

Rethinking African Development: A Critical Overview of Recent Developments in the Petroleum Sub-Sector in Nigeria

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ABSTRACT Technological infrastructure which comprises energy, transportation, communication, water supply and human capital is vital prerequisite for economic and industrial development and growth. The level of technological development of nation is evaluated on the ability to acquire, adopt, adapt, imbibe, diffuse and innovate technology as well as technology infrastructure in place. African countries are classified as underdeveloped on the basis of the above criteria. One reason often adduced for the poor state of economic, industrial and technological development in Nigeria is the excessive involvement of the public sector in virtually every aspect of development – health, education, energy, industrialization and provision of technological infrastructure. Its involvement is often characterized by inefficiency, poor performance and poor accountability. Focusing critically but exclusively on the Petroleum sub-sector, the paper examined the performance of public organization (NNPC) and the proposed private participation in provision of this technological infrastructure. The paper argued that the performance of public sector organization in this regard has been dismal as against the backdrop of poor management of the refineries and increases in the pump prices of petroleum products anytime there is a hiccup in the international crude price. Consequently the paper recommended that the situation could be better if private sector is encouraged to establish refineries as well as proper management and maintenance of the existing ones.

INTRODUCTION

Development as a concept has attracted quite a number of definitions from many authors from diverse disciplines. For economists for instance, development implies increase in production and capital investment (Rostow, 1967). Political scientists on the other hand, conceive of development as the ability to enhance the capacity of the political system (Coleman, 1968; Palmer, 1988). Sociologists however, conceive of development as change process which results from structural differentiation (Smelser, 1954, Alo, 1986). On this note one can say that development is associated with the idea of progress, improvement and advancement. It is a systematic and gradual ascension from lower to higher stage; and from simple to complex forms and must be accompanied by qualitative and quantitative improvement in the quality of life (Lenin, 1978).

To Nnoli (1978) development is a checklist of technical artefacts such as road network, electricity supply, primary and tertiary institutions, hospitals among others. By extension development goes beyond the availability of artefacts, increase in economic parameters or indices such as Per capita income (PCI), Gross Domestic Product (GDP) among other variables rather development, according to Rodney (1972) is

man's attempt to conquer his environment and utilize the said environment to his advantage.

Therefore, by definition, 'development' has to do with both qualitative and quantitative changes in the structure and performance of the forces of production through eradication of poverty, disease, hunger, inequality and unemployment, among other social problems. Until all these are either eradicated or adequate solutions are proffered, it is not enough to conclude safely that a community or society is developed.

It is also important to note that contrary to some views, 'underdevelopment' does not mean absence of development. This is because every society has attained a certain level of development at one particular period or another. All the countries categorized as underdeveloped, according to Rodney (1972), were exploited by others, and the underdevelopment with which the word is currently preoccupied, is a product of imperialist and colonialist exploitation. In addition, underdeveloped countries resemble, in many important respects, the past of the now developed countries (Isamah, 2002; Olutayo and Bankole, 2002). Situating Africa within the context of ideological divide as regards development, Alo (1986:133) stated: *Development is a concept that has been defined at different times to mean both a process and a goal. As a process, development*

is seen as an activity that people undertake with clear aims in mind and with a certain amount of planning. As a goal, development is often presented as a desirable stage (usually the stage already reached by Western Europe), which technologically less-advanced nations should strive to reach. In the latter sense, development (often used interchangeably with modernization) is taken to mean catching-up with the European powers. Though the two power blocs in Europe differ on the explanations they offer for the present level of underdevelopment in Africa, they both agree on the need for Africa to look to the industrialized countries for help in personnel, finance, technology and knowledge.

In a nutshell development can be defined as “a sustainable increase in living standards that encompass material consumption; education, health and environmental protection” (World Bank, 1991: 31). However defined, there is some agreement that development requires elements of careful planning involving the choice of a goal or goals and the charting out of the means of attaining such goals. The need to have such well-defined development objectives for Africa has been recognized (World Bank, 2000; Obadina, 2004).

Indicators of development include; the ability to meet the basic needs for food, education and health care. Economists have traditionally considered an increase in per capital income to be a good proxy for these indicators of development. They assume that growth in per capital income induced by growing productivity is the engine of development (Okun and Richardson, 1961; Herrick and Kindleberger, 1984). This raises a critical question of what drives productivity? The answer according to the World Bank lies in the technological progress (World Bank, 1991; 2001).

Industrial development is a process by which a nation acquires a competence in the manufacturing of equipment and products required for sustainable development and technology is considered the prime factor. Industrial development and technological development are interdependent and interrelated. While technological development is prerequisite for industrial development; the industrial sector is the major propelling force for technological development and innovation (Ernst, et al 1994). However in a developing economy like Nigeria, neither can flourish unless there is adequate

technological infrastructure in place (Sutcliffe, 1971; Hodder, 1973; Kirkpatrick, Lee and Nixon, 1985).

Technological infrastructure is an enabling environment required for rapid growth of technological and industrial development and comprises physical and human variables like energy, water, transport, communication, financial and human capital (Chenery, 1960; Isamah, 2002; Afonja, 2003). Ability to provide and effectively apply this input is a direct indicator of the potential for the development of any nation, and is primarily differentiating factor between the various levels of development worldwide. The role of private sector in providing technological infrastructure varies significantly between nations, and on one extreme is the group of nations (for example United States of America) in which the private sector provides virtually all technological infrastructure while at other end is the group in which the government is responsible for nearly all (for example China) (Arikpo, 1967; Thirlwall, 1989; World Bank, 1993; Afonja, 2003). In between is a group comprising mainly developing countries, which are in varying degrees of transition from public to private ownership of technological infrastructure (Kayode, 2002). Nigeria falls in this last category. Therefore the objective of this paper is to examine critically some current developments in the petroleum sub-sector with particular reference to public-private involvement within the context of global development.

PUBLIC-PRIVATE PARTNERSHIP IN DEVELOPMENT

Public-Private Partnership (PPP) implies joint effort between the public (Government) and private sector in resolving development issues like healthcare delivery, industrialization, infrastructure development, education, financial investment, poverty eradication, job creation and environmental conservation and protection among others. In developing countries, in particular, sub-Saharan Africa, the private sector has two components: the informal sector and the organized private sector. In most countries in this region, the informal sector is very significant but the contribution to GNP is usually not taken into account in most national accounts (World Bank, 1995). Also in this region, manufacturing sector development is inextricably linked with private

sector development as the latter is with the overall growth of most capitalist economies and development of technological infrastructure. From global experience, private sector investment has been identified as a central factor in sustaining economic growth and development and for propelling technological development (Kim, 1997; Odeyemi, 2005).

However, as PPP is mostly required for technological development, the private participation in manufacturing sector is low. Table one below shows that manufacturing accounted for only 39 per cent of merchandise exports from sub-Saharan region in 1999, compared with 85 percent in East Asia and the Pacific. As with other economic parameters, there are wide country variations. Only one percent of Nigeria's merchandise exports comprised manufactured goods in that year, compared with 20 percent for Ghana and 55 percent for South Africa. In most countries in the region, private sector investment as a proportion of GNP has been very small with only about 2 percent. Thus considering this low level of private participation in manufacturing sector especially in sub-Saharan Africa, it is difficult for PPP to be effected in technological development.

Table 1: Manufactured goods as percentage of total manufactured export from various regions of the world.

<i>Region</i>	<i>Manufactured Exports (as % of Merchandise exports)</i>
East Asia and Pacific	85
Latin America and Caribbean	51
OECD	82
Sub-Saharan	39
World	79

Source: Human Development Report, 2001, UNDP

The economic structure of many countries in sub-Saharan Africa accounts for the poor growth of the private sector. This situation is partly due to government policy, and the role of foreign industrial capital in these countries. Many of the industries in the region are foreign-owned, mostly relying on the technique of organization and production of their parent companies in the industrialized world. They manufacture mainly import-substitution products wholesale imported advanced machinery, equipment and techniques. The result has been that, import-substitution possibilities become exhausted without having led to a dynamic and sustainable local industrial

growth. Thus, the industrial progress has tended to slow down or grind to a halt. Furthermore the goal of the foreign investor does not necessarily coincide with the aspirations of a developing economy. The typical objective is to maximize returns on investment, while any contribution to industrial growth and employment is often incidental (Oyelaran-Oyeyinka, 1998; Odeyemi, 2005).

The level of private sector participation varies from country to country, and from very low to very high in various facets of social and industrial development. For instance, the United States of America probably has one of the highest levels of private sector participation in the world especially in basic amenities including information/communication technology (ICT) (Drieblatt, 2000; Odeyemi, 2000; Obadina, 2004). At the other extreme is China where until recently the public sector dominated virtually every aspect of social, industrial and technological development. However, as a result of reforms initiated about two decades ago, there is now a growing private sector entrepreneurship in China, which has now become a key driver of the economy. Some analysts estimate that private firms now contribute 50 to 70 percent of China's Gross National Product (Kim, 1997; Afonja, 2003; Obadina, 2004). In fact in October 2003, the Ruling Central Committee (in China) made a formal declaration and released a series of policy directives to vigorously promote private sector investment in industry, infrastructure, and investment in state enterprises and public utilities (Reuters, 2003). The Chinese private sector is also becoming increasingly involved in social development. In 2000, the country hosted an international symposium on the partnership between the public and private sector for social development to discuss a unique programme involving the private sector in poverty eradication. Partnerships have been formed between the public and about 4000 private sectors to help eradicate poverty in 592 communities designated by the central government as poverty stricken. Already, an estimated 1.3 million Chinese have been lifted out of poverty (World Bank, 2001).

In contrast, Africa has been slow in recognizing the economic potential of private sector participation in development and this in no small measure has been responsible for the low level of development (World Bank, 1995). However, in the

past decade or so, there has been a major shift in official attitudes in the region toward the private sector. Most governments now recognize that the state's limited resources have to be oriented to playing a supportive role vis-à-vis the private sector. In some countries, this change has gone beyond toleration of the private sector to enthusiastic support for it, but in others, toleration is the norm (Obadina, 2004)

In most countries in sub-Saharan Africa the private sector is dominated by the informal (small-enterprise) private sector (IPS), although their activities and contributions to GNP are less well documented compared with the formal Organized Private Sector (OPS). Most of the private sector in the region are engaged in agriculture and trading. Despite the fact that manufacturing is the key to industrial growth; export expansion and diversification, and employment generation the degree of success in imbibing this fundamental industrial development philosophy varies significantly among the states in the region. In Ghana, Mali and Tanzania many private enterprises have sprung up in the last decade or so and now producing goods and services that were previously state-supplied (World Bank, 2000; 2001). This positive change has been attributed to the positive effects of Structural Adjustment Programme (SAP) adopted by these countries.

Finance is the most important problem faced by the private sector, particularly small-scale-enterprises in sub-Saharan Africa. The region attracts less than 3 percent of the total foreign finance flowing to developing countries. The results of a series of private sector assessments carried out in the region by the World Bank have identified some core causal factors (World Bank, 1995), which are as follows:

- i. Macroeconomic stability-unstable microeconomic conditions and lack of reform.
- ii. High cost of doing business in Africa bureaucratic regulations, low-quality infrastructure, and corruption significantly escalate the cost of doing business in the region.
- iii. Risk of policy reversal and attitudes towards the private sector – political instability and unpredictability of policy directions raised doubts on government commitment to private sector-led growth and stifle foreign investment.
- iv. Inefficient scale - There is a prevalent view that African manufacturing has not reached a critical mass and a scale at which it can take

- off, exploiting economies of scale and location.
- v. Slow pace divestiture of public enterprises.
- vi. Indiscriminate trade liberalization.

Apart from microeconomic instability, which tends to severely reduce foreign investment, inefficient public enterprises draw heavily on the scarce financial resources of local banks to the detriment of private enterprises. Public enterprises in Africa are estimated to consume about 20 percent of available human and capital resources but contribute only about 10 percent to value added (World Bank, 2001). Although public enterprises can contribute positively to value added with hard budget constraints and managerial autonomy as the case in South Korea, yet most African countries do not seem to apply this remedy to turn around public enterprises and, inevitably, rapid and total divestiture is required to create a conducive environment for the much needed foreign capital investment required for rapid industrialization, and also free available local capital for the benefit of local enterprises (Kim, 1997).

Similarly, in Nigeria, which has also had a dose of SAP, the impact on manufacturing sector has been largely negative in the drive towards PPP in the country. Many industries have closed due to the harsh economic environment.

Although many African countries have now accepted that divestiture is the only stimulant that can turn around their economic fortunes, the approach has been different from country to country. Benin, Senegal and Togo have divested most of their public enterprises, mostly by liquidation. Many other countries are doing it by privatization through outright or partial sale of government interest in enterprises. Although Nigeria adopted this latter strategy progress been very slow (Afonja, 2003).

In 1988, the federal government of Nigeria promulgated the privatization and commercialization Decree (Decree No. 25) to formally initiate the privatization and commercialization program, with the following stated objectives:

- i. Restructure and revitalize the public sector in order to lessen the dominance of unproductive investments in the sector.
- ii. Re-orientate the enterprises for privatization and commercialization towards a new horizon for performance improvement, viability and overall efficiency.
- iii. Ensure positive returns on public sector investments in commercial enterprises.

- iv. Check the present absolute dependence on the Treasury for funding by otherwise commercial oriented parastatals and so encourage their approach to the capital market.
- v. Initiate the process of gradual cession to the private sector of such public enterprises which, by their nature and type of operations, are best performed by the private sector.

The Technical Committee set up by government listed 35 public enterprises for commercialization, 24 for partial and 11 for full commercialization. Among enterprises listed for full privatization were the Nigerian National Petroleum Corporation (NNPC), Nigerian telecommunications (NITEL), Nigerian Ports Authority (NPA), Nigerian Insurance Corporation (NICON), and Tafawa Balewa Square. Those listed for partial privatization included Nigeria Railway Corporation, Nigerian Electric Power Authority, Federal Housing Authority (FHA), Nigerian Airports Authority (NAA) and Delta Steel Company. The methods adopted by the Technical Committee for the privatization exercise principally were by public offer of shares through the Nigerian Stock Exchange, principally to institutional investors, core groups with demonstrated management and/or technical skills and workers of the specific enterprise, organized as a cooperative or limited liability. Where the enterprises cannot be privatized, the assets are to be sold (Kayode, 1993; Okafor, 1998; Afonja, 2003). The number of listed enterprises ultimately increased to 110, including the six motor vehicle assembly plants and twelve commercial and merchant banks. Apart from the commercialization of banks, not much has been achieved since 1991. However, there appears to be renewed interest in the privatization process in the last few years and many enterprises are currently being processed and re-structured for privatization (Nigerian Airways, the steel plants, and the refineries)

The past decade has also witnessed a wave of liberalization and privatization of infrastructure activities in developing countries. By the end of the 1990s the private sector had become an important investor and long-term operator in infrastructure activities within developing countries, energy sector (electricity and natural gas transmission and distribution), being the focus of the liberalization and privatization activity. In 1990-99 seventy-six developing countries introduced private sector participation

in energy. These countries awarded the private sector more than 700 energy projects, representing investments of almost US\$187 billion (World Bank, 2001). Unfortunately, sub-Saharan Africa has been late in taking advantage of this major development as we have in developing countries in Latin America and East Asia. However, several countries in the sub-region, Nigeria inclusive, now have several energy projects on the drawing board, with private sector participation and the next decade should witness a significant increase in the level of private sector activity in this sub-sector as well as in several other sub-sectors. Already, a mobile phone company in the telecommunications sector has recently benefited from an investment of \$100 million by International Finance Corporation (IFC), a subsidiary of the World Bank. The World Bank has also set up a division for private sector development which through IFC is assisting many entrepreneurs in Nigeria to organize, diversify and expand their businesses (Drieblatt, 2000; Afonja, 2003).

Opinions are divided on the benefits of Public-Private involvement in developing infrastructural facilities in Nigeria. El-Rufai (2002:16); the former Director General of Bureau of Public Enterprises, and a proponent of privatization and Public-Private Partnership stated: *There are about 590 public enterprises at the end of 2000 and 160 are involved in economic activities, generating goods and services. Over 5,000 board appointments are to man these gigantic white elephants with enormous patronage bestowed on high official. About \$100 billion spent by FNG to establish these public enterprises between 1973 and 1999 with a return rate of meager 0.5%, employing 420, 000 workers. The quality of services from...NEPA...for instance, are deplorable and left much to be desired. Privatization is the only solution to remove all the maladies that are prevalent and promote efficiency, transparency and corporate governance. We should let the government do what it is supposed to do, focusing on health, education, infrastructure, environmental protection and good governance.*

On the other hand, Momoh (2002:34) while opposing privatization and public-private partnership in Nigeria described the former as an intension to replace state monopoly with private monopoly and described the latter as "nebulous and a big fraud" He stated: *The way many of the enterprises are sold off leaves much*

to be desired. There is the issue of lack of proper valuing, incompetent valuers, fraudulent valuers etc. There is also the issue of assets which in some instances are not taken into account...the Nigerian private sector is one of the most inhumane, insensitive, callous and exploitative to be found anywhere in the world. Many of the private sector employers neither provide insurance nor social security for their employees. They do not obey labour laws and they sack workers arbitrarily, for good or bad reasons. Many of them do not have pension schemes etc. The private sector employers do not, in some cases, permit their employees to unionize.

From the above postulations it is evident that while some are in support of public-private involvement in the development of technological infrastructure for some obvious benefits, however some scholars are against such since this may promote private monopoly and may not make any desired impact especially in a developing economy like Nigeria where most people still live below poverty line (Obadina, 2004). Meanwhile the preceding section attempts to examine critically the prospect public-private involvement in the provision of energy infrastructure with special reference to petroleum sub-sector in Nigeria.

A Critical Overview of Developments in Petroleum Sub-Sector in Nigeria

Although electric power is vital for industrial development, fuel supply is equally crucial and unlike electricity virtually every Nigerian's life is affected by availability or otherwise of fuel, primarily through transportation but also through household energy use. Again, Nigeria is richly blessed with fuel resources. Until 1960s wood, wood charcoal and coal were the main fuels generally available in the country, apart from imported petroleum. However, the discovery of crude oil in 1960 changed the energy equation completely. With the availability of petrol, aviation fuel, kerosene, liquefied petroleum, gas, diesel and many other petroleum allied products, coal became relegated even into virtual oblivion. Nigeria is now the sixth largest exporter of crude oil in the world. In spite of all the above, Nigerians have very poor access to petroleum products- petrol supply is epileptic, kerosene and diesel oil are in permanent short supply. The country is heavily dependent on importation of these products in spite of local

production facilities. This explains why the current democratic government in its bid to ensure steady supply of petroleum products has resorted to importation with exorbitant prices, which are out reached of most Nigerian Workers. Trade Unions in Nigeria in its usual characteristics have resisted these increases with some measure of success.

The Federal Government in 1971 established the Nigerian National Oil Corporation (NNOC) to coordinate activities in the petroleum industry, which were previously managed by federal ministries. This body was upgraded in 1977 to the Nigerian National Petroleum Corporation (NNPC) to represent government interest in all aspects of the strategic industry, which accounts almost wholly for the country's foreign exchange earnings. The Corporation has the mandate to manage the up-stream (exploration/production), and down-stream (refining, distribution, petrochemicals, and gas development) sectors of the petroleum industry. The Corporation grew very rapidly and is currently by far the largest single business entity in Nigeria, the tenth in developing world and the third in Africa (Eremosele, 1998). The NNPC participates in joint ventures with multi-nationals in petroleum exploration and production. The Corporation also carries out direct exploration through its subsidiary, National Petroleum Investment and Management Services (NAPIMS).

The NNPC operates four refineries, two in Port Harcourt, one in Warri and one in Kaduna, with a combined capacity of 445,000 barrels per day as could be seen in the table below. The Corporation also operates a national pipeline grid connecting the refineries with twenty-three holdings and distribution depots. The problems of the petroleum industry are similar to those of the electric power sector and emanate primarily from the incompetence and poor accountability of the public sector in managing enterprises. While the up-stream sector appears to be working well (investments are managed by the foreigner technical partners), the down-stream sector is in a virtual state of collapse. The four refineries are in a critical state of disrepair in spite of the huge investments in turn around maintenance contracts, and the combined capacity utilization is only about 30 percent. Consequently, petroleum products are in short supply and NNPC has had to embark on massive importation. The petrochemical plants are problematic (Afonja, 2003; Kupolokun, 2005).

In contrast, the Venezuelan Petroleum

Table 2: Profile of Nigerian refineries

<i>Location</i>	<i>CommissioningDate</i>	<i>Capacity(epd)</i>	<i>Products</i>
Port Harcourt	1965	60,000	Petrol, kerosene,Diesel, fuel oil
Warri	1978	125,000	Petrol, keroseneDiesel, fuel oil, Liquefied petroleumgas, polypropylene,carbon black
Kaduna	1980	110,000	Petrol, keroseneDiesel, fuel oil, baseOil, Waxes, solvents,Linear alkylbenzene
Port Harcourt	1989	150,000	Petrol, kerosenediesel, fuel oil,
Total Capacity		445,000	

Source: Afonja (2003)

Corporation (PDVSA) was established about the same time as the NNPC as a public corporation. It has grown to become the third largest international conglomerate. It operates about ten refineries in Venezuela and is a net exporter of refined petroleum products. By 1990, PDVSA had established many refineries abroad, including the U.S.A. and now has the capacity to refine nearly all its crude oil production of 2 million barrels a day, either at home and abroad. The corporation also owns many service stations in the USA. Libya has three domestic refineries with a combined capacity of about 344,000 bbl/d, nearly twice the volume of domestic oil consumption. The surplus products are exported. In addition to its domestic refineries, Libya also has refineries in Europe. Libya is a direct producer and distributor of refined products in Italy, Germany, Switzerland, and Egypt. In Italy, Tamoil Italia owned by Libya and based in Milan, controls about 5 percent of the country's retail market for oil products and lubricants, which are distributed through nearly 2,100 Tamoil service stations. The country is also pursuing expansion projects aggressively in Europe, Egypt, Mozambique, Zimbabwe, Central Africa Republic and Ghana, not only in oil refining and distribution but also in upstream exploration and production. Libya has a significant petrochemical industry producing ethanoil, ammonia, urea and facilities are under construction to produce butadiene and MBTE (World Bank, 1993; Afonja, 2003; Kupolokun, 2005).

In Nigeria private sector involvement in the Nigerian petroleum industry has so far limited to: upstream exploration and production in joint ventures partnership with NNPC as well as independent operators; product transportation; product distribution outlets; and natural gas liquefaction and export.

Since 1991 fifty-six indigenous companies have been granted oil exploration licences under the Federal Government indigenisation

programme which was meant to broaden the base of the industry and domestic petroleum technology. However, only six are currently producing, accounting for about 100000bpd. Three are developing while three others have recently stepped up their exploration/data processing activities. Also private sector participation in distribution has been growing rapidly in recent years. There are presently about 7000 independent marketers responsible for about 60 per cent of marketing. The Independent Marketers Association of Nigeria (IPMAN) has formed a company (NIPCO Plc) to construct and operate a large storage facility in Apapa to facilitate importation and distribution of products to their members nationwide. Also, with the recent deregulation of petroleum supply, many private companies are now mobilizing to import refined products (Afonja, 2003; Williams, 2004).

However despite investments made in the energy sub-sector one pertinent question that has remained a puzzle to most people is why is it that four refineries are not working despite the colossal \$800 million spent on them since the advent of the present democratic administration in 1999? It is instructive to note that rather than provide answer to this vital question government preferred argument is that the four ailing refineries have a total capacity of 445,000 bpd which is far less than the daily national consumption, meaning that even if they are fully operational, there would still be need for importation of refined products. Frustrated by the inability to revitalize ailing refineries, government has embraced deregulation as a possible solution to the energy crisis. But several months after the partial deregulation of the downstream sector, prices have continued to be on the upward swing due to the persistent rises in world oil market with import price parity often destabilizing the domestic economy. The fact appears to be that the politics of fuel importation has become a stumbling block to functional refineries in Nigeria. In addition the

neglect of local production of fuel by an oil rich nation like Nigeria beat any economic logic. Insisting that it has no business with building and running refineries, the government insisted on going ahead to sell off the existing four refineries and has challenged the private sector to contribute to the search for lasting solution. One way it has sought to do this was to encourage the construction of refineries. In 2002, government announced the granting of preliminary licences to 18 private investors for building of refineries. Though consoled by the news of the coming of private refineries, Nigerians would not have to wait long before succour came their way as most of the promoters of private refineries with preliminary licences to construct, commission and operates refining plants were yet to fulfil the least conditions stated in the guidelines. A number of factors appeared to have accounted for the delay among them; ignorance, intrigues, power play and lack of funds stand obvious. By far, the major problem appeared to be funding. The cost of building an average refinery ranges from \$200 million to \$1.5 billion depending on whether it is a small, medium and large size plant. With the type of banking investment in Nigeria, very few banks have such financial muscle to promote refineries as their respective total financial structure is less than \$100 million (Williams, 2004; Onyekakeyah, 2005; Kupolokun, 2005).

At present only five companies have scaled the first stage of the hurdle, having met the technical presentation deadline with detailed engineering design, procurement and construction stipulated by the Department of Petroleum Resources (DPR). The firms namely Qua IBOE in Akwa Ibom State., Orient Refinery in Anambra State, Whitewater Refinery in Delta

State, Total Support Refinery in Cross River State and Rivgas Refinery in River State were awarded Authority to Construct (ATC) licences (Williams, 2004).

Another puzzling question is why it that multinational oil and gas, companies such as Shell, Total, Nigeria Agip Oil company, Exxon Mobil, Texaco and Chevron operating in Nigeria would establish refineries in some parts of the world, but would not do so, in Nigeria. Their action appeared to suggest that it would be foolish to invest in the refinery business in Nigeria in spite of the inherent potentials of the huge markets of about 130million people (National Population Commission, 2004). The reality is that until the private refineries come on stream, Nigerians especially public sector workers would have to contend with the problems of endless upward price adjustment triggered by unstable world oil market as well as the deficiencies of government- owned industry regulator, the NNPC (Williams, 2004; Onyekakeyah, 2005; Umuah, 2005).

It would appear that the main problems of the refineries in Nigeria are poor management and lack of political will to make the system work. Contrary to the general belief that the refineries are old (the first Port Harcourt Refinery is slightly over 30 years), the unstable operators of the refineries make equipment faster than actual aging effect. Besides, since most refinery components are customarily made with a limited life span, NNPC should have been able to anticipate problems and pre-empts possible dislocations. Consequently, due to the lack of disciplined routine management, the refineries were left to rot.

Since there seems to be no silver lining for the ailing refineries, NNPC is apparently satisfied with the lucrative business of being the main importer of fuel contrary to its expected role of playing the regulator as deregulation demands. Moreover, it has continued to pass the price of its inefficiency to the impoverished masses, as shown on table three below, a development which the organised Labour has questioned and resisted several times (Onyeonoru, 2004; Obaaro, 2005; Onyekakeyah, 2005; Umuah, 2005).

In spite of present state of the four refineries, government has continued to push the NNPC to cooperate with privatization advisers appointed by the Bureau of Public Enterprises (BPE) to help prepare the refineries for public offers. While it

Table 3: Fuel price adjustment since May 1999

<i>Date</i>	<i>Former Price</i>	<i>New Price</i>	<i>Percentage Increase/Decrease</i>
June 1, 2000	20.0	30.0	50.0
June 8, 2000	30.0	25.0	16.6
June 13, 2000	25.0	22.0	12.0
January 1, 2002	22.0	26.0	18.0
June 20, 2003	26.0	40.0	53.7
July 9, 2003	40.0	34.0	17.5
October 1, 2003	34.0	42.0	17.5
May 29, 2004	42.0	49.9	19.0
January 2005	49.9	50.5	1.0
August 26, 2005	50.5	65.0	22.3

Source: Obaaro (2005).

may be accepted that privatization could restore competitiveness to the extent that full management responsibility is transferred to a competent private operators, with government holding not more than 20 percent equity through NNPC, the exercise may remain suspect especially in a situation when deregulation has assumed varied meanings (Williams, 2004). The position of government and its agencies is to remove subsidy, allow the market to determine price level subject to the requirement of fair competition and reasonable cost recovery by all players in the chain. The consumer will therefore have to bear any increase in cost. It is assumed that once price subsidy is removed, marketers will flood the market with products and competition will ensure that prices will stabilize at the most efficient level of supply. This position would be tenable if the supply chain is fully operated by competing players who are able to respond to changes in the market conditions in a way that allows prices to move incrementally. But, the reality is that this is not the case, because government has remained the dominant player or hold prices until they slip well below market-determined levels, and then tries to 'catch up' by proposing quantum jumps which the organised Labour usually, kicked against (Onyeonoru, 2004; Kupolokun, 2005).

On its part, the organised labour has insisted with some justifications that the road to deregulation is through maximising domestic production by local refineries and minimising importation of petroleum products at a much lower cost, than imports given that domestic prices will be lower than the imported parity prices. Going by this argument, once this is attained, the industry can then be opened up to allow private sector participants to set up private refineries or import products to meet any short falls in supply. To avoid the quantum jump in products prices, Labour proposed that the domestic refineries should be allowed to buy crude at lower than international market price (Obaaro, 2005).

As it appears presently it will be difficult to predict a successful privatization of the government-owned refineries. It has been argued that the current state of the refineries cannot but spell bankruptcy for any investor. A 1997 study by Mobil and Shell estimated that \$1.4 billion would be required to restore all refineries to state in which they can operate reliably and efficiently at upper solomon levels (90 percent plus capacity utilization). The report further suggested that a

programme of full restoration (perhaps over two or three- year period) should be incorporated in the privatization negotiations (Kupolokun, 2005).

Generally, events in the last seven years since the advent of the current democratic administration have shown that the NNPC Turn Around Maintenance (TAM) exercise left much to be desired. In addition, oil marketers in Nigeria are not helping matters either. They seem comfortable with the present arrangement where they could buy from NNPC on credit and thus avoiding the risk associated with fuel importation. Until the NNPC hands off the business of fuel importation, fuel marketing in Nigeria would continue to be volatile and investors would also continue to be wary of investing in the refinery business in Nigeria. And for the organized labour and indeed general masses of Nigeria the hope of tackling the volatile energy crisis in Nigeria may be hinged on the establishment of private refineries, but whether this will be the lasting solution to the persistent problem is a matter of speculation.

Summarising the paradox of Nigerian situation as regards energy crisis as well as its implications for development in the country, Mazrui (2001: 5) contented that: *One had hoped that petroleum would enable Nigeria to join the more prosperous nations of the world. Following the dramatic rise of the Organization of Petroleum Exporting Countries (OPEC), Nigeria became the sixth largest producer of crude oil in the world. Yet the nature of the elite consumption and several years of misrule plunged the country into mismanagement, corruption and debt. Long queues at petrol stations and recurrent shortages of fuel became the order of the day. Commercial and other economic activities were often disrupted by shortages of petroleum products – diesel, kerosene, cooking gas and other commodities. The giant of Africa was in danger of becoming the midget of the world. Africa's Gulliver was in danger of becoming the Lilliputian of the globe.*

CONCLUSION

The energy crisis the country is experiencing is a clear indication that Nigeria is yet to respond to economic globalization engulfing the whole world. This fact is evident in the poor state of the nation's refineries. There is no doubt that this will make it impossible for the country to attract foreign investors to the economy. The frequent

social crises that always herald increase in the pump prices of petroleum products make Nigeria an unattractive nation to invest. In this globalized economy no serious investor will consider the option of investing in the country. This situation is paradoxical when one considers the fact that Nigeria is the sixth largest producer and exporter of crude oil. This has not translated into a better living condition for the masses. Except the fact that government is generating most of its foreign revenue from the sector, most Nigerians have to contend with periodic upward adjustments in the prices of the petroleum products whenever there was increase in the international crude price. This situation may be acceptable to the people and more especially organised labour if the nation is not a producer and exporter of the commodity.

In addition, subsidies which government always insisted must be removed, should be seen as one of the social services and obligations government owes to the citizenry. From all indications the removal of subsidies on petroleum products has become a very contentious issue to the extent that wherever the prices of pump price went up the labour union had often resorted to strikes sometimes involving violent crises. This has cost the nation a great deal of man-hour or days - lost in various establishments as well shutting down the economy not to talk of attendant lost of lives as a result of police brutality to the protesters. No serious country ever develops in this vicious cycle. The moratorium government announced in 2005 as a panacea that there would be not increases in the prices of petroleum products in the year 2006 is at best artificial, superficial, short-sighted, short term, insincere and retrogressive because it is incapable of addressing the long standing problem of perennial increment in pump prices any time the prices of crude oil go up in the international market.

To address the problem government must muster enough political will to get to the root of the rot and mismanagement evident in the rehabilitation works of the refineries in which colossal sums of money had been sunk into. Also the activities of the Nigeria National Petroleum Corporation (NNPC), which has the tradition of short-changing the nation, must be closely watched in order to address the monumental corruption existing in those two areas. The argument that the refineries are old and therefore cannot function to full installed capacity or

sustain large scale refining is not tenable. In fact it is not the function of age but a function of prolonged period of neglect, executive corruption and lack of foresight on the part of previous and current government. There is nothing wrong if the federal government should reconsider its present drive to privatize the existing refineries, restructure and re-engineer their management for efficiency. While the establishment of private refineries may help to ease the current problem in the petroleum sub-sector, it is not an end in itself. Government may consider the option of establishing of new ones in each of six geopolitical zones of the country as part of its social responsibility to the masses. As a matter of fact it is only then that most Nigerians irrespective of their social status or station in life will benefit from the resources which nature has endowed the nation with.

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