Rentierism, Deregulation and Social Decay: Reflections on the Dynamics of State Management of the Downstream Oil Sector in Nigeria

Nnaemeka Azom, PhD•
Federal University Lafia, Nasarawa State

Abstract

The oil industry is the major driver of Nigeria's economy. Virtually all aspects of the economy have a multiplier relationship with petroleum products. Whatever happens in the oil and gas sector affects all other sectors of the economy and, more fundamentally, the social welfare of the people. In the recent times, the global campaign to change the interventionist character of the state has orchestrated wholesale deregulation of Nigeria's political economy, particularly the downstream oil and gas sector. Against this backdrop, this study examines the impact of the withdrawal of oil subsidies and adjustments in the pump prices of petroleum products on the quality of life in Nigeria. Documentary method was used to generate the relevant secondary data which were analysed using qualitative content analysis. The Marxist Structuralist theory of the state was employed to x-ray the relegation of social welfare arising from the implementation of deregulation programme attendant to neoliberal reforms. The study argues that the deregulation of the downstream oil and gas sector has led to palpable deterioration in the quality of life. The study holds the view that the management of Nigeria's oil wealth is to the ultimate benefits of various arms of capital and this has led to social decay and disempowerment of the masses. The study sees responsible political leadership as the only way to actualize prudent management of oil wealth, human security and sustainable national development in Nigeria.

Key Words: Nigeria, Rentierism, Deregulation, Neoliberalism, Marxist Structuralist Theory, Downstream Oil Sector

Le système rentier, la déréglementation et la décadence sociale: Réflexions sur la dynamique de la gestion de l'état du secteur pétrolier maritime au Nigeria

Résumé

L'industrie pétrolière est le principal moteur de l'économie du Nigeria. Pratiquement tous les aspects de l'économie ont une relation de multiplication avec des produits pétroliers. Quoi qu'il arrive dans le secteur du pétrole et du gaz affecte tous les autres secteurs de l'économie et, plus fondamentalement, le bien-être et la sécurité sociale de la population. Dans les derniers temps, la campagne mondiale pour changer le caractère interventionniste de l'Etat a orchestré en gros la

• Address for correspondence: Dr. Nnaemeka Azom, Department of Political Science, Faculty of Social Sciences, federal University Lafia, PMP 146 Lafia, Nasarawa State. GSM: (234) 8036581682
E-mail: azomstepehen@gmail.com, The Author remains grateful to panel members who contributed to this paper during presentation at the Faculty of Social Science National Conference, 18th – 29th May, 2016.

dérégulation de l’économie politique du Nigeria, en particulier le secteur maritime du pétrole et du gaz. Dans ce contexte, cette étude examine l'impact du retrait des subventions pétrolières et des ajustements dans les prix à la pompe des produits pétroliers sur la qualité de vie au Nigeria. La méthode documentaire a été utilisée pour générer les données secondaires relevant qui ont été analysées en utilisant une analyse qualitative de contenu. La théorie marxiste structuraliste de l'état a été utilisée pour radiographier la relégation de la sécurité sociale découlant de la mise en œuvre de la déréglementation du programme attendant aux réformes néolibérales. L'étude estime que la gestion de la richesse pétrolière a conduit à la désintégration sociale et la déresponsabilisation des masses. L’étude fait valoir que la mise en œuvre de la politique de déréglementation par le gouvernement nigérian est conforme à la détermination en cours par les principaux fournisseurs de capitalisme monopoliste pour transformer le caractère de l'étude state. L’étude voit l’élite dirigeante politique responsable en tant que la seule façon de réaliser une gestion prudente de la richesse pétrolière, la sécurité humaine et le développement national durable au Nigeria.

Mots clés: le Nigeria, le système rentier, la déréglementation, le néolibéralisme, la théorie marxiste structuraliste, le secteur maritime du pétrole

Introduction

The trend in economic reforms and development planning in Nigeria indicates that the pre-occupation of the Nigerian government in the immediate post-colonial period up to the early-1980s was to rapidly industrialize the economy. During the period, the strategy adopted was import-substitution industrialization. The indigenization policy was also implemented to compel foreign companies operating in Nigeria to transfer prescribed equity shares to Nigerians and the Nigerian government (Asobie, 2004). This development made stupendous resources available to the domestic bourgeoisie. More fundamentally, the Nigerian state, which then was the main initiator of change, was used to promote capital accumulation.

In the mid-1980s, the crisis of accumulation in Nigeria’s economy undermined the fiscal basis of the Nigerian state and thus compelled it to adopt the Structural Adjustment Programme (SAP) in conformity to the demands of international capital. The implementation of the Structural Adjustment Programme, which emphasized the role of the private sector in dealing with the fundamental problems of the Nigerian economy in line with the tenets of neoliberalism, signalled a radical departure from the previous development planning. The focus, as the main initiator of change, thus shifted from the state to market forces. Thenceforth, the diplomacy of SAP has continued to drive economic reforms in Nigeria.

Meanwhile, the implementation of economic reforms by the successive military governments was hostile to popular interest and aspirations. Government became authoritarian to implement reform measures unchallenged. There was therefore a high expectation that the civilian government enthroned in 1999 would halt the wholesale deregulation of Nigeria’s political economy. Contrary to this expectation, the civilian government of President Olusegun Obasanjo, due to external pressures to transform the nationalistic and interventionist character of the Nigerian state into a market-friendly institution, embraced the regime of Bretton Woods institutions in its domestic and external economic relations. Since then, the process of recomposition of capital through privatization, commercialization, liberalization and deregulation of public enterprises, with the attendant economic crisis, social decay and disempowerment of the citizenry has formed the cornerstone of economic reforms and development planning in Nigeria. In particular, the campaign for deregulating the downstream oil and gas sector was vigorously pursued as the likely way of solving the perennial problem of scarcity of petroleum products and the deleterious effect on the citizenry. Hence, subsidies on petroleum products were incrementally withdrawn and their pump prices correspondingly adjusted on the assurance that the savings would be utilized to develop other sectors of the economy to improve the quality of lives of the people.

Accordingly, the impact of fuel subsidy removal on the Nigerian economy has elicited enlightened discussion and the extant studies have focused on various themes, based on different conceptual approaches. However, while some studies see the removal of subsidies on petroleum products to reinforce the incidence of official corruption and monumental fraud in the downstream sector of the petroleum industry (Agboola, 2012; Izielen, 2012; Nwabueze, 2012; Omokhodion, 2011; and Ojameruaye, 2011), others argue that removal of subsidies on petroleum products wouldenhance efficiency and effectiveness in service delivery and place the country's ailing economy on the path of sustainable development (Iheanacho, 2009; Ovaga, 2010; Okeotola, 2010; Uzoh, 2012). Altogether, these explanations hardly illuminate the understanding of the effect of the withdrawal of oil and adjustments in the pump prices of petroleum products on quality of life of Nigerians.

In the light of this, this paper seeks to contribute to the extant literature on petro-rentierism and the challenges of the neoliberal state in the management of the downstream oil sector in seven sections. The first is the introduction followed by the second section which examines the basic concepts. The third section focuses on the theoretical issues; while the fourth section presents an overview of the downstream oil and gas sector. The fifth and sixth sections, respectively, explore the state management of oil wealth in Nigeria and adjustments in the pump prices of petroleum product in Nigeria. The sixth section evaluates the quality of life in Nigeria. The seventh section briefly examines the dynamics of state management of the downstream oil and gas sector in Nigeria, while the final section concludes the study.

Conceptualizing Rentierism and Deregulation

Rentierism

Rentierism is reliance on rent. This is used to classify those states that earned all or a substantial portion of their revenues from the rent paid by external clients and which creates, in the same process, a rentier mentality and a rentier class in these states (Beblawi & Luciani, 1987). Rentier states are shaped by a combination of colonial legacy in the state structure and the luxury of natural resource revenues (Omeje, 2010). Rentierism is linked to the emergence of weak states in two ways. One, a high level of rentierism negatively affects the ability of the modern state to represent its citizens. Two, the existence of a rentier state serves as a strong impediment to democratic rule and pluralistic institutions (Azom, 2016). Nigeria is a rentier state per excellence since over 80 percent of Nigeria's foreign exchange earnings come from rents paid by Multinational Oil Companies (MNCs) that dominate the oil industry. Rentierism thus incubates a predatory hegemonic elite and a convoluted culture of accumulation and impunity.

Deregulation

Deregulation is the termination of government's involvement in business activity to allow the market forces to determine the prices of goods and services. Deregulation has its root in neoliberalism which is an ideology of wealth creation that arose from classical liberalism of Adam Smith, Friedrick Von Hayek and Milton Friedman in the 1990s (Balaam &Veseth, 2005). This phase of capitalism referred to as neoliberal capitalism under the aegis of the Washington

Consensus is premised on dismantling state intervention in the political economy through economic deregulation, privatization of government enterprises, low government debt, among others to allow free flow and operation of private enterprises (Balaam &Veseth, 2005; Harvey, 2005).

In the downstream oil and gas sector in Nigeria, deregulation implies removal of consumer subsidies on petroleum products and cessation of control by the government. Until 11th May, 2016, when it was completely halted by the Federal Government, consumer subsidies had existed for two energy products: gasoline (Premium Motor Spirit [PMS]) and household kerosene (HHK).

Theoretical Framework

To explain the relegation of social welfare arising from the deregulation of the downstream oil and gas sector and corresponding adjustments in the pump prices of petroleum products attendant to the implementation of neoliberal economic reforms, we relied on basic propositions adapted from the Marxist Structuralist theory of the state as propounded by Louis Althusser, NicosPoulantzas, among others.

Althusser (as cited in Carnoy, 1985) posits that Marx's concept of the mode of production involved three distinctly articulated levels: the economic, the political, and the ideological. These three levels intimately and internally combine to form the matrix of the mode of production. Although in a given social formation, any of these three levels could be the dominant structure, the economic structure would always determine which of the three would be dominant. Poulantzas adapted these structuralist elements to develop a theory of the state. According to Poulantzas (cited in Carnoy, 1985), the state in the capitalist mode of production is determined to fulfil reproductive function, not by direct control of the capitalist class, but rather by the class nature of the ideological and repressive state apparatuses.

The structuralist approach, thus, contends that capitalist societies are inherently prone to crises which originate in regular cycles of economic stagnation and/or continual outbreaks of class war between capital and labour. On account of this underlying tendency toward crises, structuralists argue that the state must intervene politically to maintain economic stability and to mediate class struggles in capitalist societies. The structuralist thesis, as summarized by Barrow (1993), is that the function of the state is to protect and reproduce the social structure of capitalist societies, insofar as this is not achieved by the automatic processes of the economy. Consequently, structuralists posit that state policies and institutions are best understood by their "function" in maintaining the on-going viability of capitalist system. Put differently, the state primarily functions to foster and reproduce capitalist society.

Structuralists view the state in a capitalist mode of production as taking a specifically capitalist form, not because particular individuals are in powerful positions, but because the state reproduces the logic of capitalist structure in its economic, legal, and political institutions. Hence, from a structuralist perspective, the institutions of the state function in the long-term interests of capital and capitalism, rather than in the short term interests of members of the capitalist class. The state is, thus, objectively a capitalist entity, which can serve no purpose other than preserving the capitalist mode of production. If members of the ruling class are the same people managing the state, it is merely a coincidence: the state serves capitalist interests regardless of who is in charge (Jessop, 1982**)**.

The Marxist structuralist theory of the state thus demonstrates that institutions and structure of the state are defined and constantly shaped by the nature of the dominant mode of production and social formation. Accordingly, the institutions and structure of the Nigerian state have functioned to preserve the long-term interest of capital and capitalism, which is the sustenance and propagation of the capitalist mode of production. In return, the institutions and structure of the Nigerian state are shaped by the dominant mode of production, which is capitalism. Therefore, public policies, laws, programmes, initiatives and so on are formulated and enforced in Nigeria depending on how they foster, sustain and project the long-term interest of capital. The implementation of the deregulation programme by the Nigerian government is, therefore, in conformity with the ongoing determination by the major purveyors of monopoly capitalism to transform the state into a market-friendly, decentralized and customer-oriented institution. In the downstream oil and gas sector, this accounts for the reliance on MNCs for production technology, external oil refining and importation of petroleum products. It also accounts for the structural challenges in the development and optimal performance of the nation's refineries and corresponding reliance on rent. The rent situation gives a high level of dominance by foreign capitalin the operations of the oil industry, mismanagement of oil wealth and relegation of the welfare of the citizens. The veracity of this assertion will be determined in our discussion below.

The study is qualitative and analytical. Secondary data were drawn from textbooks, official documents, journal articles, conference papers, among others. Qualitative content analysis was adopted as our method of analysis. Basic ingredients characterizing the downstream oil and gas sector and their impacts on social welfare were identified and placed in their proper theoretical and analytical context.

An Overview of the Downstream Oil and Gas Sector

Primarily, there are three main sub-sectors in Nigeria's oil industry: the upstream, midstream and downstream. While the upstream and midstream sub-sectors execute activities relating to oil exploration and exploitation, the downstream, which is our concern in this study, executes activities relating to distribution and marketing of petroleum products. In recent times, the downstream sub-sector has remained particularly volatile due to government's policy on deregulation.

Before now, the Nigerian government had regulated the downstream oil sector through payment of subsidies on petroleum products, particularly gasoline (Premium Motor Spirit [PMS]) and household kerosene (HHK) and determination of their pump prices. The Nigerian government was bearing the substantial part of the cost of producing these petroleum products to make them readily available to the masses who considered affordable oil as their share of wealth from the nation's oil reserves.

However, following the neo-liberal ideological shift and the consequent global campaign to change the interventionist character of the state to a market-oriented institution, the Nigerian government has come under immense pressure to withdraw the subsidies on petroleum products and deregulate the downstream oil sector to make way for private investments and interplay of market forces. However, as Bangura (2000) rightly points out, there are tensions between, on the one hand, concerns for market efficiency and deregulation, and issues of accountability and equity, on the other.

The State Management of Oil Wealth

Nigeria is endowed with abundant deposits of petroleum, the exploitation of which has made the country a leading oil producer in Africa and one of the countries with largest crude oil in the world. The exponential growth in petrodollars has influenced significantly Nigeria's international relations in the last few decades. As a result, the oil industry occupies a primate position in Nigeria's political economy.

Unfortunately, proceeds from the sale of crude oil have not been effectively utilized to drive indigenous technological development and active involvement of indigenous participants in Nigeria's oil industry. Oil blocs are allotted to members of the ruling class as prebends. Similarly, contracts to import petroleum products were awarded to the cronies of political leaders. And to sustain their private interests in fuel importation, the Turn Around Maintenance (TAM) of the existing refineries and new contracts to build new ones were undermined with serious implications on their operational efficiency. Table 1 below indicates that Nigeria's refineries operated sub-optimally notwithstanding that public funds running into over $1.78billionwas reported to have been spent in the last twelve years in Turn Around Maintenance (TAM) (*Tribune* of Saturday 24th December, 2011). This amount of money would have been enough to build modular refineries with capacity of 30,000bpd in each of the 36 states of the federation, thereby reducing the nation's reliance on the importation of fuel and associated external dependence.

Table 1: Refineries Average Annual Capacity Utilization, 1999-2011 (%)

Area	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
P/Harcourt	48.07	30.95	60.73	52.17	41.88	31.04	42.18	50.26	24.87	17.84	15.23	9.17	15.26
Warri	43.51	5.04	48.29	55.53	14.27	9.10	54.85	3.85	0.00	38.52	41.34	43.36	41.67
Kaduna	24.60	22.65	31.39	34.95	15.96	26.00	33.08	8.34	0.00	19.56	22.17	20.46	22.17

Source: *NNPC Annual Statistical Bulletin*, 2009-2011 cited in Ezirim, G.E. (2013).

The KPMG/SSA Audit commissioned by the Ministry of Finance in 2010 further confirmed the neglect of the nation's refineries by the government. The report indicates that the processing fee given to the refineries for processing crude oil into petroleum products was not sufficient enough to offset the total cost of operating the refineries, thereby leading to operating losses (KPMG/SSA Report, 2010).Further examination of the performance of the Nigerian refineries shows that they lack the standard criteria used in the industry for measuring the performance of petroleum refineries. They are also beset with inadequate funding, autonomy and proactive governance; interference by the Federal Government; and ineffective plant operations and maintenance (Ezirim, 2013). A more apt description of the unpleasant situation was provided by Eselewho insisted that the Federal Government deliberately undermines local refining of crude oil in the country and aids the gang up against the Nigerian people by the oil cartel that are bent on ensuring that local refining remains a mirage; and this is in order to continue to do business with foreigners. According to Esele (cited in Ezirim, 2013, p. 209):

> Even after Nigerians had spoken vehemently and consistently against the continued reliance on imports of petroleum products and the neglect of our refineries, some people in government are still telling us how impossible it is for Nigeria to invest on new capacities for domestic refining. These people and their private sector cronies are presently amassing more capacities and facilities for the reception of imported products rather than focusing on how to increase refining capacity internally to boost jobs and jump start the economy leading it on the path of revival and self-sustenance.

This development, coupled with poor corporate relations between multinational oil companies and indigenous communities, and vandalism of oil infrastructure in the Niger Delta, has led to reliance on external oil refining and massive importation of petroleum products to fill demand gaps that exist in domestic consumption.

The point being made is that private interests of the ruling class in Nigeria account for the structural challenges in the development and optimal performance of the nation's refineries, reliance on external oil refining, importation of petroleum products, removal of oil subsidies and correspondent adjustments in the pump prices of petroleum products.

Adjustments in the Pump Prices of Petroleum Products

The ruling class in Nigeria has essentially used the oil wealth to advance the interests of capital through allocation of oil blocs, award of contracts to import petroleum products, abuse of subsidies, among others. Years of monumental corruption and mismanagement of oil wealth under the neoliberal interest matrix of the state and ruling class in Nigeria, therefore, resulted in massive faults in the production and refining of crude oil as well as distribution of petroleum products. Consequently, the dependence on the importation of petroleum products and the sustainability of oil subsidies became the focus of controversy. In response, the Nigerian government, despite resistance, began to withdraw subsidies on petroleum products and to adjust their pump prices.

Adjustments in the pump prices of petroleum products began in 1973,when the military government of General Yakubu Gowon increased the price of petrol from 6kobo to 9.5kobo per litre. Since then, the allure to increase the pump price of petrol has remained almost irresistible. In 1978 the military government of General Olusegun Obasanjo substantially increased the fuel price by moving it from 9.5kobo to 15 kobo. When General Ibrahim Babangida took over in 1985, the first focus of his government was to increase the price of petrol. In fact, the mismanagement of the petroleum sector reached its apogeewhen hisgovernment popularized the term 'subsidy' with the announcement of the removal of 80 percent of subsidy on Premium Motor Spirit (PMS) in 1987 (Ibah & Oladipo, 2001).

Chief Ernest Shonekan who headed the Interim Government adjusted the pump price of petrol within the 87 days of the Interim National Government (ING). In fact, the greatest leap of petrol pump price in Nigeria was introduced by Chief Shonekan, who took the price from 70kobo to ₦5.00. General Sani Abacha who ousted Chief Shonekan moved pump price of petrol from ₦5 to ₦11 within his five years in office. In 1995, his government promised some relief measures with the establishement of the Petroleum Trust Fund (PTF) to manage the extra money arising from the subsidy cut. General Abdulsalami Abubakar who became the Head of State, upon the tragic demise of General Sani Abacha in 1998, did not resist the temptation of tempering with the pump price of petrol as he moved the price from ₦11 to ₦20 within the ten months he ruled Nigeria (Ibah & Oladipo, 2001).

The civilian administration of Olusegun Obasanjo, realizing the untold economic hardship and inexorable decline in the quality of life of Nigerians occasioned by the increments in the pump price of petroleum products by the successive military regimes, affirmed that his administration would not participate in the determination of petroleum products prices (in Wabara, 2001). He further stressed that in the past, pump prices reviews had not achieved any purpose other than making some people richer.Unfortunately, his government left a legacy of over two hundred percent increase in the pump prices of petroleum products (Usman, 2011).

During the administration of Obasanjo, the campaign for deregulation of the downstream oil sector, as the likely way of solving the scarcity problem of petroleum products and realising revenue for the provision of social services and infrastructural development from the huge amount of money spent per annum in subsidizing petroleum products, received a serious consideration. Hence, despite the nationwide protests by workers under the aegis of Nigerian Labour Congress

(NLC) and the masses against the removal of subsidies and increases in the pump prices of petroleum products, the government of Obasanjo proceeded with the idea, arguing that the huge amount of money expended in fuel subsidy should be channelled to the provision of infrastructure and social services (Usman, 2011). Adjustments in the pump prices of petroleum products thereafter became virtually an annual ritual as tables2 and 3.

Table 2: Political Leadership and Changes in Pump Price of Premium Motor Spirit,1999-2015

Year	Price (Naira)	Fluctuation	Increase (%)
1999	20.00	Increase	-
2000	22.00	Increase	10.00
2001	26.00	Increase	18.08
2002	30.00	Increase	15.39
2003	40.00	Increase	33.36
2004	49.00	Increase	22.50
2005	52.00	Increase	6.12
2006	64.50	Increase	24.04
2007	75.00	Increase	16.28
2007	65.00	Decrease	-
2012	140	Increase	106
2012	97.00	Decrease	-
2015	86.50	Decrease	-
2016	145	Increase	59.65

Sources: Ezirim, G.E. (2013). Oil Wealth and National Security in Nigeria

Table 3: Political Leadership and changes in Pump Prices of Diesel and Kerosene, 1999-2015 (₦)

Year	Diesel	Kerosene
1999	-	17
2000	19	17
2001	19	17
2002	26	24
2003	38	38
2004	50	50
2005	90	50
2006	Total withdrawal of subsidy (sold between 140 and 200)	50
2007	“	50
2008	“	50
2009	“	Suspension of subsidy
2010	“	
2011	“	
2012-date	“	50

Sources: Vanguard Wednesday 23rd June, 2004.

Petroleum products are vital to the sustenance of Nigeria’s political economy. Increments in their pump prices invariably unleashed untold hardship on the masses. The successive political leadership in Nigeria was not oblivious of this. Hence, prior to withdrawal of oil subsidies, campaigns were often mounted to solicite the support of the masses by assuring them that savings from the withdrawal would be ultimately used to develop other sectors of the economy to improve the quality of lives of the people. Oftentimes, new bodies such as the Petroluem Trust Fund (PTF), Subsidy Re-Investment Programme (SURE-P),among others were created to utilize the savingsto pursue developmental projects around the country. A combination of corruption and mismanagement had undermined the efficacy of these bodies thereby rendering them unable to mitigate the headship and social decay arising from adjustments in the pump prices of petroleum products. We proceed to examine this.

Quality of life in Nigeria

The traditional biomass fuel that Nigeria produces is a key source of energy for domestic consumption. Withdrawal of subsidies on petroleum products and adjustments in their pump prices invariably resulted in a corresponding increase in the Composite Consumer Price Index (CPI). On account of the increase, the human security situation has remained precarious, with observable deterioration in virtually all the measurable indicators of social welfare.

The *CBN Annual Report and Statement of Account* (2003) and *CBN Statistical Bulletin*, (2007) revealed that the average Composite Consumer Price Index (CPI) for food, clothing, footwear and transportation that was 65.1, 48.6, and 66.7 respectively in 1999 increased to 155.5, 129.3, and 142.8 respectively in 2006. They even worsened between 2008 and the first quarter of 2012 as they increased from 88.6, 96.9, and 90.9 respectively in December 2008 to 132.3, 134.1, and 134.6 respectively in April 2012 (National Bureau of Statistics, 2012). The increase in Composite Consumer Price Index (CPI) escalated the incidence of poverty in Nigeria as demonstrated by the decline in measurable indicators such as human development index. The UNDP World Development Reports based on Human Development Index, thus ranked Nigeria 148 out of 173 countries in 2002. In 2003, Nigeria was ranked 158, out of 177 countries, while in 2005 it also ranked 158 out of 169 countries (*UNDP World Development Reports,* 2002, 2003 and 2004). The report put life expectancy at birth at 51 years, under-five mortality at 178 per 1,000 live births, infant mortality rate at 105 per 1,000 live births, and maternal mortality rate at 704 per 1000,000 live births. On account of this unpleasant development, the National Bureau of Statistics (2007) placed the country's misery index at 34 per cent, a development which analysts described as "horrible and terrifying." The misery index measures the level of hardship in a country and is calculated using the unemployment and inflation rates of the economy. Table 4 below presents the percentage increase of both moderately and extremely poor in Nigeria between 1980 and 2010

Table 4: Relative poverty: Non-poor, Moderate poor and the Extremely poor (%), 1980-2010

Year	**Non-poor**	**Moderately poor**	**Extremely poor**
1980	72.8	21.0	6.2
1985	53.7	34.2	12.1
1992	57.3	28.9	13.9
1996	34.4	36.3	29.3
2004	43.3	32.4	22.0
2010	31.0	30.3	38.7

Source: The Nigeria Poverty Profile 2010 Report, National Bureau Of Statistics..

The information above clearly indicates that poverty is widespread and, in fact has increased up to the point that no fewer than 70 per cent of Nigerians live on less than US$1.25 a day (CIA World Factbook, 2014), despite the assurances of using the savings from subsidies on petroluem products to improve the quality of lives of the people.

Like poverty, available information on unemployment and underemployment indicate clearly that quality of lives has terribly deteriorated in Nigeria. The*2011 Annual Socio-Economic Report*published by the National Bureau of Statistics which examined Nigeria's unemployment rate between 2006 and 2011 indicates that the national unemployment rate increased to 23.9% in 2011 from 21.1% in 2010 and 19.7% in 2009. The survey also discovered that persons aged 0-14 years constituted 39.6%, those aged between 15 and 64 (the economically active population) constituted 56.3%, while those aged 65 years and above constituted 4.2%.

A recent report by the National Bureau of Statistics (2016) indicates that national unemployment rate in the first quarter of 2016 stood at 12.1% (Using NBS previous methodology, unemployment rate would have been 31.2%). This implies that Nigeria's Q1 2016 unemployment rate is already higher than 5.9% global unemployment rate previously forecast by the International Labour Organization (ILO). When Nigeria's 31.2 % unemployment rate is compared to 29.2% in Q4 2015, 27.3% in Q3 2015, 26.5% in Q2 2015, 24.2% Q1 2015, 23.9% in 2011 and 21.4% in 2010, it shows that the incidence of unemployment, particularly among the active working population has glaringly escalated. The report from National Bureau of Statistics (2016) indicated that that 56.1% of Nigerians in the labour force aged 15-24 years were either unemployed or underemployed in Q1 2016 compared to 53.5% in Q4 2015 while another 32.8% aged 25-34 years were either unemployed or underemployed in Q1 2016 compared to 31.3% in Q4 2015. Accordingly, out of a total youth labour force of 38.2 million (representing 48.7% of total labour force in Nigeria of 78.48mn), a total of 15.2mn of them were either unemployed or underemployed in Q1 2016 representing a youth unemployment rate of 42.24% (NBS, 2016).

If the foregoing information is disturbing, then more worrisome is the obvious fact that increase in pump prices of petroleum products did not positively impact on the funding of the critical sectors of the economy. There is no evidence that education and health sectors received higher budgetary allocations as a result of the removal of subsidies on petroleum products. Table 5 which presents the percentage of budget allocation to education and health sectors in Nigeria depicts a gloomy picture of decrease in the percentage of budgetary allocation to education and health decrease from 13.14 and 10.29 in 1999 respectively to as low as 8.43 and 5.95 in 2012. Since then, budgetary allocations to Nigeria's most important sectors have not only remained underfunded, but also on a steady decline. For instance, budgetary allocation to the educational sector moved from N400.15bn in 2012to N426.53bn in 2013, N493bn in 2014, N492bn in 2015, and N369bn in 2016, while that of the health sector moved from N279bn in 2013 to N262bn in 2014 and then to N227.3bn in 2016 (*Nigerian Health Watch*, 2016).

The dwindling rate of revenue allocation to the education and health sectors in Nigeria has had deleterious effect on the standard of education. Global Monitoring Report 2012 (as cited in Adamolekun, 2013), for instance, revealed that 10.5 million Nigerian children of school-going age are not attending school, the highest in the world. Much more worrisome is the performance of students in the external examinations in recent times. For instance, the following percentages of students obtained five credits in English and Mathematics in the May/June WAEC over the last five years: 23% (2008), 26% (2009), 24% (2010), 31% in 2011 and 39% in 2012. The percentage of students who scored 200 and above (out of 400 total) in JAMB in the last four years ranged between 36% (2010) and 46% (2009) – overall average of 42%. In 2012, only 3% of 1, 503, 93 candidates scored above 300 and only 5% scored 250 and above (*The Nation*, November 28th, 2012).

The tertiary institutions are not left out of the monumental decay that has characterized the Nigeria's educational sector. The *Punch* Editorial of Friday, December 14th, 2012 highlighted the recent report of dismissal of three graduates of the Enugu State University of Science and Technology from the National Youth Service Corps scheme for falling below the standard expected of graduates. As a result of the decay and rot in the Nigeria's educational sector, those who can afford the cost, prefers to study abroad. It is estimated that no fewer than 75,000 Nigerian students who study in Ghana pay about N160 billion as tuition alone annually (*The Sun*, September 20th, 2012).

Table 5: The Percentage of Total Budget allocated to Education and Health Sectors in Nigeria, 1999 – 2012

Years	% Allocated to Education	% Allocated to Health
1999	13.14	10.29
2000	12.24	6.15
2001	10.29	8.79
2002	13.19	9.28
2003	7.28	4.71
2004	8.56	5.50
2005	8.56	6.99
2006	10.02	6.94
2007	10.34	7.40
2008	10.07	7.79
2009	4.09	6.98
2010	6.95	5.49
2011	8.0	5.1
2012	8.43	5.95

Source: CBN Statistical Bulletin, 2010 and FGN budget 2011, 2012

Like the educational sector, the provision of quality health care has remained unimpressive despite the increments in pump prices of petroleum products. The recent statistics from the World Health Organization (WHO) regarding Nigeria's health status put the average life expectancy at 54 years, below the global average, maternal mortality is 608 per 100,000 live births, twice as high as South Africa's 300 per 1,000 and almost 10 times Egypt's 66 per 1,000. Besides, only 3% of HIV-positive mothers receive anti-retroviral treatment (WHO, 2012). The total health expenditure as percentage of GDP stood at 5.3% in 2012. This earned Nigeria 153 position out of 187th countries and territories (Eneji, Dickson &Onabe, 2013). Government's expenditure has not provided adequate health infrastructure, especially in the rural areas of primary health care. The health sector suffers from dearth of qualified healthcare personnel, as Nigeria's promising doctors, pharmacists, nurses and other health professionals have continued to leave Nigeria to apply their services more profitably in other countries. Nigerians are being denied quality healthcare services, especially those in the rural areas. As a result, women, children, and especially the core poor die from avoidable health problems such as infectious diseases, malnutrition, polio, guinea worm, measles, complications at pregnancy and childbirth (WHO, 2010). All these earned Nigeria 187th position among the 191 United Nations member states in 2000 in terms of quality health care delivery.

The information presented above glaringly indicates that quality of life in Nigeria in terms of measurable indicators such as poverty, unemployment/underemployment, standard of education and quality health care delivery has deteriorated in spite of the assurances by the successive governments in Nigeria that savings from the withdrawal oil subsidies would be used to develop other sectors of the economy to improve the quality of lives of the people.

The Dynamics of State Management of the Downstream Oil and Gas Sector

Nigeria is a peripheral capitalist state. An enduring feature of the contemporary peripheral capitalist state is the dominance of international capital, with domestic bourgeoisie as allies. The overriding interests of these social forces are to foster and advance capital accumulation. To understand the post-colonial state is to appreciate by what policies and means it deploys to expand capital, and how the wealth so generated is appropriated (Ekekwe, 1985).Nigeria exhibits this feature in the three-sub-sectors of the petroleum industry: the upstream, midstream and the downstream. The revenue generated from upstream is being eroded by the activities in the downstream sector through the importation of petroleum products, mismanagement of oil subsidies and a petroleum equalization fund (Ngwu, 2014).The deregulation of the downstream oil and gas sub-sector is, therefore, to the ultimate benefits of various arms of capital. Primarily, the goal of the programme, on the one hand, was to free the Nigeria government from its obligation of providing affordable petroleum products to the masses and, other the other, to release the subsidy funds for further accumulation. Improving the welfare of the people was indeed tangential to the whole programme.

The deteriorating material condition of Nigerians emanating from the deregulation programme is, therefore, part of the on-going processes orchestrated by the prevailing capitalist mode of production. On account of this, and coupled with the character of the Nigerian state that depicts low level of autonomy, the precarious material condition of the masses is likely to worsen in the foreseeable future.

Conclusion

This study examined the challenges of economic reforms and crisis of development inherent in the capitalist mode of production. The study looked at the underlying factors driving the various components of neoliberal reforms. Emphasis was laid on the incidence of capital accumulation and expansion process of capitalist production and the disruptive impact on social welfare. The study problematized the effect of withdrawal of subsidies on petroleum products and adjustments in their pump prices on quality of life. Accordingly, the study found the contradictions of peripheral capitalism, rentierism, institutional decay and appalling levels of corruption to account for the relegation of social welfare in Nigeria. Therefore, the study maintains that the only way to improved social welfare and human security lies in political leadership capable of coming to terms with the pressures and contradictions of the capitalist mode of production, and the corruption reinforcing structure of authoritarian liberalism, to genuinely and prudently mobilize the abundant resources in Nigeria to pursue sustainable national development.

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