

Introduction

On 1 January 2012, the Petroleum Products Pricing Regulatory Agency (PPPRA) announced the withdrawal of a petroleum subsidy with effect from that day.¹ This had been preceded by months of dialogue between government and civil society, and the government indicated a willingness to explore further multi-stakeholder dialogue before any subsidy withdrawal implementation. The sudden withdrawal was therefore considered to be in bad faith and civil society reacted with widespread work stoppages, nationwide. The government was taken unawares by the scale of public discontent following the withdrawal, and quickly announced some palliative measures while the lower house of legislature set up an ad hoc committee to investigate the issue of petroleum subsidy, which had become a perennial challenge with successive Nigerian governments.

The lower house's investigation revealed monumental corruption in the oil industry and undermined all the rationale for withdrawal of the subsidy. The matter was further compounded when electronic evidence emerged of bribe taking by members of the investigating committee.

Policy and political background

From the beginning of military rule in Nigeria in 1966, successive Nigerian governments had announced a removal of the subsidy on petrol. Removal of the petroleum subsidy seems a cost-effective and quick means to mobilise government funds. However, there has never been an in-depth investigation into the rationale of the oil subsidy removal. The government's standard explanation has always been that the removal will lead to the availability of resources to improve the living standards of Nigerians. However, over the years, living standards in this oil-producing nation have continually slipped; Nigeria now ranks 156th out of 187 countries on the

Human Development Index, and Transparency International's Corruption Perceptions Index 2011 has ranked Nigeria 143rd out of 183 countries.

The upper legislative chamber, in November 2011, had set up the Joint Committee on Petroleum Resources (Downstream), Appropriation and Finance to investigate the management of the fuel subsidy scheme as a result of the government's extra-budgetary spending on the subsidy. The investigation by the lower house in the wake of the widespread civil discontent following the sudden withdrawal of the subsidy in January 2012 discovered large-scale fraud involving many of the stakeholders of the subsidy value chain: this included officials of the Ministry of Petroleum Resources, Nigerian National Petroleum Corporation (NNPC), Department of Petroleum Resources (DPR), Petroleum Products Marketing Company (PPMC) and the PPPRA.

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The monumental corruption discovered in the Nigerian oil industry is best understood within the context of the global economic crisis. This was the period when entire nations (Greece, Ireland, Iceland, Spain, Italy, etc) had gone bankrupt and had to receive large bailouts from the International Monetary Fund. In every one of these failed economies, the immediate reactions of the leadership have been to impose harsher economic sanctions on an already hard-up population. In Nigeria, the Central Bank had raised an alert that the country was not immune from the raging global economic crisis, and along with the Ministry of Finance, had provided the rationale for the removal of the petroleum subsidy. The implications of a 130% hike in the cost of fuel on a nation that has a youth unemployment rate of 45% and a loss of over 8 million jobs within a decade did not feature in the Nigerian leadership's calculations. This followed a similar pattern in the reaction of governments in countries that had gone bankrupt across the world.

A coalition of civil society groups in Nigeria had questioned why, as a member of the Organization of the Petroleum Exporting Countries (OPEC), Nigeria

1 saharareporters.com/news-page/nigeria-announces-removal-petrol-subsidy?page=5

2 hdrstats.undp.org/en/countries/profiles/NGA.html

3 www.informationnigeria.org/2012/04/storm-gathers-over-subsidy-probe-oil-chiefs-may-face-trial.html

