Deregulation Policy and Development in Nigeria: The Petroleum Sector Experience, 1999-2014

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Abstract

Some scholars have argued that businesses are better organised and managed by the private sector in a development oriented manner. This line of argument accepts the point that there is a relationship between deregulation policy and development, and supports the call for government to remove all restrictions to private sector participation in the economy. Deregulation policy which allows market forces to determine prices and promote efficiency in public sector management is a response to this challenge. With the adoption of the historical research method, secondary data were collected to examine deregulation policy and the development nexus of the Nigerian petroleum sector and concluded that for the deregulation policy of the petroleum sector to achieve its goal of development in Nigeria, government at all levels should put in place measures to fight corruption, reduce the cost of governance and earn citizens' trust in its activities which must be geared towards effective service delivery as a catalyst for the successful implementation of government deregulation policy in Nigeria.

Keywords:

Deregulation policy, development, petroleum sector, employment

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INTRODUCTION

In 1960 when Nigeria attained political independence from Britain, her economy was based mainly on revenue from agricultural proceeds. In fact, agriculture was the dominant activity in the rural areas of Nigeria (Tokula, Asumugha & Ibeagi, 2007). Although oil was discovered in commercial quantity in Nigeria in 1956, and the first shipment for export began in 1958; its contribution to the nation's Gross Domestic Product (GDP) and total foreign exchange earnings was minimal compared to that of agriculture (Jalingo, 2005). For instance, in the first four years of Nigeria's post-independence economy (1960-1964), agriculture contributed 62.5 percent to the nation's GDP, and over 75 percent of the workforce was engaged in the agricultural sector. By 1970 the share of contribution of the agricultural sector to the nation's revenue had risen to 70 percent while that of petroleum sector was only 26.3 percent (Nchuchuwe & Oviasuyi, 2003; Ihimodu, 2007).

According to Apu (2006), agriculture was the single largest contributor to the well-being of rural poor in Nigeria, sustaining 90 percent and 70 percent of rural and total labour force respectively. Akpabio (2005), points out that as at 2002, the agricultural sector made the highest contribution of 41.5 percent to the GDP with 90 percent output coming from small farm holder's sector, while the service sector, industry and petroleum sector made 39.7 percent, 18.8 percent and 11 percent contribution to the GDP respectively. A research carried out in 2003 on the contribution of agriculture to the nation's GDP by the National Institute of Social and Economic Research (NISER), Ibadan – Nigeria, shows that there are about 40 million farm units, mostly small farms, all contributing about 40 percent of the GDP and providing employment directly or indirectly to over 70 percent of the Nigerian population (Tokula *et al*, 2007).

As the production of crude oil in Nigeria advanced (2.16 million barrels per day) and the revenue generated from it increased, there was neglect of agriculture by the Federal Government in a country of an estimated 168 million people. Oil and gas account for 95 percent foreign exchange earnings and about 65 percent of its budgetary revenues (GSO Online, 2014; Manuaka, 2014). As a result, the agricultural sector's contribution to the nation's GDP and foreign exchange earnings also started declining. On the other hand, agriculture contributed 43.64 percent instead of the 70 percent in 1970, and petroleum 14.27 percent to the nation's GDP respectively (Nigeria-Overview of economy online, 2012; Soyinka, 2012).

The neglect of agriculture in Nigeria led to the problem of food shortages. To address this problem, the military government under General Olusegun Obasanjo (1976-79) embarked upon "Operation Feed the Nation," while his civilian successor, President Shehu Shagari (1979-83), introduced the "Green Revolution." The main goal of these programmes was to encourage Nigerians to grow more food, and urge unemployed urban dwellers to return to the rural areas to grow food crops. To achieve this noble goal, the government provided farmers with fertilizers and loans from the World Bank (Nigeria - Overview of economy online, 2012). In the same vein, successive governments in the country have introduced different programmes and embarked on several reforms to boost and revitalize the agricultural sector for enhanced food production and generate employment for the citizens (Ihimodu, 2007; Nigeria - Overview of economy online, 2012).

With the dwindling revenue from agriculture, the petroleum sector has become the mainstay of the Nigerian economy. By the 1990s, the oil sector was losing NGN50 billion (USD322.5 million) annually as a result of inappropriate pricing of petroleum below NGN8 or USD.052 per litre (Ekoriko, 1994). In 1994, the petroleum sector experienced crisis in terms of its inability to contribute to the nation's infrastructural development. As a result, the Nigerian National Petroleum Corporation (NNPC), the state owned petroleum company issued 'a marching order' of a 'drastic measure' to stem supply-price crisis of the oil sector by marketers, who smuggled and diverted petroleum products to illegal destinations for higher profits than what was obtainable in the country (Alabi, 1994; Eke, 2008).

The assumption is that the petroleum marketers in Nigeria are able to smuggle the products across borders in order to make higher profit due to the lower price charged by the government. However, it was in a bid to alleviate the suffering of the people against inappropriate pricing of petroleum products in Nigeria that made the Federal Government to introduce petroleum subsidy. The term subsidy implies a grant of money, property or some other form of aid for which it expects no direct return or repayment (Eke, 2008). According to Esele (2009:27):

> In the Nigerian government context, subsidy payment applies when the landing cost of petroleum products based on the import parity is in excess of the approved Petroleum Products Pricing Regulatory Agency (PPPRA) ex-depot price for the product. Its estimated annual cost is put at twice the annual Federal Government's capital expenditure. For example, between 2006 and 2008, the Federal Government was said to have paid the total of NGN1.7 trillion or USD10.96 billion as subsidy.

It was the huge amount paid by the Federal Government on fuel subsidy annually that neccesitated the introduction of the deregulation policy into the petroleum sector. The argument is that the huge amount currently paid on fuel subsidy could have been expended on infrastructural development for the enhancement of the living standard of the people. In 2008, the then Minister of Petroleum, Odein Ajumogobia argued that government's subsidy on petroleum products stood at NGN1.5 trillion or USD9.68 billion annually; a phenomenon which is not sustainable if government is to succeed its fight against underdevelopment in Nigeria (Sango, 2008).

On the basis of the foregoing this paper argues that the deregulation policy of the Nigerian petroleum sector by the Federal Government is more likely to bring about development of infrastructure and job creation. However, there are obstacles such as corruption, high cost of governance and the crisis of confidence about government policies that prevents the people from supporting the deregulation policy.

Methods and Structure

To achieve the paper's objective, the authors adopted the historical research method in analysing the secondary data obtained from relevant books, journals, seminar papers, the internet, magazines and newspapers on the deregulation and development nexus of the Nigerian petroleum sector. The conclusions reached in this paper are based on an analysis of the above secondary data. Furthermore, the paper is structured into five sections. Section one serves as the introduction, section two focuses on the literature review, section three discusses the deregulation policy of the petroleum sector and development in Nigeria, section four examines the barriers to deregulation of the Nigerian petroleum sector and section five contains the conclusion.

LITERATURE REVIEW

The Concept of Deregulation Policy

In any society, government is there to formulate and implement public policies to enhance the living standard of the people; and deregulation of any aspect of the economy is one of such public policies that government can adopt. Public policy is the formal or stated decisions of government bodies or a plan of action adopted by government or its agents. It involves the use of state coercion agencies to enforce and ensure compliance (Ikelegbe, 2006). Deregulation of any aspect of a nation's economy on the other hand could take the form of privatisation or divestiture of an aspect of the economy from government to private investors (Bello, 2005). Ahmed (1993: iii) posits that "the purpose of deregulation is to ensure competitive economic system devoid of monopoly and allow price mechanism of demand and supply's principle of economy to prevail."

According to Oluleye (2005), deregulation is a tool for reducing government intervention in economic activities and providing the relevant structure of incentives that would put the economy on the path of recovery and growth. Janda, Berry & Goldman (1997) see deregulation as the process whereby government reduces its role and allows the natural market forces of demand and supply to become fully operational. Its effect according to them is freedom in the market place and the best route to an efficient and growing economy. From the foregoing, deregulation could be said to be government withdrawal of control from the working of an aspect of the economy and leaving same in the hands of the private sector operators for more efficient use of resources and to bring about development in the society. Dhaji & Milanovic (1991) argue that the main objectives of deregulation of any aspect of a nation's economy include: introduction of market economy, increasing democracy and guaranteeing political freedom, and increasing government revenue.

Commenting on the importance of deregulation of an aspect of the economy of a country, Nwagbara (2006:129) argues that "when market forces are allowed to play out, and when the private businesses are given pre-eminence in the economy, then the economy would be rejuvenated and sustainable development would consequently ensue." Proper management of revenue generated from the deregulation of an aspect of the economy could go a long way in the provision of social amenities, infrastructural development and job creation for the populace. When this happens, it can be concluded that development has materialised in that society.

The Concept of Development

The concept of development has generated different meanings amongst scholars. Todaro (1985) sees development as a multidimensional process involving the re-organisation and re-orientation of the entire economic and social system, which involves the improvement of income and output, radical changes in institutional, social and administrative structures as well as in popular attitudes, customs and beliefs. According to Oni & Bello (1987), development is a continuous process of positive change in the quality of life of a person or group of persons by the reason of access to better living condition. They went further to identify indicators of development as: ability to feed, clothe and shelter oneself resulting from more income in one's occupation or means of livelihood; ability to live a much longer life as a result of the provision of health and medical facilities, and prevention of diseases through better sanitation; ability to read, write and understand forces surrounding one through the provision of formal and informal education; and ability to participate meaningfully in political activities and in the policy making process at the local and governmental levels.

Ireogbu (1996) sees development as a progressive realization of the fullest possible and balanced flourishing of both human and natural resources - the latter in view of the former. According to Onah (2005), development is a continuous improvement in the capacity of the individual and society to control and manipulate the forces of nature for the enhancement of the living standard of the people in a society. Adamolekun (2007) on the other hand, looks at development in terms of improving the living conditions of people amongst the world's poorest nations. He posits that development entails a higher quality of life, higher income, better education, higher standards of health and nutrition, less poverty in society, a cleaner environment, more equal opportunities, greater individual freedom and richer cultural life amongst citizens of poorer nations.

Development also refers to advancement through progressive changes in economic, social, cultural, technological and political conditions of a society leading to an improvement in the welfare of citizens (Yinusa & Adeoye, 2008). Scholars have argued that no society can claim to be developed if there is a high level of poverty, insecurity, unemployment, illiteracy, malnutrition, child mortality, political instability, deplorable state of infrastructure and inequality in income distribution (Seers, 1979; Sen, 1999;

Igbuzor, 2005; Yinusa & Adeoye, 2008, Okebukola, 2014).

In the same vein, Mulikita (2008) argues that for development to have taken place in a society; there must be an enhancement of the quality of life of citizens: meeting the basic needs of food, shelter, good health, good education and a general sense of well-being amongst the people. Development therefore is a process that entails growth both in infrastructure and in the lives of the people (Gberevbie, 2009). According to Imhonopi & Urim (2014:7), development can be stagnated where there is lack of long-term perspective on the part of leadership in a country. From the foregoing, development is associated with better quality of living in terms of the availability and access to the basic necessities of life such as clean water, food, clothing, shelter, good education, health and the ability to participate in the decision making process of government in a society. These indicators of development as pointed out above require funds on the part of the government. Hence all things being equal the more funds available to government, the more likely the provision of these amenities.

DEREGULATION OF THE PETROLEUM SECTOR AND DEVELOPMENT IN NIGERIA

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) (Department of Petroleum Resources - DPR online, 2014). The total output production of petroleum products from these five refineries combined barely met 30 percent needs of domestic consumption. 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, the Federal Government had to resort to fuel importation to meet domestic needs. This development resulted in 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 (Agbebaku, Edeko & Aghemelo, 2005; Soyinka, 2012).

Peter Adebayo noted the danger of over reliance on oil and gas as major sources of revenue and resorting to fuel importation as a means of meeting the domestic needs of petroleum products in Nigeria. According to him, unless "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" (cited in Manuaka, 2014:36). He argues further that "if we have four state owned refineries that are not operating at full capacities and we take delight in exporting our crude oil and again import back as refined products at high costs, I wonder the kind of future our leaders desire for this country" (cited in Manuaka, 2014:36).

To overcome this challenge, the Federal Government came up with the idea of total deregulation of the Nigerian petroleum sector. According to Pickford & Wheeler (2001), 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 price reduction.

To enhance the implementation of the deregulation policy, former President Olusegun Obasanjo in 2003, through the recommendation of the Special Committee on the Review of Petroleum Products Supply and Distribution, established the Petroleum Products Pricing Regulatory Agency (PPPRA). At the inauguration of the PPPRA, Obasanjo outlined the benefits of liberalisation of the petroleum sector in Nigeria to include: provision of uninterrupted petroleum products supply thereby buoying economic and commercial activities in the country; encourage new refiners to set up refineries, some of which will in turn make Nigeria the hub of petroleum products supply in the West Coast of Africa; engendering competitive prices that will be consumer-friendly as guaranteed by more participants entering the business; promoting investments leading to creation of several jobs; ensuring macro-economic growth through stability in fuel supply; and reducing the use of government funds in the downstream sector by reinvigorating private investment in the sector (Obasanjo, 2003).

There were certain principles and assumptions associated with the deregulation policy of the Federal Government in the petroleum sector. These are: that the Nigerian government recognises the inadequacies of the existing state-owned oil companies and desires to maximise supply sources for the refined products market in the country; that local and private investors would be willing to takeover the state–owned facilities in their current state of dilapidation and operate them efficiently and profitably thereafter; that government monopoly of refining and distribution from the state-owned storage depot would be completely unbundled and abolished; that private refineries would procure crude oil at competitive rates and sell their refined products profitably and at international prices both in and outside Nigeria as desired by the operator; that private investors would have open access to state-owned facilities like petroleum reception jetties at Escravos, Atlas Cove, Okrika, Effurun and Calabar, including the storage tanks at Port-Harcourt, Warri and Kaduna for expediting the logistics of improving petroleum products availability in Nigeria; that prospective private operators must have the necessary financial and technical capacities and be liable to applicable environmental, community relations obligations, safety, quality and other standards, and that unnecessary impediments, including over-bearing procedures for granting licences to prospective private refiners and other potential investors in the downstream sector that need to be removed may remain, given the nature of the bureaucracy in Nigeria (Agbebaku *et al,* 2005).

To achieve the aim of deregulation by the Federal Government in the petroleum sector, the PPPRA was put in place to undertake the following functions: establish an information and data bank through liaising with all relevant agencies; facilitate informed decisions on pricing policies; moderate volatility in petroleum products pricing, while ensuring reasonable returns to operators;

oversee the implementation of relevant recommendations and programmes of the Federal Government; establish parameters and codes of conduct for all operators; maintain constant surveillance over all petroleum products; identify macro-economic factors in relation to pricing of petroleum products and advise the government on appropriate strategies for dealing with them; establish linkages with key segments of the Nigerian society and ensuring that their expectation enjoy the widest possible understanding and support; prevent conspiracy and restrictive trade practices that are harmful to the sector; and play a mediating role for all stakeholders in the sector (Agbebaku *et al,* 2005).

One of the major criticisms leveled against the PPPRA from the inception is its method of implementing the liberalisation (deregulation) policy of the Federal Government, which has to do with periodic and constant increases in the pump price of petrol and other petroleum products. This has further encouraged the exploitation of Nigerians by oil marketers in the country (Gberevbie & Arowosegbe, 2006). The table below shows petrol price increases in Nigeria between 1978 and 2012.

Table 1. Petrol Price increases in Nigeria (1978-2012)

S/no.	Date	Administration	Price Per Litre	Percentage Change (%)
1.	1978	Obasanjo	15 kobo	-
2.	1990	Babangida	60kobo	300
3.	1992	Babangida	70kobo	17
4.	1992	Babangida	NGN3.25	364
5.	1993	Babangida	NGN5.00	54
6.	1994	Shonekan	NGN11.00	120
7.	1994/98	Abacha	NGN11.00	-
8.	2000	Obasanjo	NGN20.00	82
9.	2000	Obasanjo	NGN22.00	10
10.	2001	Obasanjo	NGN26.00	18
11.	2003	Obasanjo	NGN40.00	54
12.	2004	Obasanjo	NGN45.00	13
13.	2007	Obasanjo	NGN70	56
14.	2007	Yar-Adua	NGN65.00	0.07
15	2012	Jonathan	NGN141.00	117

Source: South-South Elder's Forum cited in Soyinka (2012). **Note:** NGN155 to USD1 (1 Naira - NGN = 100 kobo), and minimum wage since 2012 is NGN18, 000 or USD116.13 per month.

The table above shows the periodic and constant increases in the pump price of petroleum products in Nigeria between 1978 and 2012, when the last petroleum products price increase took place. The data shows that the pump price of petrol which was NGN26 per litre in 2001 before the establishment of the PPPRA (which ought to moderate prices in the petroleum sector as one of its major functions) had gone up to NGN141 per litre by 2012. Consequently, due to the poor minimum wage paid to workers in Nigeria at NGN18, 000 = USD116.13 per month.; any increase in pump price of petrol is easily felt by the people and automatically translates into price increases in other areas such as costs of transportation, food, shelter and other basic household needs, hence the resistance from the people each time the price of petrol goes up. The NGN18, 000 = USD116.13 per month as salary is too small to enable people live quality life (Soyinka, 2012).

Justifying the deregulation policy of the Federal Government in the Nigerian petroleum sector, Oghale (2005), argues that deregulation policy has the capacity to reform and reorientate the Nigerian public and private businesses to a better value system of transparency and accountability as a way of tackling effectively the menace of corruption. In defending the announcement of the new petrol price regime that commenced on 1st January, 2012 as the outcome of the total deregulation of the Nigerian petroleum sector (from NGN65 to NGN141 per litre) by the PPPRA, the Federal Government argued that the need for the deregulation of the petroleum sector of the Nigerian economy has become so urgent because of the desire for economic growth and infrastructural development. For instance, unemployment data showed that the rate of unemployment in Nigeria rose from 11.9 percent in 2006 to 14.6 percent in 2007 and up to 21.1 percent in

2010 (Federal Government of Nigeria Transformation Agenda (FGNTA), 2011-2015:5-7).

To achieve the development goals of the Federal Government, more revenue is required, yet so much is spent on fuel subsidy. For instance, while the amount paid on petrol importation by the government as subsidy was put at NGN1.5 trillion or USD9.68 billion in 2009, it rose to NGN1.7 trillion or USD10.96 billion in 2011 (FGNTA, 2011-2015:6-8). Furthermore, while recurrent expenditure has consistently increased since 1999 when Nigeria returned to democratic governance, capital expenditure on the other hand has continued to decrease. In 1999, recurrent expenditure fluctuated between 47.5 percent of national budget, 80.29 percent in 2003, grew worse in 2011 with the Federal Government borrowing to finance recurrent expenditures. In the 2012 national budget, recurrent expenditures accounted for 52.05 percent or NGN2.472 trillion (USD15.95 billion), while debt servicing of the Federal Government accounted for 11.79 percent or NGN560 billion (USD3.62 billion) (Ameh & Josiah, 2011). On the other hand, capital expenditure accounted for only 19.71 percent in 1999, went up to 38.37 percent in 2009 and down to 27.77 percent or NGN1.319 trillion (USD8.5 billion) in the 2012 national budget. The amount of NGN1.7 trillion or USD10.96 billion paid on fuel subsidy in 2011 is far higher than the amount earmarked for capital expenditures in the 2012 national budget (Ameh & Josiah, 2011; FGNTA, 2011-2015). The implication of the above is that if development is truly desired in the country, then deregulation of the Nigerian petroleum sector must be encouraged, implemented and an end put to the payment of subsidy on petroleum products.

It was in a bid to overcome the problem of inefficiency in government owned business ventures; eliminate fuel subsidy and corruption in the public sector that made the Federal Government to redefine its role in the economy. The government has now limited itself to the role of creating the enabling environment for private sector intervention aimed at facilitating sustainable growth and development in the country.

This role is to be achieved through: the reduction in the duration and cost of registering a business; simplification and harmonization of the tax systems and payment channels; reduction in the turnaround time and cost of obtaining building permits; ensuring easy access to affordable and long-term finance; expansion of Information Technology (IT) infrastructure to facilitate easy access to Internet and telecommunication services; encourage both local and foreign investors by improving ports and customs management (48-hours clearance of goods at the sea ports); eliminating immigration bottlenecks (simplify visa issuance and work permits); improving security of lives and property; complete the modernization of the transportation system; and improve basic critical infrastructure (FGNTA, 2011-2015:7). Considering the current revenue predicament of the Federal Government, the successful implementation of the deregulation policy of the Nigerian petroleum sector has the potential of creating more jobs, bringing about development and enhancing the living standard of the people.

BARRIERS TO TOTAL DEREGULATION OF THE NIGERIAN PETROLEUM SECTOR

We discuss below real and potential barriers to the total and successful implementation of the deregulation policy of the Nigerian petroleum sector.

Cost of Governance refers to increased recurrent and personnel cost or expenditure of the government. And this has continued to rise over the years without corresponding meaningful development in the country (Gberevbie and Iyoha, 2007). A bloated but under performing public bureaucracy, an expensive presidential system and some unviable sub-national units conjointly exacerbate the delicate/precarious position on cost of governance in the Nigerian Public Sector.

The observation that over 70 percent of the recurrent expenditure in the 2012 national budget was dedicated to the maintenance of political office holders in Nigeria is sure to affect development adversely. To support the above view, the Presidency had a feeding allowance of NGN1 billion (USD6.45 million); the budget for fuel and electricity generating set was NGN1 billion for the Presidential villa; two bullet proof cars for the Presidency was NGN280 million (USD1.81million); budget for dinning set up was NGN 300 million or USD1.94 million (also for the Presidential Villa). It has also been documented that the Nigerian Federal lawmakers are about the highest paid in the world, with the maintenance cost for each Senator for four years at approximately NGN3 billion or USD19.35 million (Soyinka, 2012:46-57).

The budgetary slant, practice and insensitivity of the Nigerian governing and bureaucratic elites to the citizenry as exemplified by the foregoing data and analyses does not only suffocate development in the country, but typifies the elites as predatory, and this explains the apathy to and lack of support by the populace for the deregulation policy of the Nigerian Petroleum sector.

Corruption connotes misuse of official powers to obtain personal advantage or favouring one's associates (Obukohwo, 2007). Corruption could also mean betrayal of trust resulting directly or indirectly from the subordination of public goals to personal interests (Ihionkhan and Okpamen, 2007). These connotations of corruption are conspicuous in public management in Nigeria and underlines elite complicity in resource plunder as corroborated by the following examples: the Pius Okigbo Panel of enquiry instituted by the late General Sani Abacha's military government found General Babangida's military government (1985-1993) guilty of gross mismanagement or outright diversion of public funds to the tune of USD12 billion (Omotola, 2008). These mismanaged funds could have redressed infrastructural deficits, created more jobs for the unemployed, enhance living standard of the citizenry, and lead to deceleration in the rate of underdevelopment.

Werlin (2003:326) stressed that corruption is the primary cause of poverty in Nigeria, and this has become economically and socially paralysing despite the production of two million barrels of crude oil per day, which has the potential of conferring enormous wealth on the country derivable from the export of oil and natural gas. It is equally very disturbing to learn that Nigeria realised the sum of USD300 billion or NGN46.5 trillion within twenty years from the sale of crude oil in the international market without concrete development to show for it (World Bank, 1996; Ikelegbe, 2004). The KPMG (audit firm) report revealed that the cost of subsidy payment on petroleum products not consumed by end users due to losses from theft and those not supplied between 2007 and 2009 amounted to NGN11.8 billion or USD76.13 million (Agbo, 2012:56).

The behaviour of the Nigerian governing elites is typified by the copious documentation of researchers on public financial mismanagement of a former Governor of Delta State from 1999 to 2007. These range from pleading guilty to a ten-count charge of money laundering and embezzlement of public funds belonging to Delta State of Nigeria to the tune of 250 million pounds on 27th February, 2012 in a London Court (Adesina, 2012); accumulating monthly credit card bills of USD200, 000 on conspicuous consumption; to a life of primitive grandeur (Obiagwu, 2012; Onyekwere, 2012).

The foregoing explains the poverty situation in Nigeria (one of the twenty poorest in the world) and why the citizenry are skeptical of the total deregulation of the petroleum sector. This position was taken further by a UN report that noted:

> Seventy percent of the population is classified as poor, with 35 percent living in absolute poverty. Going by the 1991 population figure of 120 million, those living below the poverty line were 84 million…if the country's population has grown to 140 million according to the new census figures of 2006, then by analogous reasoning, the number of people living on less than one dollar in a day must be 98 million. This means that another 14 million impoverished people have been unleashed on the country. This figure is more than the population of oil producing states of Bayelsa,

Rivers, Delta, and Cross-River States put together going by the 2006 census figure. The combined population of the Niger Delta Oil producing Region is 13.85 million USD$ (cited in Business Day Online, 2007).

It is obvious from these narratives that corruption is a major drawback and disincentive to development in Nigeria.

Crisis of confidence on Government Policies relates to the lack of trust by the citizenry in government decisions and programmes. Research has shown that the failure of governance underscores citizen's distrust in government (Torres, 2005). Successive central and sub-national (units) administration in Nigeria, hardly keep their ends of the social contract bargain. The attitudinal inclination by government tends to circumscribe citizens' support for government policies as demonstrated by the six days nationwide strike/opposition to total deregulation of the petroleum sector which was announced by the Federal government (under former President Goodluck Jonathan) on 1st January, 2012.

Consequently, the government had to soft pedal after losing many man-hours estimated at a cost of NGN300 billion or USD1.94 billion to the strike (Agbo & Suleiman, 2012). Another measure to demonstrate good faith on the part of Government was the announcement of the reduction of the pump price of petrol from NGN141 to NGN97. These avoidable losses to strike could have been used for infrastructural development, employment creation for the unemployed with a trickle-down effect on standard of living, had the government cultivated the trust of the populace through effective public service delivery and better economic empowerment for Nigerians.

CONCLUSION

The paper discussed the nexus between deregulation policy of the Nigerian Petroleum sector and development. Data presentation and analyses confirm the relationship. The paper identified and discussed some barriers to full deregulation of the Nigerian Petroleum Sector, and further argued in favour of measures to tackle corruption, reduce cost of governance, and earn citizens' trust as part of the prerequisites for development in Nigeria. This paper further contends that notwithstanding concerns by the International Monetary Funds (IMF), and critics of Western capitalism such as Amin (2011); Stiglitz (2002) and Mkandawire (1995) who equated deregulation with dictatorial tendencies; the Nigerian economic performance in the face of abundant human and natural resources shows that deregulation is a credible option for redressing the plunder of national wealth by the governing elites. It is through the foregoing measures and deliberate efforts at strengthening institutions, transparent and accountable public governance that the country can be on its way to development.

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