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DEREGULATION OF THE DOWNSTREAM OIL SECTOR AND ECONOMIC DEVELOPMENT IN NIGERIA, 1999 - 2017: A CRITICAL ANALYSIS

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ABSTRACT
The abysmal performance of the downstream oil sector has beleaguered the socio-economic wellbeing of Nigerians. As a result, government introduced several reforms that would encourage private sector participation and enhance production. The paper interrogated the link between deregulation of the downstream oil sector and economic development in Nigeria. Using the elite theory as its framework of analysis, the secondary method of data collection, and the qualitative-descriptive method of data analysis as its methodology, the paper examined the corrupt practices that have beleaguered the downstream oil sector, and concluded that deregulation of the downstream oil sector has not enhanced economic development in Nigeria. Among other things, the paper recommended that government should, as a matter of urgency, fix the country's incapacitated refineries for optimal production; that all legislative bottlenecks facing the speedy passage of the petroleum industry bill should be tackled so that the-much-talked-about policy of deregulation can become feasible.
KEYWORDS: deregulation, fuel subsidy, downstream oil sector, economic development, corruption.

INTRODUCTION

Globally, the oil sector remains an indispensable aspect necessary for human sustenance and industrial production. Undoubtedly, oil is the bedrock of the Nigerian economy, accounting for about 83% of total federally collected revenue in 2008, 65.8% in 2009 and 73.8% in 2010 (C.B.N. Statistical Bulletin, 2010). Also, it accounted for 78.1% in the first half of 2012 (C.B.N. Economic Report for the first quarter of 2012).

However, just like in most developing countries of the world, the benefits from the sector have not actually translated to economic development, as the life of the common man on the streets of Nigeria has remained impoverished. It was against this background that Odey (2011) stated that despite being a major oil producing country for decades, with huge revenues accruing from the oil sector, Nigeria is still being ranked as one of the poorest countries in the world. Nigeria's case is likened to a number of oil rich countries where governments have failed to translate their oil wealth into economic sustainability and higher standards of living. This has been severally described in various literatures as either a 'resource curse' or the 'Dutch disease' (Warner, 2007).

It is no gainsay that Nigeria's oil sector has been saddled with myriad of problems that undermine the policy of deregulation in the downstream sector. The industry still grapples with systemic corruption. The observable corrupt practices in the allocation of oil blocks, crude oil export and importation of refined products, and the award of contracts in the sector, as well as poor supply of petroleum products for domestic consumption, etc. are instructive. The sector has continued to be characterized by incessant crises in supply of products, and this is largely attributed to the frequent break downs of the country's four refineries, arising from the issue of neglect, lack of routine turn around maintenances necessary for the optimal performance of the refineries, as well as general inefficiencies in managing the refineries and outright sabotage (Sabiu and Reza, 2014).

The downstream oil sector has continued to be characterized by low capacity utilization of Nigeria's refineries. There is also scarcity of petroleum products leading to long queues at retail outlets - a situation which breeds black market, product hoarding, products adulteration and large scale smuggling of petroleum products through the neighbouring countries; pipelines vandalism, low investment opportunities in the sector, etc. It is worrisome to note that instead of building more functional refineries, with the capacity to meet up with the demands of Nigerians, government has continued to resort to the importation of refined petroleum products, with a view to bridging the yawning gap existing between domestic production and domestic demand (Sabiu and Reza, 2014). Nigerians have been concerned over the huge amount of money that governments spend to subsidize the consumption of petroleum products in the country. For example, in the first quarter of 2011, the country spent about N115 billion on petroleum subsidies, while in May 2011 alone, government spent about N74 billion on subsidies (Akinmutumi, 2011).

Various governments in Nigeria have, at one point or the other, introduced reforms that were expected to address the challenges beleaguering the oil industry. The study focused on examining deregulation of the downstream oil sector vis-à-vis economic development in Nigeria. It equally analyzed the corrupt practices in the Nigeria oil sector. This paper examined the efforts made by the governments of Olusegun Obasanjo and Goodluck Jonathan, as well as the first two years of Muhammadu Buhari's civilian administration.

METHODOLOGY

The paper adopted the *ex-post facto* design and qualitative-descriptive methods, in order to analyze critically issues concerning reforms in the downstream oil sector. The study is theoretical in nature, and its argument is drawn from secondary data, which include books, journal publications, and internet sources, among others. For the purpose of clarity, the paper was divided into the following sections: The first section was concerned with the introduction and methodology. The second section dealt with an overview of oil sector reforms in Nigeria. The third examined the deregulation of the downstream oil sector and economic development in Nigeria. The fourth section outlined some of the corrupt practices in the downstream oil sector. The fifth was conclusion and recommendations.

OVERVIEW OF OIL SECTOR REFORMS IN NIGERIA

The administration of former President Olusegun Obasanjo introduced the first Oil and Gas Sector Reform Implementation Committee (OGIC), which was inaugurated in the year 2000. This committee produced a National Oil and Gas Policy (NOGP), whose major policy thrust, was anchored on the need to separate the commercial institutions in the oil and gas sector from the regulatory and policy-making institutions. Even though report was commended, the administration failed to embark on the full implementation of the recommendations made by OGIC for institutional restructuring (Petroleum Sector Reform, nd).

The Petroleum Products Pricing Regulatory Agency was established on 19th June 2003 with the vision of re-positioning Nigeria's downstream sub-sector for improved efficiency and transparency, and the mission of attaining a strong, vibrant downstream sub-sector of the petroleum industry, where refining, supply, and distribution of petroleum products are self-financing and sustaining.

In September 2007, President Umaru Musa Yar'Adua's administration reconstituted the OGIC, under the chairmanship of Dr. Rilwanu Lukman. The new OGIC was saddled with the responsibility to transform the broad provisions of the national oil and gas policy (NOGP) into functional institutional structures that are legal and practical for the effective management of the oil and gas sector in Nigeria. Basically, the duty of the new commission was to help restructure the petroleum industry that will help propel the economy (Petroleum Sector Reform, nd).

In May 2016, under the administration of President Muhammadu Buhari, the federal government announced a full deregulation of the downstream oil sector, thereby increasing the price of petrol to N145/liter. The Minister of State for Petroleum, Ibe Kachikwu, who announced the policy change, on behalf of the Federal Government of Nigeria in Abuja on May 2016, stated as follows:

> In order to increase and stabilize the supply of the product, any Nigerian entity is now free to import the product, subject to existing quality specifications and other guidelines issued by Regulatory Agencies. All oil marketers will be allowed to import PMS on the basis of FOREX procured from secondary sources and accordingly PPPRA template will reflect this in the pricing of the product. Pursuant to this, PPPRA has informed me (Ibe Kachikwu) that it will be announcing a new price band effective today, 11th May, 2016 and that the new price for PMS will not be above N145 per litre (Udo, 2016).

Worrisomely, even with the official increment of the prices of petroleum products under the current administration of President Muhammadu Buhari from N97/ liter to N145/liter, fuel price has continued to rise beyond the official price. More worrisome is the fact that there has been weak institutional measures that address such astronomical rise which is seriously affecting the common man on the streets of Nigeria.

DOWNSTREAM OIL SECTOR DEREGULATION AND ECONOMIC DEVELOPMENT IN NIGERIA

Over the years, oil has become the main stay of the Nigerian economy, as the earnings from crude oil are used for infrastructural developments and other improvements on the socio-economic well-being of Nigerians (Augusto, 2002).In other words, the oil and gas sectors play a very dominant role in the Nigerian economy; accounting for over 90% of the country's foreign exchange earnings which is drawn from the sale of crude oil.

Apart from the large crude oil and natural gas deposits, the country is also blessed with deposits of gold, tin, talc, gemstones, kaolin, bitumen, iron ore and barites, and these can be harnessed to earn foreign exchange for the country, yet, oil and gas remains the country's major source of foreign exchange earnings and revenue base (Adebola, 2006). However, Nigeria - has suffered from incessant political instability, bad governance, inadequate infrastructure and macro-economic mismanagement (Atakpu, 2007).

The Nigerian oil industry is divided into three sub-sectors: the upstream, mid-stream and downstream sectors. The upstream sector deals with the exploration and extraction of petroleum, crude oil and natural gas. Within the Nigerian context, crude oil and gas production takes place at both onshore and offshore. Onshore production is where drilling and production of crude oil and gas is done on the land, while an offshore production is the situation where drilling and production of crude oil and gas take place in the sea or ocean (NNPC, 2012). On the other hand, the midstream sector primarily deals with the transportation of crude oil and natural gas from extraction sites. In Nigeria, however, the midstream oil sector consists of gas and power, renewable energy, engineering and technology (NNPC, 2012).

The downstream sector has three functional areas that it is concerned with - refining, distribution and the marketing of petroleum products for its consumption. This sector is of strategic importance to the country, considering the fact that petroleum products constitute a key source of energy used for various purposes (Obasi, 2003). However, according to Ojoku (1992) the most problematic among the sectors over the years has been the downstream sector, which has the link with the final consumers.

According to the report of the Department of Petroleum Resources (2014) cited in Gberevbie, et al, (2015), Nigeria currently has five refineries located in Port-Harcourt, Warri and Kaduna, of which four plants are government owned and managed by the state owned company - Nigerian National Petroleum Corporation (NNPC), while the fifth plant is owned and operated by the Niger Delta Petroleum Resources (NDPR). The total output production of petroleum products from these five refineries combined together could barely meet 30 percent needs of domestic supply. These five refineries are currently working at below 55 percent installed capacity due to mismanagement, lack of maintenance culture and corrupt practices on the part of the operators.

As a result of this, the Federal Government resorted to fuel importation from outside the country, in order to meet its domestic consumption of petroleum products. According to Agbebaku et al, (2005) and Soyinka (2012), this resulted into the emergence of "rich oil Mafia" that controls the Nigerian petroleum sector, and hoards petroleum products with a view to increasing the pump price of petrol arbitrarily without considering the interest of the citizens. Lamenting on the danger of reliance on oil and gas as major revenue base for Nigeria, and fuel importation as a means of meeting the domestic needs of petroleum products, Peter Adebayo (cited in Manuaka, 2014, p.36) stated that "except Nigeria faces the reality of diversifying its economy from reliance on oil as a major revenue earner and develop capacity in other areas like agriculture, mining and solid minerals the future may remain bleak". Furthermore, he argued thus:

> If we have four state owned refineries that are not operating at full capacities and we take delight in exporting our crude and again import back as refined products at high costs, I wonder the kind of future our leaders' desire for this country (Manuaka, 2014, p.36).

In Nigeria, governments have adopted various strategies for the implementation of the downstream oil sector deregulation. Typical among these strategies are: fuel subsidy removal, privatization of the country's refineries, and perfect competition among petroleum product marketers.

FUEL SUBSIDY REMOVAL

According to Hornby (2005, p.1476), subsidy is "money that is paid by a government or an organization to reduce the cost of producing goods or services so that their prices can be kept low". It is also defined as the "payment made by government to producers to enable them produce and sell at a lower price than they would otherwise" (Agu, 2009:286).Based on the above definition of subsidy, one can describe fuel subsidy as "the difference between the actual market price of petroleum products per litre and what the final consumers are paying for the same products" (Ovaga, 2012:22).

The history of fuel subsidy removal is a long one in Nigeria. Some scholars are of the opinion that it dates back to 1978 when the then military government of Gen. Olusegun Obasanjo reviewed upwardly the pump price of fuel which was at 8.4 kobo to 15.37 kobo (Ering and Akpan, 2012).Others believe that the word “subsidy” came into Nigeria’s political and economic lexicon in 1987 when the President Babangida’ regime popularized it with the announcement of the removal of 80% subsidy on premium motor spirit (PMS-petrol) (SDIC, 2012).Irrespective of the different versions on the origin of subsidy in Nigeria, it is informative to note that such decisions usually led to the increase in the price of fuel which inevitably, escalated inflation in all sectors of the economy.

Again, it is worth mentioning here that before the emergence of such ugly trend in the country, Nigerians had experienced moments of joy, when the four refineries were working at full capacities (Ovaga, 2012).Sadly, the inability of the government to manage properly Nigeria’s local refineries led to a situation where these four refineries operate below their optimal capacities. This situation degenerated to fuel importation, in order for Nigerians to meet up with its domestic demand for petroleum products. This experience is not witnessed in any OPEC country, or even countries that do not produce oil (Badmus, 2009).

This ugly development has, at different times, led to protests in Nigeria. The country’s import dependency on petroleum products, which constituted about 82 percent of the total supply of petroleum products, consumed locally, invoked protests from different quarters in the country…a controversial issue that nearly tore the country into pieces (Ovaga, 2010:119).

PRIVATIZATION OF NIGERIA’S REFINERIES

Divestment of government interests in oil refineries and the transfer of such interests to private companies is another strategy adopted by government in its policy of deregulation in the downstream oil sector. Private operators were issued licenses to set up their own refineries, supply and distribution networks. In 2002, prospective operators were required to pay a non-refundable fee of US $50, 000. This was followed by a feasibility study. An approval for construction of refinery attracts a license fee of US $100,000 and the plant must be built in accordance with the approved design (EL-Rufai, 2002).

PERFECT COMPETITION AMONG PETROLEUM PRODUCT MARKETERS

The whole essence of deregulation is to remove all laws restricting the forces of demand and supply from determining the market equilibrium price of commodities. The government is to allow the private refinery operators, marketers and distributors to undertake their transactions in line with market force condition. This entails free competitions among marketers of petroleum products and the responds of prices to local and international demands for the products. The aim of deregulation of the petroleum sector of a nation is to expose the industry to market forces as a means of promoting greater efficiency and bring about lower prices (Pickford & Wheeler, 2001).

Table 1: Fuel subsidy removal in Nigeria between 1986 and 2017

Year Regime	Regime	Process of Withdrawal	Subsidy Withdrawn
1986	President Babangida	23kobo-70kobo	47kobo
1993	Chief Ernest Shonekan	70kobo - N 5.00	N 4.30
1994	Gen. Sani Abacha	N5.00- N 11.00	N 6.00
1998	Abdulsalami Abubakar	N 11.00- N 25.00	N 14.00
1998	Abdulsalami Abubakar	N 25.00- N 20.00	Due to Public Outcry
1999	President Olusegun Obasanjo	N 20.00- N 30.00	N 10.00
2000	President Olusegun Obasanjo	N 30.00- N 22.00	Due to Public Outcry
2002	President Olusegun Obasanjo	N 22.00- N 26.00	N 4.00
2003	President Olusegun Obasanjo	N 26.00- N 40.00	N 14.00
2003	President Olusegun Obasanjo	N 40.00- N 34.00	Protest from Labour
2006	President Olusegun Obasanjo	N 34.00- N 40.00	N 6.00
2007	President Olusegun Obasanjo	N 40.00- N 75.00	N 35.00
2009	President Yar'Adua	N 75.00- N 65.00	N 10.00
2010	President Jonathan	N 65.00 - --	- --
2011	President Jonathan	N 65.00 - --	- --
2012	President Jonathan	N 65-N141	Protest from Labour
	President Jonathan	N141-N86	N55.00
2016	President Muhammadu Buhari	N86-N145	N59.00
2017	President Muhammadu Buhari	N145	

Source: Afonne E., (2011), "Politics of Oil Subsidy: The Cartel's Fraudulent Acts," Nigerian News world, October 24, Vol. 15, No. 034; Author's compilation (2018).

As can be seen in table 1, removal of fuel subsidy and the consequent deregulation of the downstream oil sector have not tackled the menace of poverty and unemployment in Nigeria. Unemployment has remained one of the socio-economic challenges confronting Nigeria. In 2000, the number of unemployed persons constituted 31.1%, in 2005, it reduced to 11.9% but increased again to 23.9% in 2011 (National Bureau of Statistics, 2009, 2010 & 2012). Nigeria has a youth population of 80 million, which represents 60% of the total population with a growth rate of 2.6% per year. The national demography suggests that the youth population remains vibrant with an average annual entrant to the labour force of 1.8m between 2006 and 2011. Between the period of 2006 and 2011, majority of the youth are either unemployed or under-employed. He further stated that the statistics of unemployment among the youths showed that between 1990 and 2000, the largest groups of the unemployed were secondary school graduates. Also, 40% of unemployment rate were among urban youths aged 20 - 24 and 31% of the rate were among those aged 15-19. About two-thirds of the urban unemployed ranged from 15-24 years old (Ajaegbu, 2012).

The overall unemployment rose from 12.3% of labour force to 23.9%. Moreover, the educated unemployed tended to be young males with few dependents (Okafor, 2011). In 2011, the situation became more critical with 37.7% of Nigerians between the ages of 15-24 and 22.4% of those between the ages of 25-44 who showed willingness to work but did not get the jobs. The average youth unemployment rate in Nigeria is 46.5% (BGL, 2012).

See table 2 for a better understanding of the unemployed persons by educational level/age group and sex as at December 2005 for rural and urban Nigeria combined, and table 3 for national unemployment rate in Nigeria.

Table 2: Unemployed persons by educational level/age group and sex as at December 2005 for rural and urban Nigeria combined.

Level	**2002**	**2003**	**2004**	**2005**
All levels	100.00	100.00	100.00	100.00
No schooling	14.0	16.6	110	14.9
Primary	21.0	16.1	18	15.8
Secondary	55.2	57.4	59.7	16.5
Post-secondary	9.7	9.9	11.0	16.5
Age group: All groups (15-59)	100.0	100.0	100.0	100.0
15-24	59.9	49.6	54.8	52.9
25-44	342	35.9	35.5	41.1
45-59	4.2	5.2	3.9	2.7
60-64	4.7	9.2	6.8	3.4
Sex (both sex)	100.0	100.0	100.0	100.0
Male	56.4	59.8	55.5	58.5
Female	43.6	40.2	44.5	41.7

Source: National Bureau of Statistics (2006, p.5)

Table 3: National Unemployment Rate in Nigeria

Survey Period	**Composite**	**Urban**	**Rural**
1998	3.4	6.1	2.8
1999	3.2	6.0	2.6
2000	3.2	4.9	2.8
2001	3.1	5.8	2.5
2002	4.7	7.2	3.7
2003	4.2	4.8	3.9
2004	3.0	3.8	2.7
2005	2.9	3.2	2.7
2006	2.8	3.3	2.6

Source: NBS (2006, p.56)

Table 4: Unemployment rate in Nigeria, 1999-2012

Year	Unemployment rate
1999	3.1
2000	13.1
2001	13.6
2002	12.6
2003	14.8
2004	13.4
2005	11.9
2006	12.3
2007	12.7
2008	14.9
2009	19.7
2010	21.1
2011	23.90
2012	24.90

Source: CBN Statistical Bulletin, 2012

Table 4 shows the unemployment rate in Nigeria between 1999 and 2012. A closer look at the table reveals that poverty level in the country is on a continuous rise, regardless of the introduction of the policy of deregulation in the country's downstream oil sector.

According to Arogundade et al (2011), poverty is the inability of an individual to attain the minimum standard of living... a social condition characterized by inadequate access to basic human needs (food and non–food) to the sustenance of socially acceptable minimum standard of living in a given society. Some of the basic determinants of minimum standard of living include adequate food, shelter, portable water, health care, education and employment opportunities (Akintola and Yusuf, 2001).

In 1980, poverty rate increased from 27 percent to 66 percent in 1996 in the country. By 1999, the estimate was that more than 70 percent of Nigerians lived in poverty, while life expectancy is 54 years, and infant mortality is rated at 77 per 1,000. Maternal mortality was rated at 704 per 100,000 live births. These were among the highest in the world (IMF, 2005). Sadly, Nigeria is still grappling with poverty, even with the introduction of downstream oil sector reforms that were supposed to enhance economic development of the country. As shown in table 5, poverty was growing at geometrical progression in Nigeria between the period of 1984 and 2004.

Table 5: Trends in Poverty Levels in Nigeria, 1980-2004

Year	Poverty Incidence	Estimated population (m)	Total population in poverty (m)
1980	21.1	65	18.26
1985	46.3	75	34.73
1992	47.2	91.5	39.07
1996	65.6	102.3	67.11
2004	54.4	126.3	68.70

Source: National Bureau of Statistics (2004, pp.22-24)

Table 6: Nigeria's poverty index, 1999-2012

Year	Poverty index (rating of 100)
1999	54.7
2000	55.8
2001	55.8
2002	55.8
2003	55.8
2004	69
2005	69
2006	69
2007	69
2008	69
2009	69
2010	69
2011	69
2012	69

Source: CBN Statistical Bulletin, 2012

Table 6 shows that between the period of 1999 and 2012, the level of poverty in Nigeria has continued to rise astronomically.

CORRUPT PRACTICES IN THE NIGERIAN OIL SECTOR

Corruption is as old as man. It is an ancient practice that is traceable to pre-biblical time and made itself known in the ancient civilizations of developed and developing countries (Nwankwo, 2014). According to Mohammed (2013), corruption is one of the greatest threats to economic and political development of any nation. Nagari, Umar and Abdul (2013) identified corruption as one major obstacle that militates against rapid growth and development of the Nigerian economy. It undermines good government, fundamentally distorts public policy, leads to the misappropriation of resources, harms the private sector and private sector development, and particularly it hurts the poor (Ajao, Dada & Olaoye, 2013). They also state that as a result of the negative effects of corruption on development, Nigerian government and international organizations seek for solution on how to combat the menace. They equally believe that since the pre-colonial period to date, corruption has been perpetrated in governance, public and private places in Nigeria (Nagari, Umar & Abdul, 2013).

It was observed that in Nigeria, the rise of public administration and discovery of petroleum and natural gas were two major events that led to the unimaginable rate of corrupt practices in the country (Wikipedia, 2014). Corruption, which is manifest in the form of bribery, kickbacks, inflated pricing of contracts and public projects, breeds crises in the country and constitutes some of the greatest dangers to the security of the nation (Obioma, 2012). In Nigeria, corruption is still high, irrespective of efforts made by government agencies in the country like the Economic and Financial Crimes Commission (EFCC), the Independent Corrupt Practices and Related Offences Commission (ICPC), and international organizations like Transparency International, World Bank, etc. to reduce it (Akinwale, 2012).

Since the discovery of oil in Nigeria in 1956, the industry has been marred by political and economic strife, largely due to a long history of corrupt military regimes, civil rule and complicity of multinational corporations (Baghebo & Atima, 2013). The downstream oil sector has been faced with plethora of problems. This section of the study explicated how lack of transparency in the Nigerian oil industry(as evidenced in the award of oil blocks, crude oil export and importation of refined products and award of contracts), and the low capacity utilization of Nigeria refineries have negatively affected several efforts made to reform the sector.

LACK OF TRANSPARENCY IN NIGERIA'S OIL INDUSTRY

One of the problems facing Nigeria's oil industry is lack of transparency. In this study, we are going to analyze this point under the following sub-headings: indiscriminate allocation of oil blocks; crude oil export and import of refined petroleum products; and the award of contracts. First, there is the issue of indiscriminate allocation of oil blocks to people, and this undermines reforms in the downstream oil. During the second coming of Olusegun Obasanjo as Nigeria's democratically elected president, eleven oil blocks given to senior military officers and their allies by the previous military governments were revoked. That government introduced transparency and competition into the Nigeria's oil block bidding processes in order to end such sharp practices. The oil bids of 2000, 2005, 2006 and 2007 were publicly advertised by the government to some extent – a development that availed people the opportunity to know the available blocks and the criteria for selection, and the various bids received (Salisu, 2011). Unfortunately, the government later derailed from its preaching for transparency and competition in the award of oil blocks. Accordingly, the whole process suffered serious shortcomings by giving advantages to certain companies. Corroborating this scenario is the fact that between 2001 and 2006, there was no open bidding for oil blocks; rather, it was only selective bidding that was authorized by the presidency during that time. In 2007, Obasanjo allocated oil blocks arbitrarily to his political associates and cronies – an action that was described as the "oil block bazaar" in a national newspaper.

Second, there is the issue of crude oil exportation and importation of refined products. The country was swindled of billions of dollars in the award of crude oil contract by the NNPC during the Obasanjo's civilian administration (Newswatch, 2008). The NNPC perpetuated crude oil fraud through three major fronts. Examples were the deliberate increase in the daily quota as against figures allocated to Nigeria by the Organization of Petroleum Exporting Countries (OPEC); the diversion of interest on income from illegally transferred money from the NNPC joint venture account; and the diversion of money through a non-existent joint venture cash call arrears (Salisu, 2011).According to the audit report of the NNPC, between 1999 and 2004, it was observed that between June and December 1999, OPEC gave Nigeria a quota of 403, 390, 000 barrels; NNPC produced 499, 774, 775, which is an excess of 46, 384, 745 barrels. The excess was taken up to 80, 601, 101 in 2000 when NNPC produced a total crude quantity of 828, 618, 101 as against the 748, 011, 000 approved by OPEC. Furthermore, in 2001, OPEC gave Nigeria a quota of 728, 634, 000; NNPC produced 863, 835, 184 - an excess production of 130, 201, 184. In 2002, instead of producing in line with OPEC quota of 478, 851, 000, NNPC produced 542, 103, 211, which was an excess of 54, 252, 271. Based on the oil price of $25 per barrel at the prevailing exchange rate of N111.6 to $1 at that period, Nigeria lost N515, 071, 784, 460 to the scam. The oil cartel involved in the deal pocketed the extra income accruable instead of paying it into the nation's treasury (Newswatch Magazine, 2008).

AWARD OF CONTRACTS

There is also lack of transparency in the Nigerian oil industry in the way and manner contracts were awarded. More often than not, large-scale contracts are awarded mainly to oil service companies. This implies that in principle, it is the operator company that awards these contracts. However, during the reign of Obasanjo as Nigeria's civilian president, government exercised a lot of influence in the award of contract in the oil sector. The famous Halliburton scandal, which only blew open after a US oil service company pleaded guilty to paying around US $6 billion to buy Liquefied Natural Gas facilities in Nigeria revealed the involvement of some Nigerians.

LOW CAPACITY UTILIZATION OF THE NIGERIAN REFINERIES

In Nigeria, the downstream oil sector has been facing serious challenges due to the unenviable state of the nation's refineries which its production capacity been below optimal level, even when huge amount of money is voted in for Turnaround-maintenance (TAM). The poor maintenance of the country's refineries located in Warri, Port Harcourt and Kaduna, with a combined installed capacity of 445,000 bpd, led to a sharp decline in production level to 15 % of the total installed capacity. This resulted to Nigeria's reliance on importation to meet about 70 percent of its domestic fuel needs (Maram, 2012).

Between 1999 and 2004, more than 90 billion was spent on getting the refineries producing at their full capacities. No positive result was achieved from the huge expenditures. In 2010, about $364 million was sunk into the maintenance of the Kaduna, Warri and Port Harcourt refineries. About $75million was spent on the Kaduna refinery alone, while the Warri and Port Harcourt refineries received $137 million and $152 million respectively (Nwachukwu, 2010). Over $35 million was often budgeted for Turn Around Maintenance every four years with little or no improvement in the functioning and operation of the refineries (Feyide, 1994).As can be seen from table vii, the combined production of the refineries represent only 31.4 percent, 13 percent, and 26.1 percent of installed capacity for PMS, DPK, and AGO respectively during the period of 1999-2004. Consequently, due to the inability of the NNPC to refine its crude, the corporation has increasingly sold unrefined crude in the international market since 1999, and uses it to import refined petroleum products.

Table 7: The last minute award of oil block during Obasanjo tenure (1999-2007)

S/n	Name of Companies	No. of Blocks	Amount ($)
1	Essar Energy Exp. And. Prod.	Block 226	$ 18.5 million
2	Monipulo	Block 231	$ 17, 999.980 million
3	Conoil	Block 290	$ 49, 999,975 million
4	Global Energy Coy Ltd	Blocks 2009 & 2010	$ 11, 499, 949 million
5	Continental Oil	Block 2007	$ 54, 999, 982 million
6	Sterline Global Oil Res.	Blocks 2005 & 2006	$ 5, 150, 000
7	Bayelsa Oil Coy	Block 240	$ 5, 599, 949 million
8	Abbey Courts/Coscharis	Block 293	$ 50, 167, 510 million
9	Deltagate/Petrodel	Block 258	$ 12, 500, 000 million
10	Sahara Energy	Block 228	$ 2, 500,000 million

Source: The Nation Newspaper, Thursday June 19, 2008, pp.1-2.

Information in table 7 shows that the award of oil blocks was done in a way that enriched a privileged few individuals who were close to the government of Obasanjo, to the detriment of the less privileged majority in Nigeria. To support this assertion, Louis (2009), notes that oil blocks were almost freely given to individuals who are highly connected to those in power, while Salisu stated thus:

> These individuals then sell the blocks to International Oil Companies and earn substantial income. It operates like a government-subsidized welfare programme for a selected few. Politically, Nigerian leaders perceived and use oil blocks as form of reward and punishment to compel or elicit certain behavior from targeted individuals (2011, p.301).

The indiscriminate award of oil contracts by successive governments in Nigeria largely contributed to the disenchantment of Nigerians towards reforms in the downstream oil sector. Table 8 x-rays the Halliburton scandal, which only blew open after a US oil service company pleaded guilty to paying around US $6 billion to buy Liquefied Natural Gas facilities in Nigeria revealed the involvement of some Nigerians, is highly informative.

Table 8: Halliburton scandal indicating the beneficiaries and the amount

S/n	Period	Beneficiaries(Company/Individual)	Amount
1	1994-1995	General Sani Abacha (former Nigeria Military Dictator)	$ 40 million
2	1998	General Sani Abacha's brother, Abdulkadir Abacha	$1.887 million
3	1996-1998	Dan Etete (former Minister of Petroleum under Abacha)	$2.5 million
4	1999-2000	M.D. Yusuf (former Inspector General of Police and Chairman of LNG)	$75, 000
5	2001-2002	Atiku Abubakar (former Vice President, 1999-2007) and Don Etiebet, ex Petroleum Minister)	$37.5 million
6	2001-2002	Olusegun Obasanjo and Atiku Abubakar, and Funsho Kupolokun (former President, Vice President and GMD, NNPC respectively)	$74 million
7	2001-2002	Bodunde Adeyanju, ex personal assistant to Obasanjo	$5milion
8	2001-2002	Ibrahim Aliyu, a retired federal permanent secretary (Urban Shelter and Intercellular)	$11.7 million
9	2001-2002	Mohammed Gidado Bakare, a retired Chief Planning Officer	$3, 108, 675
10	March, 1999	Nasir Ado Bayero, Son of the Emir of Kano (Gosmer International, Risers Brothers)	$600,000
11	1999-2000	Shinkafi and Glosmer International	$195, 000
12	March, 1999	Edith Edeghoughou	$290, 000
13	March, 1999	Zertasha Malik and Grety Overseas	$600, 000
14	March/June, 1999	Grety Overseas and Riser Brothers	$1.12 million

Source: Salisu, O.U. (2011, p.304).

LINKING THE ELITE THEORY TO DOWNSTREAM OIL SECTOR REFORMS AND ECONOMIC DEVELOPMENT

Elite doctrine presupposes that all societies are divided into two classes. To this end, an Italian political scientist, Mosca (1939) stated that in all societies starting from those that are underdeveloped up to the developed ones, two classes of people can be found. The first group is of a set of few privileged minority consisting of the ruling class, while the second group is a set of less privileged majority consisting of the ruled class. The first class, with their thin population monopolizes power for their own advantage, while the second class, with their thick population is under the control of the first group. It is pertinent to note that in all societies (socialist or capitalist societies, agricultural and industrial, traditional and advanced); it is the elite that govern. In Nigeria, the few who are in position of authority do not represent the many that are governed by them. In Nigeria, elites constitute themselves as the aristocrats. They control the resources of the state for their own selfish end. They control and own some disproportionate share of the societal institutions. Oftentimes, they establish a clique that is difficult to dislodge or control. Again, elite theory implies that public policy reflects more of the interests and values of these few privileged individuals than that of the people. Since the country's political independence, Nigerian elites have been in the attitude of instituting reforms that are in consonance with their self-interests (Ikunga, 2008).

Furthermore, elite theory does not bar people of the lower class from rising to the highest echelons of the society; rather, it enforces some mobility which enables non-elites to become elites. This development is important for the stability of the elite system, because once a system is open it helps to ward-off all forms of revolution from the mindset of the lower class. More often than not, "it is only those non-elites who have repeatedly supported the cause of the ruling elite that are admitted into the elite class and given responsibilities in the political processes of the Nigerian state" (Ikunga, 2008, p.3).

The Nigerian state has been severally described as a predatory one, and the elites are a group of egocentric and self-serving individuals that aspires to manipulate the machinery of the state in order to fulfill their class interest. It was in this light that a scholar maintains that basically, privatization counters the imagery of the less privileged that crave for improved employment opportunities, slum rehabilitation, improved and cheaper and social services among others. Privatization in Nigeria, given the its key lapses remains an elite hegemonic project, which is nothing but a counter narrative of the economy from the point of view of those outside the elite's sphere (Anugwom, 2011, p.211).

In a similar vein, Obiora and Okonwo (2014), while citing Guardian (2006) asserted that the privatization exercise gave the opportunist political elite in Nigeria the chance to collude with the foreign bourgeois class to seize the economy. Further still, they posited that even the private operators of businesses in Nigeria, who are seen as the probable key beneficiaries of the exercise have been made to act as fronts for foreign bourgeois class with unlimited proceeds accumulating from state resources.

There are other scholars who observed that the programme on privatization has created the long-sought opportunities for the business elites and the political elites to their regain economic dominance. This created an avenue for the political elites to launder the accumulated resources of the state in economic ventures, thereby creating legitimacy for plunder. The political elite have used the avenue of privatization exercise to consolidate their grip in the economic sector with the loots stolen from the coffers of the state (Adegoroye, 2006). For Anugwom (2011), privatization in Nigeria's reinter economy has provided the elite class with the opportunity to reinvest their proceeds of primitive accumulation in the economy.

Other scholars like Obikeze and Obi (2004) saw privatization of government enterprises from the angle of a platform needed by the elites to arrogate to them the power to control the economy. They further stated that in order for this capitalist motive to manifest, they first had to cripple the efficient running of public corporations with all forms of corrupt practices so as to have enough reason to describe them as inefficient and unproductive. Describing this scenario, they stated thus:

> ... public enterprises did not perform abysmally in Nigeria because they are publicly owned. Rather, they perform that way because; the government that owned them has never really been interested in them to perform. To those in government, these enterprises are seen as avenue for rewarding the 'boys' and are therefore not bothered when their resources are plundered leading to their rendering epileptic services to the citizens Obikeze& Obi, (2004, p.269).

Elite theory is hinged on elite domination and manipulation, and this is manifest in Nigeria's downstream oil sector. The oil cartels collude with the political elite to sustain the tempo with which they squander the country's commonwealth (Daily Independent, 2006; Okogu, 1993). The level of corruption pervading the oil sector is inextricably linked to institutions of the Nigerian state. This point was buttressed by Akov, (2015, pp. 396-397), when he said thus:

> Government's inability or refusal to probe the appalling corruption in the Nigerian National Petroleum Corporation (NNPC), coupled with its unwillingness to prosecute suspected oil thieves...is a pointer to the fact that its officials are enmeshed in the wanton corruption in the sector or at least are beneficiaries of it. The fight against corrupt individuals/groups seems to have attenuated in Nigeria in recent years, and government has demonstrated a glaring unwillingness to investigate corruption-related cases especially in the country's sprawling oil sector. The masses who ideally, should be benefactors of the country's oil wealth continue to suffer in penury and helplessness on account of governments tempered response to corruption, which continues to exacerbate the poor state of the country's economy and society.

CONCLUSION

This paper critically examined the link between deregulation of the downstream oil sector and economic development in Nigeria. Elite theory was adopted as the framework of analysis, while the *ex post facto* design and the qualitative-descriptive method of data analysis defined the methodological approach used in the study.The paper argued that deregulation of the downstream oil sector has not enhanced economic development in Nigeria. It also posited that the high level of corruption in the downstream oil sector has largely contributed to the poor growth of the Nigerian economy. These corrupt practices which manifests in various forms such as the indiscriminate award of oil contracts; allocation of oil blocks to friends and cronies of those at the corridor of power; low capacity utilization of the country's refineries due to the lacklustre attitude of the relevant stakeholders on the issue of Turn Around Maintenanceetc., have continued to beleaguer the downstream oil sector. The resultant effect is that Nigeria's economy remains comatose. Based on the foregoing, some recommendations that are capable of addressing the challenges that has bedeviled the Nigerian downstream for robust economic development were made in the paper.

RECOMMENDATIONS

Based on the foregoing analysis, the paper recommended that:

1. Government should, as a matter of urgency, fix the country's incapacitated refineries for optimal production.
2. All legislative bottlenecks facing the speedy passage of the Petroleum Industry Bill should be removed so that the policy of deregulation in the downstream can become feasible.
3. Government should display strength of character by punishing all those persons that have contributed to the corrupt practices in the sector.

4. Government should sensitize Nigerians using their native languages on the benefits and challenges of deregulating the downstream oil sector.
5. Government should urgently and patriotically initiate and implement palliatives measures that would address the short-run challenges that Nigerians are facing as a result of deregulating the downstream oil sector.

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