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Roberts: Petrol subsidy as historical problem by Adewale Roberts

Article published on March 15th 2012 | Society

MAKING effective use of his experience as a former member of the Nigerian Extractive Industries Transparency Initiative and as former President Umaru Musa Yarâ€™Aduaâ€™s Communication Adviser, Olusegun Adeniyi, chairman of Thisday editorial board, wrote a memorable column on the debate on the removal of petrol subsidy in Nigeria which was published on February 2, 2012. Among the achievements of this well informed piece is the ability to drum into the consciousness of the Nigerian people that the fraud widely believed to be involved in the petrol subsidy regime has been going on for several years, even before the Olusegun Obasanjo administration which, in a bid to address the problem arising out of the shortage of petrol and kerosene, created the Petroleum Products Pricing and Regulatory Agency (PPPRA).

Adeniyiâ€™s intervention is important because most people have been under the impression that the fraud in the subsidy regime is a very new phenomenon. The impression owes to the repeated statement of the Ministry of Finance that the nation would lose as much as 1.4 trillion naira in 2011 by spending this whopping amount on the subsidy, which ironically enriches a few petroleum products importers instead of benefitting the majority of our people. The Central Bank has also in a well publicised statement stated that Nigeriaâ€™s actual expenditure on the subsidy is N1.7 trillion for 2011. In addition, the chairman of the House of Representatives ad hoc committee on the petrol subsidy regime, Lawan Farouk, has publicly been arguing that the expenditure on the regime could climb up to an unprecedented N2 trillion this year because there are still outstanding payments to be made.

What has not adequately been explained to the public is that though huge payments may have been made in recent months, they are mostly for long standing debts, some of them incurred since 2006. When the House of Representatives ad hoc committee was conducting public hearings, some marketers demonstrated that the payments they have received are for jobs executed years ago. In other words, though the administrations which gave the marketers and other dealers the licences to import the petroleum products have since expired, it is incumbent on the existing government to pay them because, to use a term which the late Chief Obafemi Awolowo popularised in Nigeria, â€œgovernment is a continuumâ€•. If previous governments were delinquent in meeting their contractual obligations, the present government should not follow their footsteps. Contracts are sacrosanct and it is in the interest of everyone that payments are made once they are due. If a party goes to court to compel the government to pay it for a legitimate contract, not only will the government pay the principal amount and interest, it will also pay for damages.

So, what is in dispute is not whether the current government should pay for contracts entered into as far as 2006 by a preceding government. It is a settled issue; it is legally and morally binding on the government of the day to do it. What is in dispute is rather whether Nigeria, a major crude oil exporting nation with four refineries which were collectively built to refine 445,000 barrels of crude oil per day, should be spending trillions of naira a year on subsidising imported petroleum products. The fortune spent on the payment to the importers so that petrol and kerosene could be selling at state-determined retail prices is a scandal. The government itself is utterly embarrassed at the colossal sums, hence the decision to award contracts for the Turn Around Maintenance (TAM) of the refineries to the original builders, after years of toying with TAM by awarding the contracts to all manner of third rate contractors. By the time the rehabilitation is completed, massive importation of petroleum products, with all the attendant paralysing problems, will be history.

In the meantime, the government chose to abolish on January 1, 2012, the subsidy regime which had for several years become a byword for unconscionable graft. Much as the governmentâ€™s

intention may well be noble, the abolition came under scurrilous criticism because, apart from the fact that the subsidy removal was deficiently marketed to the public, the timing was anything but auspicious. January 1 was the wrong day to announce the removal. People had spent so much on Christmas and New Year celebrations, and many who travelled out of their work places were still to return. School fees were yet to be paid. In a country where people depend on petrol directly more than those in developed and emerging countries because of the gross deficiencies in infrastructure like power and public transportation, to raise the petrol pump price by over 100 per cent in one fell swoop was bound to arouse deep emotions.

Still, it is difficult to fault the governmentâ€™s intention. Nigeria has been described by various scholars as operating a rentier state. The petrol subsidy regime is a perfect example of state cronyism at work. Therefore, it is against the run of official behaviour in Nigeria for people like the Minister of Petroleum Resources, Deziani Alison-Madueke, to vigorously campaign for the abolition of the subsidy regime. Paying for petrol and kerosene subsidy can well serve as a veritable instrument to empower and reward party loyalists, friends and family members. Strictly speaking, it is not in the personal interests of key government officials to end the subsidy because the subsidy could be used to benefit family members, friends and political allies. It would seem that the Goodluck Jonathan administration decision to end the regime is, admittedly, sacrificial, the type radical scholars would describe as tantamount to class suicide. Let the truth be repeated here: the abolition will profoundly hurt the selfish business interests of members of the political class.

Here, then, is the paradox of public perception of the scam in the fuel subsidy regime. Based on slanted reports in a section of the media, some people innocently think that the sleaze associated with the regime is a new development. But, as we have seen, the scam has been going on for several years. If anything, it is the current administration that has taken a far-reaching measure to end the rot by abolishing the subsidy. You may not agree 100% with the trajectory the government has taken to extirpate the rot, but the nobility of its intention is absolutely unimpeachable.

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Adewale Roberts - About Author:
Author of this article Dr. Adewale Roberts is a petrochemical engineer in Lagos.

Article Keywords:
Petrol subsidy,historical problem

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