people he promised to carter for what is however surprising is that it is too early in the day for him to abandon on the people in favour of the rich’.

Senator Ali Ndume in his words advised president Goodluck to allow Nigerians to decide through a state holders meetings whether fuel subsidy should be sustained or removed. Senator Ndume said in his words “I do not see the removal as government policy. If you are taking a major general decision like this and you did not involve the people through the national assemble then it is not government policy. We are the representatives of the people then how come we re not being carried along? Even the constitution provides that the people must have a say in government decision and then includes issues such as fuel subsidy, so such policy is unconstitutional. The Nigerian labour congress has called the federal government to all unnecessary expenses and allowances and concentrate funds on areas of basic responsibility to Nigerians instead of insisting on the removal of fuel subsidy. The acting general sectary of Nigeria labour congress Mr. Owei Lakemfu who spoke and said that expenditure on health care, education, transportation, other critical sectors cannot be reduced as they are basic responsibility of the government to all Nigerians.

Owei Lakemfu said the removal of subsidy is a “dictation” of the international monetary fund and is also as a result of pressure from the governors on the presidency accompanied by depreciation of the naira, all these would cause more poverty among Nigerians widely and deeply. Already we make trillions from oil and we have nothing to show for it. How can we give the governors more money to spend when we cannot be guaranteed that these would be results?

The Nigerian labour congress also made a statement to “This Day” newspaper in Abuja on 17th of October 2011, that he lamented that the removal of subsidy would cause more hardship for Nigerians and would only be enjoyed by those who benefit from government largesse. Lakamefu also concluded by saying that federal government should face this reality and address growing poverty, hungry and anger among the masses.

President Goodluck Jonathan says in his words that the proceeds from subsidy removal would be invested in realizing the ambiguous targets of the new agricultural strategy which is focused on job creation and boosting the contribution of sector of the entire economy. Apart from focusing on new refineries, execution of social programmes and job creation, a key priority is to ensure that all aspects of the subsidy removal are managed in a transparent and accountable manner.

The finance minister Ngozi Okonjo –Iweala in her words says “why must the government not remove the subsidy if the subsidy is relatively speaking not benefiting the majority of Nigerian? One of the questions is, who really benefits

the most? Everybody in the population benefits, the poor, rich and middle class but the issue is, who benefits the most? The elites, financially buoyant and the average citizens in the society tend to benefit the most by a simple fact. If you are poor, you well, take okada (commercial motorcycle) or take bus, you consume less of the product. If you are middle class, you own a car, you take at least 60 litres a week, if you have a motor cycle you take about 20 litres, if you have luxury four-wheel drive, you take about 80 litres, all we are saying is that by the sheer arithmetic of it, the better off that benefit are not the poor, the poor benefit but not as much as well-off people. Smugglers divert the product to neighbouring countries, all the policy makers in neighbouring countries are very happy. They are quite happy. They are quite happy with the subsidy, they don't want Nigeria to phase it out. Then you have to ask yourself are we here to trans-subsidize neighbouring countries? Are we here to use the resources in a way that does not deliver to the poor in the rural areas? How many of them are enjoying this? Wouldn't we better off to look for smarter ways to use these resources to benefit those who are less well off in the society?

Mr. Tolu Ogunlesi a citizen of Nigerian made his opinion known to guardian newspaper on Wednesday 11 January 2012 said "I remember watching Goodluck Jonathan speech at the start of this re-election campaign on 18 September 2010, he promised change. "let the world go out from this eagle square that Jonathan as president in 2011 will herald a new era of transformation of our country "The canoe-carver's son who became deputy governor, vice-president

without hustling for power, waved us all with stones of his humble and his seeming accessibility. Today he seems best on recreating all those decades ago, eager to ensure that as many Nigerians as possible study with lanterns and survive on a single meal a day. How is he doing that? By hurting the most vulnerable, using one of the most ubiquitous items in the land. Petrol. A fuel price increase and the associate increase in the price of commodities, has sparked nation wide protest. Nigeria is a crude-oil producing and exporting country full of poor people. 70% of the population survives on less than \$2 a day. These citizens consume more petrol than is necessary because Nigeria has consistently failed to provide enough electricity for its one hundred and thirty (130) million citizens.

Mr. Tony Navah Okonmah wrote from London, in his sayings “The reason for the removal of the fuel subsidy does not make sense at all. It is not the solution to economic recovery. Removal of subsidy at this time is wrong and not the first step in any directions towards opening up the economy. It will only impose more hardship on the already seriously economically down trodden masses. It will cripple further a seriously ill economy; it will spook a fragile financial system and send shock throughout a volatile industry. The removal of fuel subsidy at this time is very bad. The government failed to establish a structure for a sustainable fuel subsidy removal. The structure should first address the issue of spiraling youth unemployment, the structure must also address the high cost of living and cost of food products – the structure should address the problem of poor infrastructure – lack of electricity no good roads, lack of potable water, shortage of quality

inhabitable accommodations etc. the removal of subsidy does not in any way at this time impact positively on the economy. I think it is a good policy but poorly executed.

Bob Majiri Oghene, author of deep sighs and tears for a birthday, in his words. “I have read a lot of rubbish flying ground as arguments in favour of the fuel subsidy removal. Of all of these are just half-truths and dubious plot to take us Nigerians for a ride once more. If the government would be a little sincere, it should own up, that during the last election jaundiced by the zoning debate, from the north to the south, from east to west, one prominent contestant doled out money in sum that were incredible to believe ever existed. What occupations were these people involved that made them so rich as to finance those elections with all that money? Where did they get this money from, it not that they were drawing freely from our common patrimony? Mr. President himself admitted this in his maiden media chat when he was trying to defend his single tenure argument for elected civilians. According to him, the April elections cost something close to \$11 billion. How do we then explain it to recoup this money if not by cutting off the cabal it recently named, and getting all the money for itself? Telling us you want to checkmate the cabals through the removal of subsidy in fuel is equivalent to cutting our nose to spite our face. The government knows who these cabals are, don’t they? If they know them, then they are a million and one ways to checkmate the cabals.

In the words of Gbenga Badejo a publisher of post card from Lagos “I have spend some time to educate myself on the matter of fuel subsidy and its recent removal by the government. I felt it was only right that I have an informed view in order to take a position on the matter. I have read the government’s position paper on the intended use of the proceeds of fuel subsidy removal and have listened to many commentators both for and against, I have tried to develop a simple, hopefully, logical, and analysis of long we are in trouble, what could be done and why the protest we are witnessing is beyond the removal of fuel subsidy. For me therefore the struggle we are engaging in is much more than of the oil subsidy removal. It goes further to the wider problem of corruption.

In the words of Seun Anikulopo Kuti, a Nigerian musician and son of legendary afrobeat innovation Fela Tuti Seun has been leading demonstration in Lagos state against the fuel subsidy removal in Nigeria. Below he wrote for CNN. It is not the first time subsidies have been removed in Nigeria. Former president Olusegun Obasanjo reduced it eight times during his tenure, with cost of gasoline increasing from 20 to 70 naira, each time Nigerian’s were promised better infrastructure and investment. Recently all subsidies was removed from diesel, fuel and during this time, ordinary Nigerians have not seen any impact of the savings in their lives. In fact, life had become worse for them with life expectancy now at an average 45 years. This subsidy removal is the latest in a long line of foreign concepts and ideologies that are being forced down the people’s throat.

What the government has failed to realize is that we cannot continue to model our economics in foreign blue prints.

The petroleum minister Mrs. Allison Diesani Mmadueke also said that if we borrow to subsidize today, it is our children that are subsidizing us, let us take a difficult decision today and make tomorrow better by supporting the removal of subsidy.

Governor Obi of Anambra state however lamented that what had made the current situation most difficult for government was the fact that Nigerians no longer trust government on issues; a situation which he said could be traced to the disappointments they suffer under past and present government. Corroboratory Obi's thesis, the fiancé minister Dr Okonji-iweala Ngozi while speaking at the town Hall meeting of the newspaper proprietors Association of Nigeria, (NPAN) in Lagos December 20, 2011 adds that there is a lot of cynicism about everything government says and does, what we are saying is give us a chance to rebuild that confidence, we have a programme that is correcting this. Countering the minister's thesis, I. F stone wrote that every government is run by liars and nothing they say should be believed. One need not to go as far as stone but our national history since independence is strewn with until filled government promises. For instance Jonathan was a vice president in a government which reached an agreement with the Academic staff union of universities in 2009, Government has failed to fulfill its part of the agreement.

The President of Nigeria Goodluck Jonathan had told civil society organization that this mind was made up and that without removing the subsidy, the polity would be broke before two years. He therefore said, “even if we deregulate and I am shamed, prosperity will be there to judge me, that i did the right thing, and I will be vindicated when Nigerians start enjoying the benefits of my decision. Again, president Jonathan told Nigerians to embrace up for a tough year. He also spoke at the first Baptist church Garki, Abuja where he attended the New Year service at he church, he said “the journey will be tough, but it is not going to be too painful. Any way I know that leaders who inflicted pains on the people always end up badly, leaders who think they are so powerful always end up badly and no leader will want to be reckoned with as one who inflicted pain on the people. We are all writing our history whatever you saw as a leader, even if you are dead and gone, the story will be told on how you brought pain on the people. So, nobody will bring pains on Nigerians.

The finance minister Okonjo Iweala Ngozi spoke on a radio Nigeria current affairs progrmame on jobs, infrastructure, health, in her opening remarks, she said the petrol subsidy removal was to adequate the future of Nigeria and her children. According to her, if Nigeria did not take this measure, the country would be force to experience such hardship that would frustrate the future our children and we will be like some countries like Greece which kept on borrowing until they got to the crisis situation they have found themselves. Mrs. Ngozi said that if Nigerians continued to borrow to run government, their crisis was imminent and the best

thing was to begin to arrest the situation. The minister asked Nigerians to understand that the withdrawal of oil subsidy was just one aspect of deregulation of the industry. She spoke on her aspects of the nations economy. Firstly she spoke on “Job”. She said that the exercise of subsidy removal on petrol will help create about 370,000 jobs and this will help alleviate the problem of unemployment. On “infrastructure” she said that increase of fuel prices is not the only cause of increase in transportation costs, bad roads are part of the problems because vehicle get easily damaged on bad roads and the cost are forced down on commuters. This withdrawal will help government source more money to put our roads in better shape and therefore reduce transport fares. The railways will also benefit and this will further reduce costs. The trains are generally cheaper means of transportation and something will be done in this aspect.

On “health”, she says that Nigeria is one of the worst cases in maternal health care. Nigerian women record deaths in maternal cases more than many other countries and this sector will benefit from the money that will accrue from this withdrawal.

On “Mistrust”, she says “I understand the pains Nigerians are going through. I personally do and so do other colleagues of mine. We plead for patience. The impact of this will begin to show soon, we intend to start publishing the amount we are saving from this withdrawal of oil subsidy monthly and also where we are directing them. Nigerians will be participants in this process, and in few months, prices will begin to come down depending on market forces.

According to Akin Olowore, who is based in Lagos adds, more people will desire to join mass transit and perhaps pooling of vehicle will become of greater relevance. No doubt house prices will go up where there is vibrant market school as the middle and low, but there may be prolonged void at the high end.

Abuja based environmentalist, Ochuko Odibo, believes that situation will create a behavioural change in the way Nigerians consume fuel. In his words “many Nigeria will rather walk to the corner shop than drive there, Nigerians will now prefer to share car rides with friends or use the public transport service therefore reduce emission of carbon dioxide (CO₂) in the atmosphere, he also says that it will drive Nigerians to adopt alternative source of fuel that is cheap, renewable, affordable and available.

According to Professor Babajide Alo, he notes that the development will reduce the emission of green house gases (GHG's) into the atmosphere. He says that people would begin to rationalize how they use their vehicle now because of the new fuel regime, rather one person using a car, thirty more people will occupy that car. I foresee a situation whereby mass transportation will be encouraged. He also emphasizes that the nations contribution to GBG's emission will reduce. Green house gas would reduce under the new regime, adding one good part of the deregulation is that the environment will be better off for it. Professor Babajide described the former fuel regime as not cost effective, resulting in wasteful use of vehicles, he also states that if this becomes one of the resolutions of petroleum deregulations, people will rethink before embarking on single journey. This will

be good for the environment and national economy, he contends that the timing of the policy's implementation is questionable.

According to Chiamaka an Onitsha resident removal of fuel subsidy by the government of Nigeria might not be a bad thing after all. Although the argument against removal might remind us of what Americans refer to as paradoxical situation" in which an individual cannot avoid a problem because of some ,. contradictory constraints or rules, it may not be as absurd as it has been portrayed.

Ambassador Ayogu speaks on the benefit Nigerians stand to derive from the removal of fuel subsidy. He also speaks on his experience in Uganda and in roads Nigerians companies are making in the east African country, in his words he said "I know that the removal of fuel subsidy is critical and a bit harsh but I align my self with the government 100% for many countries that I have traveled where they don't have fuel subsidy. The goods there are cheaper than what we have in Nigerian. In Uganda for instance, it takes three times the money we use to fill the tanks of our cars here to fill the tank of the car of same make and capacity in Uganda. But shock, ugly a bag of cement for instance is equivalent #1,400 and a loaf of the best bread is about #150. A full chicken for instance gives for #600. The cost of fuel there is determined by market cost and not by government regulation. Secondly in Nigeria, fuel subsidy is paid on the quantity of fuel that comes into Nigeria, brought by the dealers. When the subsidy money is paid to the dealers after taking the stock at the parts, the fuel is now emptied into the storage

facilities from where Nigerians are expected to pick fuel at subsidized rate to outlets. But in most cases, a sizeable % of this fuel that comes into Nigeria do not go to our filling stations but go into neighbouring countries. Government is trying to ensure that there is no fuel scarcity as we used to have in the past and the cartel in charge of this subsidy and the dealers are taking the fuel to our neighbouring countries. If you go to Cameroon, Niger Republic, Chad and Benin republic, it is the subsidized Nigeria fuel that they use who is now paying for this? Is it the Nigerians masses. It is not these people who have the money. The fear that the removal of fuel subsidy will lead to prices of food stuff is unnecessary when the government brings a road map on the improvement in power supply, and the rail starts working and the inland water ways start opening, Nigerians will now realize that the removal of the subsidy will really benefit the masses. Those creating fear in the mind of the people are those who are benefiting from the subsidy. Most of them have filling stations around the boundaries of neighbouring countries once the fuel is discharged, they have their under the cover of darkness to these neighbouring countries. Government should educate the people on the benefit of the removal of fuel subsidy rather than be intimidated by the few people who are benefiting from the subsidy. There is no way we can sustain the economy with the subsidy in place we must think beyond where we are. No country spends 70% of its budget on expenditure and moves forward.

2.7 THE IMPACT OF FUEL SUBSIDY REMOVAL ON NIGERIAN ECONOMY

Owing to this policy, reports across Nigeria had it that motorists bought between N138 and N250 per liter of petrol on Monday, January 2, 2012. In Kano state, black market operators sold at N250 per liter. Nigeria national petroleum corporation (NNPC) stations had a uniform price of N138 across the country but for other marketers, prices were varied. The table below captures pump prices in some major cities

Prices of fuel across Nigerian cities after subsidy removal

City	Prices per litre
Benin	N140-N150
Ibadan	N140
Ilorin	N140
Kano	N140-N175
Kaduna	N140-N150
Oyo	N150
Osogbo	N145
Abakaliki	N200
Lagos	N141-N158
Umuahia	N150
Jos	N150
Warri	N160
Akure	150-N170

(deregulation and anti-removal strike in Nigeria)Ugwu and Emeh.

The increase would provoke hyper inflation of prices in the consumer products market and thus compounded poverty-for instance, according to daily nation, the fare from illorin-Abuja ranged between N3,500-N4,000, for buses and N5,000 for cars, the old price was N2,000. Illorin to Lagos cost N8,500 as against the old N5,500 Kano to Ibadan rose from N4,500 to N7,750 Kano to Bayelsa which was N8,500 is now N17,000.

The removal of the fuel subsidy has equally affected the cost of commodities at various markets in the metropolis, even commercial motorcyclists instantly adjusted their fares as soon as the subsidy removal was announced. The prices of goods and services rose, there is no assurance that the landlords will not increase rents when they have families to feed too. PHCN, schools, hospitals, organizations and other employers might want to pay their workers more to enable them cope with the even higher cost of living. Owing to this policy, they also experienced the increase of school fees, electrical tariff, hospital bills etc this means that more children will drop out of school owing to their parents inability to pay their tuition fees, more of the sick will die in the hospital or home because they are unable to afford the hospital bills or medicines as food takes priority causing untold hardship for the citizens (www.sundaytribune.com)

Many journalist may have to work without pay or become too big a burden on their proprietors. Needless to say, circulation which is already at a miserable level would drop even more drastically because the disposable income of the citizens will have shunk to the point where only basic needs such as garri and kerosene can

be afforded. Another possible implication of the subsidy removal will be on the security of Nigerians. Its awkward timing when Nigerians are divided along religious and ethnic lines does not bode well for peace and security of the country. The morale and the mass protest that followed the subsidy removal would provide a conducive conditions for Boko Haram to carryout more attacks, recruit and radicalize more youths, particularly those that will be that direct victims of the subsidy removal. The removal further isolated the government from the people and caused so much agitation, violent demonstration in Nigeria that may in turn provide more support for Boko Haram, particularly by those seeking revenge or to hit back at the government. To worsen the situation the salaries and wags of workers have remained constant not even the so-called minimum wage of N18,000 for workers has been implemented at least to alleviate the plight of inflation for the ordinary citizens vanguard (2012).

The Kano chapter of (MAN)manufactures association of Nigeria, said 86 inudstires have closed down in the country due to unfriendly government policies the branch chairman, Alhaji Sami Umar lamented that thousands of workers have lost their jobs, saying we Eunsider it necessary to associate the current problems bedeviling the development of industries in Kano to absence of clear government's industrial policy (saladden 2011:6) put differently that Nigerians have lost small scale industries that are supposed to serve as the backbone of our economy. Business enterprise with lofty ideas hardly survive in this country because of unconduusive environment in which they operate Ugo(2011).

Artisans and technicians who rely on (PMS)petrol motor spirit to power generators to earn thier daily meal will be forced to pass the cost to customers where this is feasible. Otherwise, they will be forced to close shops, with the consequent implication for uemployment- one of the evils the government says subsidy removal will fight.

Also considered critical to the economy as the fuel subsidy issue is the provision of employment for teeming Nigerian graduates being churned out yearly by tertiary institutions, unemployment has resulted in so much brain-drain that there are so many Nigerians working in and contributing to the development of other countries. But since it is not everybody that has the ability to leave the shores of the country, unemployment has continued to rise in the country. According to saladden (2011:6) the national unemployment rate rose from 4.3% in 19700 t 6.4% in 1980. 40% in 1992 and 41.6% in 2011. The high rate of unemployment recorded last year is attributed largely to depression in the economy. As identified earlier, over the years, hundreds of factories that hitherto provided employment to graduates and artisan have collapse. This is because energy supply which serves as the main engine of production has been comatose, many artisan like welders, aluminum window filters, tailor, who cannot afford power generators are today out of work. In desperation, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street hawking just to keep body and soul together. By gbenja budejo (this day news paper).

Another impact of this policy was the anti-subsidy protest which will weaken the already fragile Nigerian economy. Employers of labour have warned of the implication of protest over the planned removal of fuel subsidy. According to director general of the Nigerian employers consultative association (NECA). Mr Olusegun Osinowo: any crisis will worsen the economic situation. You know that salaries are paid from the daily income of the companies the manufactures-and it will be difficult for the employer to honour his salary obligations if business are put on hold due to labour protest Oladesin(2011:1) for instance, Nigeria lost about 4.75million man-days to strike. According to Eyiuche (2012) the strike affected both the high and low and the pinch was felt in virtually all sectors of the economy as business activity were grounded while it lasted.The coordinating minister of the economy and minister of finance, Ngozi Okonjo –Iweala, said that based on the GDP estimate,week-long strike coct the country about #500 billion for the period the strike lasted. The central bank governor Mr. Lamido sanusi, said for every day of the strike the country was loosing N100billion

Table II: history of fuel subsidy strike actions in Nigeria between 2000 and 2012

Date	Causes of strike	Duration	Resolution
June 1, 2000	Prices of petrol Increased to N30/litre from #11 per litre	Eight days	Price reduced #20 per litre
June 16, 2002	Price increase from N20/litre to N26/litre	Two days	Price retained at N26 per litre
June 30-july 8, 2003	Price increase from N26/litre to N40/litre	Eight days	Price reduced to N34/litre
June 9, 2004	Price increase from N34/litre to N50/litre	Three days	Government and NLC agreed to a new price of N42 per litre.
October 11, 2004	Price increase from N42/litre to N52/litre	Three days	Government appointed the 19-member sen. Ibrahim Mantu committee on palliatives.
September 2005	Price increase from N52/litre to N65/litre	No strike	Protest by NLC and civil society groups led to a cut in price
June 20, 2007	Price increase from N65/litre to N70/litre	Four days	Price reduced to N65/litre
January 1, 2012	Price increase from N65/litre to N141/litre	Eight days	Price reduced to N97/litre

By Prof. Okaga, Prof. Ugwu and Prof. Emeh

(deregulation and anti-subsidy removal strikes in Nigeria)

According to Michael Simre, the past couple of weeks have not been the best of times for the average Nigerians who has been battling to contend with an unsavoury new year gift from the government. Industry stakeholders say that because of the new price regime, the environment will be better off as less fuel will be burnt and this resulting in minimal population. Already people have started re-bordering their profiles, generators are now working fewer hours in residential areas, during the sit-at-home, most afternoons are devoid of generators noise and fumes.

Abuja based environmentalist, Ochuko Odibo, believes that the situation will create a behavioral change in the way Nigerians consume fuel. His words “many

Nigeria will rather walk to the corner shop than drive there. Nigerians will now prefer to share car rides with friends or use the public transport service therefore reducing emission of carbon dioxide (CO₂) in the atmosphere, he also says that it will drive Nigerians to adopt alternative source of fuel that is cheap, affordable and available.

The table below shows a scenario building impact of subsidy removal on identified income segments

Income class	Monthly salary Band(N)	Food	Rent	Car/transportation	Health	Generator/cooking/other domestic uses	Education
Poor	0-18,000	7,200 @240/day	500-1000	4,500	N500,no insurance	N500 @ 4 bottles of kerosene and charcoal (no generator)	N691 @4 kids in public school
Impact		High	Medium	High	Medium	Low	Low
Working Class	18,000-40,000	N15,000 @ 500/day	N5,000	N6,000	N1,000, no insurance	5,000 @ 1 small generator and 2 gallons of kerosene	N1,382 @ 4 kids in public
Impact		High	Medium	High	Medium	High	Low
Lower Middle class	40,000-120,000	N30,000 @ N1000/day	N12,500	N11,000 @ 1 car/1 fill per week	N5,510 @ Zenith Smarth health Family insurance shceme	N9,750 uses cooking gas	N15,000 @ 4 kids in public/private school
Impact		medium	Medium	High	Low	High	Medium
Upper Middle class	120,00-500,000	N60,000 @ N2000/day	N25,000	N22,000 @ 2 cars/3 fills per week	N10,080 @ Zenith Classic health Family insurance scheme	N19,500 Uses cooking gas	N40k,000 @ 4 kids in mission private school
Impact		Medium	Medium	High	Low	High	Medium
High income/Upper class	500,000++	N120,00 @ N4,000/day	0(owner occupier)	N55k000 @ 3 cars/2 fill per week	N15,330 @ Zenith Super Health Family insurance Scheme	Generator runs on diesel and uses cooking gas	N500,000 @ 4 kids in private school
Impact		Low	Not Applicable	High	Low	Not applicable	Low

The table shows that the monthly income expenditure pattern nationally shows variations across income groups. Across all income groups, the impact will be most felt on transportation. Though each group experiences some impact, the outlays show that the middle class would be most nominally affected if energy prices rises. Studies conducted by Freund and Wallich in Poland reported by

UNEP (2003) observes that “the welfare loss of higher energy prices is greater for the non-poor than the poor among different socio-economic groups considered, farmers and families are hurt the least by higher energy prices, largely because they do not consume energy for which the prices, increases the most. (169). This seems applicable to the rural poor in Nigeria and partially to the urban poor. The rural poor use more of charcoal and firewood, use less transportation, and live in their own homes and source food from their immediate locales and farms. However the urban poor will have to pay for transportation, rents and incur other living expenses. The above submission by Freund and Wallich also points to the fact that the effects of removal of subsidies would be felt mostly in the urban centres where petrol is largely consumed.

The table also shows that the middle class would be the most directly affected given that their consumption of petrol represents the largest as a percentage of income they spend substantially on fuel, small back up generating electricity, generating sets and cars.

The wealthiest quintile of the population will feel the impact many in fueling cars. The impact will be least on this class since price increase will not be significant as a percentage of their income moreover, the use of grassland cooking gas whose prices are already market rates is prevalent in this group, the inflationary impacts on rents may not be substantial.

2.8 CONCEPT OF PALLIATIVE MEASURES BY GOVERNMENT

The introduction of a subsidy removal in the manner as proposed by government would be a hard-shell. Besides the fact that there are some measures of distrust by the civilian populace in response of the pronouncement made by the government in respect of its proposed palliatives in response to the untoward shock of a price increase. The governments argument has been that savings made from the removal of the subsidy would be channeled to sectors that would navigate the effect of the removal.

So far, government plan have only been discernable from press statements or interviews given by officials. Interviews and statements attributed to some government officials and the president. This day(23rd October 2011) suggest a number of plans and projects including.

1. Setting up a 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 youth, social programmes targeted at pregnant women, children and the elderly
4. Public private partnership to establish refineries and increase domestic fuel production and supply

According to Adebisi (2011) however, the federal government is yet to present a detailed plan with specific projects that will cushion the initial shocks of the economy and difficulties that may be suffered by the poor and vulnerable groups in society. The withdrawal of subsidies on fuel is expected to have some major impact on the economy and particularly on the poor and vulnerable groups in society. Cost of consumer items, food, transportation and the other living expenses are likely to rise diminishing the income of the poor. This would also imply that gains made by the low income workers from the newly approved minimum wage will be substantially eroded. In this regard, the federal government has consistently argued of its recognition of and readiness to alleviate some of these apparent impacts.

The first of the plans by government is to create a fund to be managed by eminent and respected Nigerians special funds in Nigeria are not new and have been created previously for targeted developmental purposes such as the petroleum trust fund (PTF) and the education trust fund (ETF). Such funds have only recorded limited success. However, the low level of trust in government by citizens, poor track record of keeping promises by government and the high level of corruption in government leave huge doubts in the minds of the public. Another fund created by government, responsible for managing the money gotten from the subsidy removal is the subsidy re-investment empowerment programme (SURE). This programme will be later discussed fully in this chapter.

The second aspect involves infrastructural projects and social services programmes. These programmes are important in alleviating poverty but are long term in nature. For such projects to have substantial relief effects, they would have started before the removal of the subsidy. Besides the programmes are more general, seem more targeted at tackling overall poverty rather than alleviating the immediate shock effects.

Third is the building of new refineries to increase domestic production and supply producing locally would mean the elimination of much of the cost subsidized by government.

According to Eyiuche (2012) the federal government had said that cost of living i.e food prices would remain constant because trucks and trailers that hauled foods from the north use diesel gas which however was not deregulated as such the price of food stuff would not be affected. This is a most absurd way of thinking because it forgets that food stuff is being distributed domestically by vehicles that use petrol which is bought very costly even at black market price of N160 per litre due to hoarding.

2.9 THE HOUSE OF REPRESENTATIVE REPORT OF THE AD-HOC COMMITTEE TO VERIFY AND DETERMINING THE ACTUAL SUBSIDY REQUIREMENTS

The following shows a glimpse of the representative report of the Ad-hoc committee to verify and determine the actual subsidy requirements

PRINCIPLES OF THE PETROLEUM SUBSIDY FUND

- Under-recovery shall apply when the Landry cost of products based on import parity principle is in excess of the approved petroleum products pricing regulating agency (PPPRA) ex-depot price for the product
- Over-recovery, which implies payment from marketers into the fund shall apply when the landing cost of the product based on import parity principle is below the approved ex-depot price for the product.
- The central bank of Nigeria (CBN) shall be the custodian of the fund, while the PPPRA shall be vested with the authority to administer the fund as spelt out in the guidelines
- PPPRA shall determine the volume required for imports based on national demand/supply gap and taking cognizance of local production in line with its statutory mandate
- The PPPRA shall constantly liaise with the oil trading/marketing companies and other relevant stakeholders/operators for the purpose of data collection verification, certification and updating of the downstream information data bank
- Submission of PSF claims closes on the 20th of every month. All claims received after the 20th of the month shall be treated in the next batch for the successive month

- On receipt of verified documents from the operators, payment shall be due no later than 45 days.

RESPONSIBILITIES OF THE STAKEHOLDERS/OPERATORS

The PSF guidelines have provided for the roles which the various stakeholders in the downstream petroleum sectors are to play in order to actualize the efficient implementation of the PSF, as follows

- Department of petroleum resources (DPR) is to:
 - Verify and certification of the quantity of petroleum products imported or supplied by the marketers
 - Analysis of the quality specification of the products
 - Enforcement of the price set by government
 - Provide the PPPRA with necessary information and data relating to products procurement, supply and distribution (both import and local productions)
 - Collaborate with the PPPRA and PEF (M)B or intelligence monitoring check malpractices

B. INDEPENDENT INSPECTORS WERE TO CARRY OUT THE FOLLOWING FUNCTION

- measurement and certification of the quantity imported (both on the vessel and in the shore tank at the jethy) – products allaging

Ascertain the quantity of bunker fuel in the vessel to avoid adulteration and volume distortions.

C. FEDERAL MINISTRY OF FINANCE/OFFICE OF THE ACCOUNTANT GENERAL OF THE FEDERATION are involved in the PSF follows

- Processing and approval of payment due to the marketers
- Issuing of payment mandate through the office of the accountant general of the federation to the central bank of Nigeria

D FEDERAL MINISTRY OF FINANCE AUDIT CONSULTANTS were appointed by the ministry to assist with its responsibilities under psf scheme by undertaking the followings:

- Witness and confirm the quantity imported by the marketer at the jetties and shore tanks
- Provide products statistics (supply and distribution) form jetties to depots and to the retail outlets

E PETROLEUM PRODUCTS PRICING REGULATORY AUTHORITY (PPPRA)

Shall perform the following responsibilities in line with its mandate under the psf scheme

- Plan and programme the receipt and distribution of petroleum products to ensure uninterrupted products availability in the country based on determined petroleum products supply gaps

- Demand from refineries monthly production volume on products basis and from the operators, data on products supply and distribution
- Embark on wide publicity and enlightenment programmes to educate stakeholders and the public at large on the benefits of the initiative (i.e the petroleum support fund)
- Perform conciliatory and mediatory roles among stakeholders/operators
- Monitoring of prices at the depot and retail outlets levels
- Ensure security of supply – this is achieved by collaborating with the NNPC and other marketers to release their reserved stocks into the market in time of emergencies and supply gaps arising from the inability of the marketers in fulfilling their obligation on products procurement and short fall in refinery production

F NIGERIAN NAVY

- Issuance of clearance for vessels carrying imported products to enter the Nigerian waters.

G NIGERIAN CUSTOM SERVICE

- Issuance of clearance to discharge or authority to unload petroleum products with the quantified stated

H NIGERIAN PORT AUTHORITY (NPA)

- Issuance of clearance to allow the vessel to berth at the lethy after necessary payment

I CENTRAL BANK OF NIGERIA

- The central bank as the financial regulatory authority shall
- Be the custodian of the psf fund
- Issue statement of account of the fund to the PPPRA on monthly basis
- Manage the ideal funds for security and maximum returns
- Confirmation of the payment to the importers from the psf

J DEBT MANAGEMENT OFFICE (DMO)

Arising from problems encountered by delays in payment to importers of petroleum products, the payment system was improved through the introduction of the use of the Sovereign Debt Note (SDN) in the year 2010 administered by the DMO whose responsibility became as follows:

- Guarantee importers payment within 45 days of the issuance of the Sovereign Debt Note

K INDEPENDENT CARGO INSPECTORS

- Ascertain arrival volumes, discharge and truck-outs from jetties and depots (the names of independent cargo inspectors include saybolt, GMO, inspectorate, SGS, vibrant, and intertek)

OBSERVATION AND FINDINGS

This embodies the committee specific findings of facts in respect of the entire subsidy regime. While section A focuses on findings in respect of government agencies that were the manager or regulators of the process, section B relates to marketers, while section C relates to forencs on issue of finances.

SECTION A

Government Agencies

- 1 Petroleum products pricing regulatory authority authority (PPPRA) findings:
- Making payments to itself: the psf account was registered in the CBN with the name of PPPRA. After all verifications and final authorization given to it, CBN effected payment to beneficiary marketers from the account. However, we discovered that some payment were make to PPPRA as ultimate beneficiary. These payments were higher than what should have accrued to the agency as administrative fee, when weighed against any figure of total of products discharged within a given period
- Failure of monitoring and verification

- Deliberate non-reversal of devastating policy of marketer proliferation: despite the noticeable non-viability of the policy of proliferation of oil marketers and the unbearable pressure of the ensuring corrupt practices on the economy, the PPPRA never deemed it fit to modify or reconsider its decision for the betterment of the system
- Non compliance with guidelines

RECOMMENDATIONS

- All the payments PPPRA made to itself from the psf in excess of approved administrative charges for the sum of NGN #156.455 billion in 2009, and for the sum of NGN 155.824 billion in 2010, should be further investigated and officials found culpable prosecuted by the relevant Anti-Corruption Agencies
- All staff of PPPRA involved in the processing of applications by importers and verification, confirmation and payment of imported products by importers and NNPC should be investigated/prosecuted by the relevant Anti-corruption agencies for criminal negligence, collusion and fraud.
- Marketers without storage facilities and retail outlets must be excluded from participating in the scheme
- It is strongly recommended that PPPRA should publish the psf accounts on a quarterly basis to ensure transparency and openness of the scheme

- 2. FEDERAL MINISTRY OF FINANCE

Findings

- Acquiescence to direct deductions by NNPC
- Troubled budget management
- Out sourcing the ministry's responsibilities

RECOMMENDATIONS

- All those involved in the federal ministry of finance, director-general budget, office and the office of the accountant general of the federation in the extra budgetary expenditure under the psf scheme (2009-2011) should be sanctioned in accordance with the civil service rules and the code of conduct bureau
- The national assembly should enact an act to criminalize extra budgetary expenditure
- CENTRAL BANK OF NIGERIA
- Findings
- Financial Reporting: CBN discharged its responsibility well under the scheme and it is evident that its financial reporting was highly commendable.
- CBN import documentation requirements: CBN also raised some alarm publicly on the escalation of the subsidy claim to the consternation of agencies in the petroleum industry.

RECOMMENDATION

- CBN should critically examine its policy especially with regards to the PSF scheme in the light of these abuses and review the policy guiding payment for importation of petroleum products.

- 3.NIGERIA NATIONAL PETROLEUM CORPORATION(NNPC)

- Findings

- Inapplicability of guidelines to NNPC

- Payment of subsidy on kerosene contrary to presidential directive

- Over deductions: it was further established that NNPC deducted the total sum of NGN 844.988 billion as against the sum of NGN 540.419 billion recommended by the PPRA.

- Demurrage: NNPC operated a very inefficient system of importation of petroleum products that led to filing up of demurrage payments

- Lack of transparency in its operations.

RECOMMENDATIONS

- NNPC should stop direct deductions and subject its transactions to the operational guidelines of the subsidy scheme.

- NNPC should refund to the Nigerian treasury, the sum of #310, 414, 963, 613 paid to it illegally as subsidy for kerosene contrary to presidential directive.
- NNPC should conform to all guidelines applicable to importation under the PSF scheme.
- All those in the management and Board of the NNPC directly involved in all the infractions identified for the years 2009-20011 should be investigated and prosecuted for abuse of office by the code of conduct Bureau.
- The committee recommends that NNPC be unbundled to make its operations' more efficient and transparent and this we believe can be achieved through the passage of a well drafted and comprehensive PIB bill.

4 Pipelines and products marketing company limited

Findings

- The committee recognized that pipeline vandalism was a major threat to effective product distribution across the country.
- The committee established that the PPMC played a direct role in encouraging a very inefficient system of distribution and supply of kerosene products which led to products scarcity and high cost to the consumer.
- The management of PPMC appeared not be alive to its responsibilities and on-top of its duties.

RECOMMENDATION

- The committee recommends that the PPMC management be overhauled.
- Distribution of products, especially kerosene, should be done through NNPC retail; independent petroleum marketed Associated of Nigeria. (IPMAN) and major oil marketers Associations of Nigeria (MOMAN) to ensure availability and affordability of the products to Nigerians.
- The PPMC should deploy modern state of the art device to protect its facilities and pipelines to eliminate wastages arising from vandalism.

5. Department of petroleum resources (DPR)

Findings

- Failure in quantity certification
- Non imposition of sanctions for selling kerosene above subsidy price
- Failure to provide PPRA with information relating to products supply and distribution for both imports and local productions and collaborate on intelligence monitoring to check malpractices.
- Lack of monitoring led to diversion and smuggling of petroleum products.

RECOMMENDATION

- All staff involved in the verification and confirmation of production importation should be transferred out and sanctioned for incompetence collusion and possibly investigated and persecuted for fraud by the relevant anti-corruption agencies.

6. MINISTRY OF PETROLEUM RESOURCES FINDINGS

- Direct deductions at source by NNPC: The ministry played a supervisory role over its agencies and carried out its functions through NNPC and other agencies under its ambit. NNPC deducted what it considered its own share of subsidy claims confirmed that the ministry was well aware and even approved this practice. Even though the practice predated the period under investigation (2009-2011) efforts should have been made to discourage it.
- Lack of grasp of the PSF scheme: the expectation that the ministry should have the most comprehensive overview of the scheme was not met. It failed to exercise the measured grip on the PSF scheme expected of an apex authority.
- Lack of statistics (accounts)
- Poor supervisory role over the agencies under the ministry

RECOMMENDATIONS:

- It is hereby recommended that Mr. President should reorganize the ministry of petroleum resources to make it more effective in carrying out the much needed reforms in the oil and gas sector.
- The committee recommends that two ministers should be appointed to take charge of upstream and down stream sector.

7. Nigeria Navy

FINDINGS

- Under the PSF guideline, it evident that the Nigerian Navy is assigned the role of issuing clearance certificate for the vessels entering Nigeria with imported petroleum products.
- The statement by the Navy that it had data only on vessels and importer-companies that came forward to the Navy offices seeking its clearance showed that like the case with the Nigerian customs, impediments were placed limiting the participation of the navy in the PSF process.

RECOMMENDATIONS

- The PPRA msut provide the Nigerian Navy advance copies of allocation and vessel arrival notifications documents to enable the Navy monitor, track and interdict vessels seeking to avoid naval certification.

SECTION B

Marketers

1. Facility/deposit owners

Findings

- The absence Of modern facilities like temper proof meters at these facilities and depots compounded the challenges of securing an accurate recording of products movements and statistical data needed of monitoring, planning and development.

- It was established that faculties/deposits' owner and the NNPC/PPRA were the worst culprits in this regard.

RECOMMENDATION

- The DPR must brace up to its role of regulation and compel the NNPC/PPMC to comply with all the regulations issued to ensure transparency and accountability.
- This AD-HOC committee shall carryout a forensic investigation to determine the capacity of the facilities/Depots vis-à-vis the claims for volumes offloaded, even based on the non-credible records being paraded by some of the owners/operators.

SECTOIN C

FINANCIAL FORENSICS

FINANCIAL INFRACTIONS

Markets that obtained forex but not found to have utilized some for petroleum importation:

Some marketers were found to have obtained forex for petroleum products importation in the relevant years of 2009, 2010 and 2011, but could not be found to have utilized same for the purposes they were meant. The table here under is intended to expose those who may have exploited the subsidy regime to engage in money laundering activities.

RECOMMENDATIONS:

The marketers identified under this category should be referred to relevant anti-corruption Agencies for further investigation with a view to establishing what they utilized the forex obtained for. The marketers are:

Those who obtained forex but did not import petroleum products

s/n	Names of marketers	2010\$	2011\$
1	Business ilenture Nigeria Limited	22,927,339.96	2011 \$
2	East horizon gas Co. limited	20,7335,910.81	3
3	Emadeb energy	6,606,094.30	4
4	Pokate Nigeria ltd	3,147,956.19	
5	Synopsis enterprise ltd	51,449,977.47	
6	Zenon pet & gas ltd	232,975,385.13	
7	Carnival energy oil ltd	-	51,089,57
8	Crownlines	-	4,756,274.94
9	Ice energy petroleum trading ltd	-	2,131,166.32
10	Index petroleum Africa	-	6,438,849.64
11	Ronad oil and gas w/a	-	4,813,272.00
12	Serenf greenfield ltd	-	4,813,360.75
13	Supreme and mitchelles	-	16,947,000.00
14	Iridax energy ltd	-	15,900,000.00
15	Zamson global res.	-	8,916,750.00

MARKETERS THAT DID NOT OBTAIN FOREX BUT WERE FOUND TO HAVE SUPPLIED AND COLLECTED SUBSIDY ON PETROLEUM PRODUCTS

Some other marketers who did not obtain forex were found to have supplied petroleum products and collected subsidy thereon. The implication of this finding is that some persons may hide under the cover of the subsidy regime to launder illicit funds in to the country.

RECOMMENDATIONS

To separate the wheat from the chaff , the committee recommends that relevant anti-corruption agencies further investigate the transactions of this category of marketers listed below with a view to establishing their source of funds used for the importation of petroleum products in the year 2010 and 2011.

MARKETERS THAT DID NOT OBTAIN FOREX, BUT CLAIMED TO HAVE IMPORTED PETROLEUM PRODUCTS BASED ON WHICH THEY HAVE COLLECTED SUBSIDY

S/N	NAMES OF MARKETERS	2010 subsidy. As per accountant general #	2011 subsidy as per general accountant #
1	Bonvas and company	-	10,992,583,784.50
2	Brila energy ltd	-	963,796,199.85
3	Ceoti ltd	-	2,944,681,700.17
4	Eco-reyen ltd	-	1,988,141,091.10
5	Eurafic oil and coastal service ltd	-	3,189,069,707.43
6	First deep water discovery	257,396,183,68	4,061,148,533.35
7	Knight bridge	1,685,869,439.29	2,706m273m858.82
8	Mobil oil Nigeria plc	3,991, 754,441.53	3,060,232m335.26
9	Nababo energy ltd	247,184,147,50	2,660,902,801,58
10	Ocean energy tradry & service ltd	-	1,778,180,051.20
11	Origin oil and gas ltd	-	2,703,454,122.11
12	Someoest energy services	959,012,939.72	2,056,208,548.22
13	Sulphur-steam ltd	-	4,758,693,052.00
14	Swift oil	-	5,062,403,548,18
15	Frapro international ltd	-	1,486,837,448.90
16	Fradro international ltd	-	1,148,792,391.50
17	Vivendi energy Nigeria ltd	-	1,095,790,255.02
	Total	7,141,217,151.72	55,019,978,401.14

MARKETERS NOT REGISTERED WITH PPPRA BEFORE THEY GOT FIRST ALLOCATION FOR PRODUCT SUPPLIES

S/N	NAMES OF MARKETERS	DATE OF REGISTRATION WITH PPRA	DATE OF 1 ST ALLOCATION
1	Anosyke group of companies	24 th Jan 2011	18 th Jan 2011
2	Bрила energy ltd	15 th Oct. 2010	8 th Oct 2010
3	Cades oil and gas ltd	8 th April 2011	9 th feb 2011
4	Ceoti ltd	26 th Jan 2011	18 th Jan 2011
5	Downstream energy source	15 th Oct. 2010	8 th Oct 2010
6	Duport ltd	5 th Nov. 2010	18 th Jan 2010
7	Fradro	20 th Jan 2011	18 th Jan 2010
8	Fradro	20 th Jan 2011	18 th Jan 2011
9	Fresh engery ltd	5 th August 2011	2 nd August 2011
10	Linterale	1 st Feb. 2011	30 th Dec 2010
11	Lingo oil and gas caompany	15 th Oct 2010	8 th Dec 2010
12	Lottos oil and gas ltd	12 th August 2011	18 th Dec. 2009
13	Menol oil and gas ltd	28 th Jan 2011	10 th August 2010
14	Naticel petroleum ltd	10 th Dec 2010	10 th August 2010
15	Oakfield synergy network ltd	5 th August 2011	2 nd August 2011
16	Oil bath Nigeria ltd	4 th August , 2011	2 nd August 2011
17	Rocky energy ltd	27 th Jan. 2011	1 st Jan 2011
18	Prudent energy and service ltd	12 th August 2011	2 nd August 2011
19	Spoyn Petrochemicals ltd	23 rd June 2010	4 th June 2010
20	Yanaty Petrochemicals nig ltd	15 th Oct. 2010	8 th Oct 2010

RECOMMENDATIONS

The management is hereby reprimanded for awarding contracts to companies not registered with it at the time of award in contravention of its guidelines.

MARKETERS THAT NEVER APPLIED TO PPPRA FOR PRODUCT SUPPLIES BEFORE THEY GOT THEIR FIRST ALLOCATION

Some marketers were found not to have made any application to PPPRA for supplies of petroleum products before they got their first allocation. For a valid contract, there must be an offer and acceptance. Marketers who were found not to have applied for supplies contract with PPPRA are deemed not to have any offer to PPPRA, based on which PPPRA may have accepted by allocating quantities of petroleum to be supplied by the marketers. The companies are

S/N	Names of marketers	Date of 1 st allocation	Date of 1 st allocation to PPPRA	Quantity allocated
1	Cadees oil and gas ltd	9 th February 2011	13 th June 2011	15, 000MT
2	Lottos oil and Gas ltd	18 th Dec. 2009	11 th May 2011	10,000MT
3	Mob integrated service ltd	8 th Oct. 2008	20 th April 2010	15, 000MT

RECOMMENDATIONS

All those officials of PPPRA who aided and abetted the perpetration of these infraction should be sanctioned according to the civil service rules.

2.10 THEORETICAL FRAMEWORK OF ANALYSIS

The theory to be adopted for this study is the neo-liberalism theory. Neoliberalism is a contemporary form of economic liberalism that emphasizes the efficiency of private enterprise, liberalized trade and relatively open markets to promote globalization. Neoliberals therefore seek to maximize the role of the private sector in determining the political and economic priorities of the world. Neoliberalism seeks to transfer control of the economy from public to the private sector Cohen (2007) under the belief that it will produce a more efficient government and improve the economic health of the nation Prasad(2006).

The main points of neo-liberalism include:

THE RULE OF THE MARKET:

Liberating “free” enterprise or private enterprise from any bonds imposed by the government (the state) no matter how much social damage this causes. Greater opens to international trade and investment, as in international relations. Reduce wages by de-unionizing workers and eliminating worker’s right that had been won over many years of struggle. No more price control, all in all, total freedom of movement for capital, goods and services. To convince us this is good for us, they say “an unregulated market is the best way to increase economic growth, which will ultimately benefit everyone.

CUTTING PUBLIC EXPENDITURE FOR SOCIAL SERVICES:

Like education and health care, reducing the safety-net for the poor, and even maintenance of roads, bridges, water supply. Again in the name of reducing government's role of course, they don't oppose government's subsidies and tax benefits for business.

PRIVATIZATION:

Sell state-owned enterprise, goods and services to private investors. This includes banks, key industries, rail roads, toll highways, electricity, schools, hospitals and even fresh water. Although usually done in the name of efficiency, which is often needed. Privatization has mainly had the effect of concentrating wealth even more in a few hands and making the public pay even more for its needs.

DEREGULATION

Reduce government's regulation of everything that could diminish profits, including protecting the environment and safety on the job.

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CHAPTER THREE

RESEARCH METHODOLOGY AND DESIGN

Okeke T.C (1980) simply defined research methodology as a plan that specifies how data should be collected and analysed. In this sense, data is not just mere information, it is information gathered by investigation with the aid of their instruments, techniques and means. Since research method has to do with methods adopted by the researcher to collect data, which are relevant to the problem under consideration, the researcher of this project made use of personal interviews and data questionnaire

3.1 RESEARCH DESIGN

The basic research design employed in this study was descriptive design. The choice of this design was chosen due to the fact that it enriches the data collection. The research design adopted on this study was carefully planned, so as to be able to obtain accurate and complete information about the research project being used.

3.2 SOURCES OF DATA

The major source of data used in this work was mainly through primary and secondary sources of data collection. The primary sources are data collected at first hand from original sources for the users express purpose. Such data are usually collected from oral interview, questionnaires and face to face observation

of the respondents. The secondary data are simple data collected on a second hand base. This type of data could be obtained through the use of textbooks, seminar papers, journals, news papers, internet and magazines collected mostly from university, polytechniques, public and specialized libraries

3.3 LOCATION OF STUDY

The policy of the removal of fuel subsidy affects Nigeria as a whole but because of the vast nature of Nigeria, the researcher covered only Abakaliki local government area in Ebonyi state.

3.4 POPULATION OF THE STUDY

The population of the study comprises of the population of Abakaliki local government are in Ebonyi state and limited to them alone. The population size is 149, 683. The table below shows the population distribution fo abakaliki local government.

Local government: Abakaliki

Population	149,683
Male	72,518
Female	77,165

Communities	Population	% of questionnaire distribution
Amagu	32,595	21.77%
Izzi unuhu	6,728	4.49%
Enyigba	31,475	21.02. %
Amachi	7,978	5.32%
Okpuitimo ndiabo	31,704	21.18%
Iggea	9,549	6.37%
Okpuitimo ndi-agu	29,654	19.81%

Source: federal republic of Nigeria official gazette, No2 Abuja- 2nd February 2009 vol.96 legal notice on publication of 2006 census final result.

3.5 SAMPLE AND SAMPLING TECHNIQUE

The sample technique applied in selecting sample for the study is cluster sampling. This type of sampling involves the initial sampling of groups of elements (called clusters), followed by the selection of elements within each selected clusters. In this form of sampling, the clusters are made up of individual units which constitute mutually exclusive and exhaustive categories from these clusters, the researcher randomly selects two subjects to be included in the sample.

3.6 SAMPLE SIZE DETERMINATION

The Taro Yameni technique was adopted for this research work

Thus $n = N$

$$\frac{N}{1+N(e)^2}$$

Where N= population of the study

n = sample size

(e) = level of significance

I= unit (a constant)

Note (e) = 0.05

$$= \frac{149,683}{1 + 149,683 (0.05)^2}$$

$$= \frac{149,683}{1 + 149,683 (0.0025)}$$

$$= \frac{149,683}{1 + 374}$$

$$= \frac{149,683}{375}$$

$$= 399$$

n = 399 sample size.

Below is the table showing questionnaire distribution by percentage determined from population distribution.

Communities	% of questionnaire distribution	% of sample size
Amagu	21.77%	86.86
Izzi unuhu	4.49%	17.91
Enyigba	21.02%	83.86
Amachi	5.32%	21.22
Okpuitimo ndiabo	21.18%	84.50
Iggea	6.37%	25.41
Okpuitimo ndi-agu	19.81%	79.04

While the sample size is 399, the researcher distributed 399 questionnaires to the respondents. Out of the 399 respondents only 390 returned their completed questionnaires. Therefore analysis of data was based on the response of the 390 respondents.

3.7 INSTRUMENTS USED FOR DATA COLLECTION

Owing to the area covered by this study, questionnaire was deigned for data collection. Data was collected through relevant newspaper, journals, oral interviews, literature/write up from seminar papers and internet.

3.8 ADMINISTRATION OF INSTRUMENT

The researcher developed the questionnaire which she personally distributed to the target sample size according to the percentages determined for the communities in Abakaliki local government.

3.9 VALIDITY OF THE INSTRUMENT

According to osondu (2004) validity is the procedure adopted in ensuring that the instrument used has measured what it was designed to measure. The purpose of the exercise is to identify whether the developed instrument really agree with the content of the research questions, so as to determine the strength of the work.

The researcher used a pilot study of validation to ensure the instrument measures what they are expected to measure after distribution and collection was made at the post.

3.10 RELIABILITY OF THE INSTRUMENT

The reliability of the study can be traced to the response and results given by the people interviewed and supportive literatures by authors and corrections made on some ideas about the impact of fuel subsidy removal in Nigeria with particular reference to Abakaliki local government in Ebonyi state. The researcher applied a test-retest method in establishing the reliability of the work. Test-retest is a process of repeating an already analyzed data in order to examine the reliability of the data or research.

3.11 DATA COLLECTION

The researcher collected the data for this study through the use of questionnaire. Three hundred and ninety-nine (399) copies of questionnaire were distributed/administered to the respondents, the researcher went to the location of the study Abakaliki local government to distribute the copies of the questionnaire. A face to face system of distribution was used.

According to Odo (1999) face to face system of questionnaire distribution is a process whereby the researcher visits the institution, local government or organization that is used as the case study himself/herself to distribute the questionnaire directly by him or by the spot assistants in the place to the same sample group elements. The researcher collected the questionnaire from the respondents personally after 5 (five) days of distributing the copies of the questionnaires.

3.12 INSTRUMENT RETURN RATE

The researcher distributed a total of 399 copies of the questionnaire to all respondents in Abakaliki local government area, out of the 399copies of questionnaire, only 390 were returned and 9 were not returned.

The table below shows the questionnaire distribution and the rate of return.

Table of instrument return rate

Communities	No of questionnaire shared	No of questionnaire retured	No of questionnaire not returned
Amagu	86	85	2
Izzi unuhu	18	18	-
Enyi-gba	83	80	3
Amachi	21	20	1
Okpuitimo ndiabo	85	83	2
Iggea	26	26	-
Okpuitimo ndi-agu	79	78	1
TOTAL	399	390	9

$$\% \text{ of questionnaire returned } \frac{390}{399} \times 100 = 97.7\%$$

$$\% \text{ of questionnaires not returned } \frac{9}{399} \times 100 = 2.2\%$$

The table above shows the instrument return rate, from the table, eighty seven (87) questionnaires were distributed to Amagu community, out of the eighty seven only 85 returned their completed questionnaire and two (2) did not return. In izzi unuhu 18 questionnaire were shared, the whole 18 respondents returned their questionnaire. In Enyi-gba community, 83 questionnaire were shared only 80 returned and three(3) did not return. In Amachi 21 questionnaire were shared, 20 returned and one was not returned. In Okaputimo-ndiabo 85 questionnaire were shared, 83 returned and two(2) was not returned. In Iggea 26 questionnaire were shared and all were returned and lastly in Okpuitimo ndi agu 79 questionnaire were shared, 78 returned and one was not returned. In conclusion, 98% of the questionnaire were returned and 2% of the questionnaire were not returned.

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CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS AND INTERPRETATION

4.1 DATA PRESENTATION AND ANALYSIS

In this chapter, data collected will be presented. The response of the respondents shall be analyzed. The result of the analysis will also be discussed, the researcher administered 399 questionnaires and only 390 respondents were presented and analyzed. The questionnaire was designed to find out fuel subsidy removal and the Nigerian economy in analyzing the data collected, tables were used in the presentation of data.

RESEARCH QUESTION 1

Was the fuel subsidy regime was useful to a majority of Nigerians?

TABLE 4.1.1 Respondents view

Options	Number of respondents	Percentage(%)
Yes	100	25.6
No	290	74.4
Total	390	100

Source: research data 2012

Table 4.1.1 shows that 100 respondents representing 26% of the sample size population were of the view that the fuel subsidy regime was useful to a majority of Nigerians while 290 respondents representing 74% agreed that the fuel subsidy regime was not useful to a majority of Nigerians from the table above, it could be said that fuel subsidy regime was not useful to a majority of Nigerian.

RESEARCH QUESTION 1A

Were you in support of the fuel subsidy regime?

Table 4.1.2 Respondents view

Options	Number of respondents	Percentage(%)
Yes	205	52.6
No	185	47.4
Total	390	100

Source: research data 2012

The table shows that 205 respondents representing 52.6 % of the sample size population were in support of the fuel subsidy regime while 185 respondents representing 47.4% of the sample size population were not in support of the fuel subsidy regime therefore majority of Nigerians were in support of the fuel subsidy because they were able to purchase fuel at a cheaper price or subsidized rate.

RESEARCH QUESTION 1B

To whom was the fuel subsidy made available?

Table 4.1.3 Respondents view

Options	Number of respondents	Percentage(%)
Cabals/fuel promoters	301	77.1
Masses	89	22.8
Total	390	100

Source: research data 2012

The table shows that 301 respondents representing 77% of the sample size were of the view that the subsidy was made available for the cabals while 89 respondents representing 23% of the sample size were of the view that the subsidy was made available for the masses.

RESEARCH QUESTION 1C

Were other sectors of the economy were as healthy as they should be under the fuel subsidy?

Table 4.1.4 Respondents view

Options	Number of respondents	Percentage(%)
Yes	10	2.6
No	380	97.4
Total	390	100

Source: research data 2012

The table shows that 10 respondents representing 3% of were of the view that other sectors of the economy were in good condition during the subsidy regime while 380 respondents representing 97% agreed that other sectors of the economy were in bad conditions during the subsidy regime. This showed that the other sectors of the economy such as health, transportation, education, agriculture etc suffered during the subsidy regime.

RESEARCH QUESTION 1D

Did the masses benefit from the fuel subsidy regime?

Table 4.1.5 Respondents view

Options	Number of respondents	Percentage(%)
Yes	89	22.8
No	301	77.1
Total	390	100

Source: research data 2012

The table shows that 89 respondents representing 23% of the sample size is of the view that the masses benefited from the subsidy and 301 respondents representing 77% of the sample size is of the view that the people or the masses did not benefit from the subsidy during the subsidy regime.

RESEARCH QUESTION 1E

Did the cabals/promoters or beneficiary of the subsidy benefit more from the subsidy than the masses?

Table 4.1.6 Respondents view

Options	Number of respondents	Percentage(%)
Yes	297	76.2
No	93	23.8
Total	390	100

Source: research data 2012

The table shows that 297 respondents representing 76% of the sample size were in support of the view that it was only the cablas that benefited more from the

subsidy regime while 93 respondents representing 24% is of the view that the cabals did not benefit more from the subsidy.

According to the data collected from research question one(1) and other sub-questions that were formulated in order to answer the major question, it showed that the fuel subsidy regime was not useful to a majority of Nigerians and that it was only the few privileged ones or the cabals that the regime was useful to, it also showed that majority of Nigerians were against the fuel subsidy regime. It also went further to prove that the cabals were the ones that benefited more from the subsidy and not the masses and that the other sectors of the economy were in bad shape during the subsidy regime.

RESEARCH QUESTION 2

Was the federal government reasonable enough by removing subsidy on fuel?

Table 4.2.1 Respondent view

Options	Number of respondents	Percentage (%)
Yes	250	64.1
No	140	35.9
Total	390	100

Source: research data 2012

The table shows that 250 respondents representing 64 % of the sample size is of the view that the federal government was reasonable enough by removing subsidy on fuel and 140 respondents representing 36% of the sample size were of the view

that the federal government was not reasonable enough by removing subsidy on fuel.

RESEARCH QUESTION 2i

For which of the following reasons did the federal government remove subsidy on fuel.

Table 4.2.2 **Respondent's view**

Options	Yes	Percentage (%)	No	Percentage (%)
a) To stamp out corruption in the oil sector	160	41.0	230	58.9
b) To encourage competition in the oil sector	250	64.1	140	35.8
c) To ensure that Nigerians benefit from the money accruing from the subsidy removal	90	23.0	300	76.9
d) To raise the standard of living	290	74.3	100	25.6
e) To reduce the rate of borrowing from international organizations	208	53.3	182	46.6
f) To develop other sectors of the economy.	390	100	0	0

Source: research data 2012.

The table above shows that 160 respondents representing 41% of the sample size agreed that government removed subsidy on fuel so as to stamp out corruption in the oil sector and 230 respondents representing 59% of the sample size were

opposed to that. (Two hundred and fifty) 250 respondents representing 64% of the sample size agreed that the government removed subsidy on fuel in order to encourage competition in the oil sector and 140 respondent representing 36% of the sample size were opposed to that (ninety) 90 respondents representing 23% of the sample size agreed that the government removed subsidy on fuel to ensure that Nigerians benefit from the money accrued from the subsidy removal while 300 respondents representing 77% of the sample size disagreed with that. Two hundred and ninety (290) respondents representing 74% of the sample size agreed that the government removed subsidy on fuel in order to raise the standard of living of the people while 100 respondents representing 26% of the sample size opposed to that. (Two hundred and eight) 208 respondents representing 53% of the sample size were of the view that the government removed subsidy on fuel in order to reduce the rate of borrowing from international organization while 182 respondents representing 47% of the sample size opposed to that view and lastly 390 respondents representing 100% of the sample size were of the view that the government removed subsidy on fuel in order to develop other sectors of the economy.

According to the data collected for research question two(2) and other sub-questions that were formulated under the research question 2 in order to help answer the questions, the research found out that the Federal Government was reasonable enough in removing subsidy on fuel in order to encourage competition in the oil sector raise the standard of living of Nigerians, reduce the rate of

borrowing from international organizations, and develop other sectors of the economy.

RESEARCH QUESTION 3

What does that fuel subsidy removal portend for Nigerians?

Table 4.3.1 Respondent’s view

Options	Yes	Percentage (%)	No	Percentage (%)
a) Generate employment opportunity	390	100	0	0
b) Stop Nigeria from importing fuel from other countries	230	58.9	160	41.0
c) Attract foreign investors	64	16.4	326	83.6
d) Ensure economic recovery and sustainability	390	100	0	0

Source: research data 2012

The table shows that 390 respondents representing 100% of the sample size agreed that the removal of fuel subsidy in Nigeria will create a lot of employment opportunities. Two hundred and thirty 230 respondents representing 59% of the sample size agreed that the removal of subsidy on fuel will stop Nigeria from importing fuel from other countries while 160 respondents representing 41% of the sample size were opposed to that. (sixty-four) 64 respondent agreed that the removal of subsidy on fuel will attract foreign investors in the nigeira down stream sector while 326 respondents representing 84% of the respondents were opposed to that. Lastly 390 respondents representing 100% of the sample size is of the view that the removal of subsidy on fuel will help to recover and sustain other sectors of the economy.

RESEARCH QUESTION 3i

Has there been any noticeable impact of the fuel subsidy removal on the Nigerian economy?

Table 4.3.2 Respondent view

Options	Number of respondents	Percentage (%)
Yes	307	78.7
No	83	21.2
Total	390	100

Source: research data 2012

The table shows that 307 respondents representing 79% of the sample size is of the view or agreed that there has been a noticeable impact of the fuel subsidy removal on Nigerian economy while 83 responds representing 21% of the sample size is of the view that no noticeable impact has been felt on Nigerian economy.

RESEARCH QUESTION 3II

what level of impact has been felt in these sectors of the economy.

The table below shows the table of economic sectors.

Table 4.3.3 Respondents view

Sectors	Very high	High	Low	Very low	Not at all	Don't know
Agriculture	88	82	120	56	30	14
Health	50	108	60	50	30	92
Transportation	18	320	12	15	15	10
Communication	96	10	64	30	60	130
Education	46	130	20	82	24	88
Power	14	220	12	60	20	64
Tourism	-	-	10	96	130	64
Social amenities	10	64	92	88	30	14
Infrastructures	15	-	320	20	35	-

Source: research data 2012.

The table below tries to analyze the impact of fuel subsidy removal on other sectors of the economy, the table shows that a high impact has been felt in the health sector, transportation, education and power sector. It also shows that a low impact has been felt in the agricultural sector, infrastructure, and social amenities. The table also showed that majority of the respondents had no idea of the achieved impact in communication and no impact was felt at all in tourism.

4.2 INTERPRETATION OF DATA

The data collected from research question one(1) showed that the fuel subsidy regime was not useful to a majority of Nigerians. It also showed that majority of Nigerians were against the fuel subsidy regime, it went further to prove that the cabals were the ones that actually benefited from the subsidy.

Research question two(2) proved that the federal government was reasonable enough in removing subsidy on fuel in order to encourage competition in the oil sector, raise the standard of living of Nigerians, reduce the rate of borrowing from international organizations and develop other sectors of the economy.

Research question three (3) showed that the removal of subsidy on fuel will help in generating employment opportunities for Nigerians, stop Nigerians from importing fuel from other countries, attract foreign investors in the down stream sector of the economy and ensure economic recovery and sustainability. It also went further to show that the removal of subsidy has made a high impact on health, transportation, education and power sector, made a low impact on agricultural sector, infrastructure and social amenities. It also showed that majority of the respondents had no idea of the achieved impact in communication and that no impact has been felt at all in tourism.

CHAPTER FIVE

FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 FINDINGS

In the course or process of this research, the researcher observed from the numerous respondents that the subsidy on fuel which the federal government introduced was not useful to a majority of Nigerians because it did not benefit the masses. Thou majority of Nigerians did not benefit from the subsidy but they were able to buy/purchase fuel at a cheaper rate during the subsidy regime. The researcher also found out that it was the cabals whom the fuel subsidy was made available for. In the process of this research, the researcher also discovered that other sectors of the economy such as the agricultural sector, communication sector, educational sector, etc were highly neglected during the subsidy regime.

The researcher also observed that the federal government was reasonable enough in removing subsidy on fuel with the sole aim of developing other sectors of the economy, with the belief that the result of the removal will generate employment opportunities for Nigerians, stop Nigerians from importing fuel from other countries, attract foreign investors in the downstream sector of the economy and also to recover and sustain other sectors of the economy. Finally, the researcher also found out that the removal of subsidy on fuel has a high impact on the health, transportation, education and power sectors of the economy, a low impact was felt in the agricultural sector, infrastructures and social amenities. The

researcher also noticed that majority of the respondents had no idea of the achieved impact on communication and that no impact was felt at all in tourism.

The researcher also observed that there is a great disappointment and a high level of mistrust among the populace because Jonathan's presidency/ regime has not proved to be different from other regimes in terms of sincerity and honesty. The federal government promised to use the money that accrued from the fuel subsidy removal to develop other sectors of the economy but majority of Nigerians are protesting against the policy of fuel subsidy removal not because they don't know its importance in the long run, but because of their experience with past government. This is not the first time Nigerians are hearing of the word "subsidy removal". Nigeria government have removed subsidy on kerosine, diesel and fuel but then the story still remains the same. Nigerians believe that the government will use the money that were accrued from fuel subsidy removal for their own selfish interest and not for the benefit of the masses. The people also agitated that Jonathan did not mention anything about fuel subsidy removal all his month of campaigning for the presidential office, only to introduce it immediately he was declared winner of the election.

During the period of fuel subsidy, some major players in the petroleum sectors shared a huge sum of money all in the name of importing refined petroleum products into the country (Nigeria), some companies in the

downstream sector shared over #1.428 trillion between January and August 2011 alone (nation newspaper 2012:71). Oando oil, conoil, African petroleum and Mrs oil are among powerful players in the petroleum sector. However the corruption in the oil sectors by the cabals has brought more hardship to the poor Nigerian masses by the sudden removal of subsidy on fuel and deregulation of the downstream sector of the economy. Finally the policy was well formulated but poorly implemented and executed.

5.2 CONCLUSION

A majority of Nigerians accepted the fuel subsidy removal because they were not actually the ones benefiting from it. It was the hope of the masses that the government would use the money that accrued from the removal of subsidy on fuel to develop other sectors of the economy from which the masses could benefit. The people agitated against the removal of subsidy on fuel not because they did not know its importance and what they would benefit from it in the long run, but because of the high level of mistrust they had in government and also the wrong timing and execution of the policy. Since the fuel subsidy removal has come to stay, the people are now asking that the government should provide palliatives measures that would help cushion the adverse effects in the short run. In summary the removal of fuel subsidy will be good for Nigerians and if properly applied would go a long way in reviving and sustaining the other sectors of the economy.

5.3 RECOMMENDATIONS

Government should identify areas of wastages in governance such as the allocation of largesse and booties in the name of allowance. The government should also try and adjust and reprioritize the proposed spending in the 2012 budget to fund fuel subsidy, and in a way that addresses social needs and improve the well being of all citizens:

The palliatives should have been put in place before removing subsidy on fuel in order to help cushion the adverse effect of the subsidy removal, and the government should try and implement the N18,000 minimum wage which the president signed into law at the heels of elections.

Deregulation can also be attained in phases/stages, that is the current increment can be spread over period of six years or more.

The various law enforcement agencies such as the ICPC and EFCC should be fully empowered and well funded to perform effectively and again the cabals that constitutes the beneficiaries of the fuel subsidy that held the country and its economy to ransom should be identified and be brought to book immediately.

The federal government of Nigeria should address and adequately develop other sectors of the economy such as the educational, agricultural, communication, transportation, tourism, health, provision of social amenities and infrastructure, which will go a long way in providing employment opportunity and raise the standard of living of the people.

The above panacea will go a long way to resolve the hardship in Nigeria and rest the issue of subsidy removal finally.

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APPENDIX

Department of Public Administration
Faculty of management and Social
Science
Caritas University,
Enugu,
June 2012

Dear Sir/Madam/Miss

The researcher is a final year student of the above named school. She is currently carrying out a research on the impact of fuel subsidy removal on the Nigerian economy, a case study of Abakaliki local government area in Ebonyi State

The study is being undertaken as a part of the requirement for the award of Bachelor of Science Degree in Public Administration of correct answers to the questions as set out here for meaningful evaluation and they shall be treated in the student confidence

Thanks for your cooperation

Yours faithfully,

Nkwagu oluchi Winifred

PA/2008/182

QUESTIONNAIRE

SECTION A

1. Sex

Male [] Female []

2. Martial status

Single [] Married []

3. Age

20-29 [] 30-39 [] 40-50 [] 50 and above []

4. Educational qualification

a. F.S.L.C []

b. W.A.E.C []

c. O.N.D. []

d. B.S.C []

e. H.N.D. []

f. M.S.c []

SECTION B

1. Was the fuel subsidy regime useful to a majority of Nigerians

Yes [] No []

1a. Were you in support of the fuel subsidy regime

Yes [] No []

1b. To whom was the fuel subsidy made available?

Cabals [] Masses []

1c. Were other sectors of the economy as healthy as they should be under the fuel subsidy regime

Yes [] No []

1d. Did the masses benefit from the fuel subsidy regime?

Yes [] No []

1e. Did the cabals/promoters or beneficiary of the subsidy benefit more from the subsidy than the masses.

Yes [] No []

2. Was the federal government reasonable enough by removing subsidy on fuel

Yes [] No []

2i. For which of the following reasons did the federal government remove subsidy on fuel

a. Stamp out corruption in the oil sector Yes [] No []

b. To encourage competition in the oil sector Yes [] No []

c. To ensure that Nigerians benefit from the money accruing from the subsidy removal. Yes [] No []

d. Raise the standard of the living Yes [] No []

e. To reduce the rate of borrowing from international Yes [] No []

f. To develop other sectors of the economy Yes [] No []

3i. Has there been any noticeable impact of the fuel subsidy removal on the Nigerian economy Yes [] No []

3ii. What level of impact has been felt in these sectors of the economy

Sectors	Very high	High	Low	Very	Very low	Not at all	Don't know
Agriculture							
Health							
Transportation							
Communication							
Education							
Power							
Social amenities							
Infrastructures							