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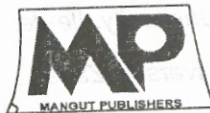
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CHAPTER EIGHT

NEO-LIBERATION AND DEMOCRACY: A UTILITARIAN ANALYSIS OF OBASANJO'S ON DOWNSTREAM OIL SECTOR

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INTRODUCTION

Democracy in its traditional meaning connotes popular power. A system that involves people participating actively in the governance process. This of course implies that under a democratic dispensation issues that address only collective interests is allowed to fester in the society. Democracy even as its liberal variants stipulate must of necessity encompass the consent of the people on major decisions that affects the collective constituting the political society. As it has become more and more difficult for everybody to practically engage in direct democracy, the concept of the government as bearer and conveyor of the popular will was advanced to take care of the challenges. And government is therefore expected to always carry on its activities, which must at all time be in tune with the democratic tenet of popular participation and consent. Government as the manager of state has the obligation or duty to ensure the general welfare of the citizens. However, in going about this the officials in government are faced with alternative visions for guaranteeing of the economic wellbeing of the citizens. These alternative visions or policy directions available to government official has different implications directly on the lives of the citizenry. A government with foresight in choosing between the alternatives is bound to ensure that the people are carried along more so in a democratic polity, not only because the government is working for the interest of the citizens, but also for the fact that success requires the support and understanding of the people.

However, given the structure of the global economy and international relations, some governments have found themselves in a situation where only a particular option is presented to it irrespective of the effect such a path will have on the populace. One such economic vision is neo-liberalism which basically advocates the withdrawal of the state from economic activities and provision of social welfare programs.

This has been the fate of most African nations including Nigeria, which under the cloak of indebtedness were forced to adopt the structural adjustment program that enunciated neo-liberal principles as the only way out of their

precarious economic crisis. Though it can be understood given the type of regimes in power in Africa at that time which were mostly authoritarian regimes, thus consulting the people or seeking their consent or even acting on feedback were not on the card, the case is different for a democratic regime. Given this background, it therefore means that the attainment of democracy as was the case in Nigeria in 1999 demands that the people be carried along by the government, when it comes to taking decisions or making policies that directly affect their lives.

Our focus in this paper is to examine these issues as it relates to the Obasanjo administration that was democratically elected in 1999 and again in 2003. We shall be looking specifically at his policies of Reform Agenda as it pertains to the downstream oil sector of the Nigerian economy. These issues shall be analyzed using the doctrine of utility as the measuring stick to determine the rightness or otherwise from the perspective of the impact on the people.

First we shall take an overview of the Obasanjo's Reform Agenda, before we zero down to the aspect of the downstream oil sector. Thereafter, we shall be looking at the doctrine of utility and the government implementation of policies on deregulation of the downstream oil sector.

The Rationale for the Reform Agenda

The reform agenda of the government simply refers to the act of changing the ways systems and institutions are run in a country (Ogundele and Oghojafor, 2005). It is anchored on learning from the past, building on the present to secure the future, which is aimed at structural transformation that will reposition the nation for stable growth and development by checking corruption and waster (Ihonybere, 2005). Comprehensive reforms were embarked upon to replace 'bad' institutions with effective and efficient ones that will expedite the introduction of new values, policies, and programs, which will instill confidence in Nigerian (Ihonybere, 2005). The overview of the aim of the reform agenda that was incubated at the '2001 Kura Declaration' as highlighted in NEEDS' document (NPC, 2004:27) is worded as follows:

To build a truly great African democratic country politically united integrated and stable economically prosperous, socially organized with equal opportunity for all, and responsibly from all to become the catalyst of (African) Renaissance and making adequate all-embracing contributions, sub-regionally, regionally and globally.

The reform agenda has these core areas reforming government and institutions, implementing the social charter (especially increasing the participation of women in

political terrain; growing the private sector and value re-orientation. Primarily the reforms are targeted at shedding off excess weight government gained during the successive administration preceding the Obasanjo administration. It also aims at strengthening the private sector which has suffered neglect over the years as the key driver of the economy. The reforms are premised on the philosophy that government will play the role of enabler, facilitator and regulator, while helping the private sector grow, create jobs and generate wealth. All these aimed at making government much smaller, more effective and efficient from what obtained in the past that was characterized by over bloated government. The reforms are also targeted at recreating the necessary socio-economic and political values considered critical to the growth and consolidation of democracy. These core values expected to be cultivated by the reform program include; honesty, transparency, accountability, cooperation, industry, discipline, respect for dignity of labour, self-confidence and moral courage (NEEDS 2004). This program as enunciated in the NEEDS document has been vigorously pursued by the administration in its policies of deregulation, privatization and down-sizing of the public service given credence to the market orientation bent of the Obasanjo administration.

However, these are neither new nor original to Obasanjo but rather a continuation of the vision that had been bandied by the Washington Consensus synonymous with neo-liberalism and market fundamentalism and first implemented in Nigeria by the Babangida regime in 1986 through his Structural Adjustment Program (SAP). The reform agenda like Sap are purely built around the neo-liberal principles of the Washington Consensus which stipulates among others:

- i. Fiscal discipline through the enactment of Fiscal Responsibility Bill that restricts, rather than promotes public investment in the economy.
- ii. Re-direction of public expenditure towards areas that offer high economic returns and the potential to ensure income distribution, and the provision of basic physical, social and economic infrastructure away from public responsibility to the private domain.
- A tax reform that lowers marginal rates and reduces the tax burden in favour of the rich. This belief is hinged on the rationale that this shall encourage investment.
- iv. Interest rate liberation that aims to enable banks and other financial institutions to charge the 'market' determined rates of interest that are not normally beneficial to the lower income investors and small and medium scale entrepreneurs.

v. A free and market determined exchange rates, that causes recurrent currency devaluations, particularly in the dependent economies, thus depressing the value of the wage income earners and of the dependent groups in the economy. This renders the value of the national currency virtually worthless and inconvertible.

vi. Trade liberalization and the abandonment of trade regulation especially by the governments of developing economies, thus exposing them to adverse balance of trade problems with the developed economies.

vii. A penchant for dependence on inflows of foreign direct investment as the main engine of growth of the developing economies. A situation that causes capital flight away from poor countries.

viii. Privatization of publicly owned enterprises and the reduction of the role of government in the economy.

ix. Deregulation of the economy, through the rolling back of the state and abandonment of economic planning.

x. Security of property rights in favour of the rich or the endowed few.

Even though the reform agenda encase all these, one area which seems to be biting hand on most Nigerians is the deregulation of the downstream oil sector. This sector is important because Nigeria is the fifth largest OPEC oil producer. Oil is estimated to represent of the government's federal revenues, 98 percent of export earning and 40 percent of the country's GDP (Bach 2004, Mustapha 2002). As an economy that virtually depends on oil, many Nigerians are very sensitive to issues that surround oil, a commodity whose price has spiral effect on almost every aspect of life in the country. Whenever the prices of petroleum products are jacked up, every other thing seem to follow, thus worsening the cost of living in the country. The excruciating conditions consequent upon deregulation of this sector tend to make people poorer as the wage of salaried people has not often followed that trend. Moreover the all out privatization of government enterprises and down sizing of the public sector by ways of retrenchment of workers add to the army of unemployed in Nigeria creating a precarious situation for the economy. As such in a country where large chunks of the populace live below the poverty line (75%) it will not be surprising that the anti-people neo-liberal policies are vehemently opposed.

DEREGULATION OF THE DOWNSTREAM OIL SECTOR

Deregulation is a concept that seeks freer interplay of economic agents that enables market forces dictates prices. Whenever market prices are at

unacceptable levels, responsible stakeholders can only intervene through the market variables of demand and supply and not administratively.

The arguments for deregulation in the downstream oil sector are that the measure will help to remove the bottlenecks in product distribution which will lead to efficient utilization of resources. This is borne out of the experience of incessant scarcity of the commodities, given rise to man hours wasted in search of it, as well as removes the penchant for storage of the products in residential houses that often result in fire outbreaks. The design and implementation of this policy have always invited strife spearheaded by labour that uses strike as a protest strategy against the measure, costing the economy loses of several man hours and growth opportunity. At the heart of deregulation of the downstream oil sector is the controversy over appropriate pricing of petroleum products. The main crux of the argument is whether the prices should reflect their full cost by the removal of subsidies in the light of the obvious abuses and sharp practices in product sourcing and distribution or that the subsidies should be maintained against the fact that oil is a sensitive commodity that should not be left to the vagaries of the market more so when oil is a resource God has freely given to Nigerians.

Among all the issues wrapped in the government policy of deregulation of the downstream oil sector, which include privatization of the refinery, the liberalization of petroleum products importation, and private participation in refining, the most contentious has been that of pricing of petroleum products.

Issues bordering on pricing of petroleum products present approaches which the government and stakeholders examine and try to determine the right policy as it suit the particular country. Basically, there are three approaches in the pricing of petroleum products in the following ways:

1. Market-Based Approach, in which prices are determined by forces of demand and supply within the constraints of existing market imperfections. It dwells on the principle of opportunity cost so as to eliminate arbitrage opportunities.
2. Exhaustible Resource Theory. This originated from the intellectual work of Hottelling (1931). It recognizes that oil and other exhaustible resources are temporarily available and as such its price should be treated as cost or depletion change, which compensates future generations for denial of access to the product.
3. Capital Replacement Approach (CRA) is based on the principle of cost recovery, covering production and refining. At the minimum the price is expected to be consistent with the cost of replacing capital in the production process.

Nigeria applies the market-based approach of export parity⁰ which so far has meant increases in the prices of refined products along with the rise in world crude prices. But the government has always been confronted with opposition by

Nigerians over its penchant for progressive increases in fuel prices particularly, as well as other measures aimed at deregulating the downstream oil sector.

The argument of the government for the increases in fuel prices has been that the subsidy paid to keep the prices at a particular rate is heavy for government to bear alone and demands that the consumers share part of the cost. It is believed that deregulation will eliminate the open-ended subsidy regime and create conditions that widen the option in that sector, with enhanced competition. This will stabilize supplies and discourage smuggling and abuses associated with public sector control and management, but the problem here is that the bulk of fuel consumed in the country are imported and there are doubts in the case of subsidy. The country's four refineries for most part of Obasanjo's tenure as the president have not been functional, when it does at all, is not efficient due to poor turnaround maintenance (TAM). The colossal amount of money budget to revitalize the refineries for the eight years of Obasanjo's administration did not yield any positive result. The suspicion among Nigerians is the complicity of the administration that the situation remains because the friends and allies of the administration are making huge profits by way of importation.

As a result, Nigerians have been called severally to re-adjust their pocket and pay more for petroleum products due to the rising prices of crude in the international market.

Doctrine of Utility and Deregulation of Downstream Oil Sector

Utilitarianism is a moral and political philosophy that evaluates goodness in terms of derivable pleasure and as such seeks to achieve the greatest happiness of the greatest number of people (Chaturvedi; 2006). This is more apt for a collectivist entity which sees the purpose of governance as that which advances the collective interest of all. The doctrine of utility as propounded by the major utilitarian theorists is a tradition that adopts a welfarist metric when assessing the merit of action, policies or law that governs an entity. It stipulates that government ought to act so as to promote the greatest balance of good over evil pleasure over pain.

Therefore utilitarianism sees governance as a social compact, which should aim to promote the security and wellbeing of the people. As such, actions of government are right if and only if it promotes the greatest happiness of the greatest number of people. In other words, actions of government are deemed wrong as they tend to promote the reverse of happiness.

Given this backdrop, how has the government of Nigeria fared particularly the administration of Olusegun Obasanjo who sat on the saddle for eight years

between 1999 – 2007? It is on record that the administration of Obasanjo met the price of petrol at N20 at the time he assumed power, left it at N75 on leaving office in May, 2007. In between those periods he adjusted the prices 14 times. Most of these adjustments have been unilateral increases that have elicited spontaneous reaction by Nigerians led by the labour movements under the banner of NLC and lately TUC whose protests by way of strike sometimes achieve a minimal reduction from the increase. The administration also in pursuit of its neo-liberal conviction had sold substantial stakes of four national assets in the downstream oil sector before leaving office. Such include the Eleme Petrol-Chemical Company, the port Harcourt and Kaduna refineries. These actions were all carried out under suspicious processes that did not portray transparency and has been followed by criticism and stiff opposition by the Nigerians rallying under the labour movement. This opposition is understandable when juxtaposed with the provision of the 1999 constitution as pointed out by Aluko (2007) which showed that the actions of Obasanjo administration violates the spirit and letters of the grandmas in the land. For instance the article 18 of the constitution stipulates that the state shall harness the resources of the nation and promote national prosperity and an efficient, a dynamic and self-sufficient economy. It goes further to say that the state shall control the national economy in a way that makes it possible for it to secure the maximum welfare, freedom and happiness of every citizen on the basis of social justice. The opposite of these provisions seem to be the case judging by the actions and impact of these policies of deregulation of the downstream oil sector on the economy. The administration's inability to put the refineries back on stream has given rise to reliance on importation, thus exposing the country to national security risk as the country is incapable of attaining self-sufficiency.

The Obasanjo administration by the action of transferring state assets to elements seen as his close allies portrayed double standard and bad faith given the timing of the action. More so there is no transparency and openness in those transactions as the welfare of Nigerians were not taken into cognizance in the deal. Apart from the fact that national assets which belong to Nigerians are given out in what some analyst regard as give away auctions, the fate of the workers in those enterprises hang in the balance as no concrete deal to protect them has been struck, and going by experience in previous privatization efforts, majority of the workers who oppose the sale feel that they are likely to be retrenched. The action of the administration to sale the assets violate the provision in article 16(1a), (1b) & (1c) of the constitution which mandate that the state to control the national economy especially the major sector of which the oil and gas occupy a prime place

so as to secure the maximum welfare, freedom and happiness of every citizen as well as protect their right.

UTILITARIAN ANALYSIS OF OBASANJO ADMINISTRATION'S POLICY

If democracy is the system of government that presupposes the participation of wide spectrum of the populace, then it must stem from the fact that the people are knowledgeable enough to make rational judgment. Therefore the government that emerges and presides over a people under a democratic dispensation ought to function or act to further the interest of the people. In determining the ways towards the promotion of these interests the people are to be carried along by way of consultation. The people are consulted because they are the ones that bear the brunt of government policies. And since the role of the government is to promote the general wellbeing of the people, information by way of feedback from government policies ought to guide the people managing the affairs of the state. This shall bring the government in line with the doctrine of utility that demands that government ensures the happiness of the citizens through their actions and policies which must promote the common good.

From this backdrop, one finds it difficult to understand the interest Obasanjo administration represents by its adamant posture in meeting the demands of the people as regards deregulation of downstream oil sector. His penchant for incessant increases of the fuel prices is seen as inflicting pain on the people yet the administration seem not to care about the suffering of the citizen. The palliative measures announced by the administration to cushion the effect of the increase was only agreed following an NLC led strike action, yet insincerity on the part of the government could not make that measure to go far. As such the argument of the government that the subsidy on fuel produces is unbearable to it has not made any impression on the people because it has been the same story more so when the people have not seen what the government does with money saved from the withdrawal of subsidy in the previous increases. The reasons may not be far fetched due to fact that the long years of military authoritarian rule in Nigeria created a gulf between the people and their leaders, the long years of alienation have made the people not to trust of their leaders. As such, opposition to this policy of deregulation is justified because the people see increases in the price of petroleum products as a ploy by the government to amass the amount of money available for looting. Majority of Nigerians therefore see the so-called subsidy as the only thing they can enjoy from government. The plausibility of the argument arises because the country is one of the leading exporters of crude oil

and Nigerians see no reason why they cannot enjoy the one resource God has given them.

If the actions of the government is so unpopular given the wide opposition as can be gauged by the labour movement led resistance, then the implication is that there is a crisis of legitimacy that beclouded that government for not addressing issues of real interest and concern to Nigerians. Then what is the underlying motive for Obasanjo's deregulation of the downstream oil sector. Simply to satisfy international interest represented by the waves of neo-liberalism by the waves of neo-liberalism, a pill forced on the throat of Africans by the IMF-World Bank. But should a responsible leadership should be playing to an international audience to the detriment of generality of its citizenry. Leadership should be sensitive to the interest of the people because popular interest must be paramount and should always inform the actions of government. On this score, the administration of Obasanjo has failed woefully.

CONCLUSION

Deregulation has remained unpopular in Nigeria. Good as the argument for it may sound, the implementation of the policy on the downstream oil sector of the Nigerian economy over the years through appropriate pricing or price adjustment is yet to bring visible changes to the lives of the people. Even the attempt to break the monopoly of NNPC through the granting of licenses by the Obasanjo administration is yet to materialize because the operators making profits from importation of refined petroleum products are unwilling to leave what is lucrative to a capital intensive venture that is uncertain.

The administration through its policies and actions proved that it was an anti-people government, notwithstanding the fact that it was democratically elected and ought to act in the interest of the people.

If the doctrine of utility which stipulates that the actions of state managers should be tailored toward doing those things that bring greatest happiness to the greatest number of people, then the administration of Obasanjo is a colossal failure as far as its policies on the downstream oil sector is concerned.

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