

The Public Sector in Nigeria: An Exploration of the Role of Nigerian National Petroleum Corporation (NNPC)

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Abstract

The paper explored the role of the Nigerian National Petroleum Corporation (NNPC), being a strategically important public corporation in Nigeria, established on April 1, 1977, with the main aim of optimally managing Nigeria's naturally endowed oil resources with a view to contributing to its socioeconomic development, which is expected to have a positive bearing on the standard of living of Nigerians. The paper utilised the qualitative research framework, where secondary data were obtained through document analysis, and it adopted thematic analysis in analysing the data and discussing the findings. The findings include the state of the public sector in Nigeria, which has been found to be poor and the NNPC, even though it is beset by certain challenges, it performs certain strategic functions, which add value to Nigeria's socio-economic development. The functions include management of Nigeria's oil and gas resources, supervision of oil production and operations in the oil and gas industry, supply of oil products, investment in sectors that add value to the oil and gas industry and remittance to the federation account for even national development. The paper recommends that the public sector should be strengthened, so that it performs efficiently and effectively. This is achievable through enhancing the regulatory frameworks and encouraging PPP (Public Private Partnership). The paper also recommends that the Nigerian National Petroleum Corporation should have a better enabling act to enable it to continue to perform its functions and invest more in value-adding sectors and sustain its interventions in the national life of the Nigerian state, hence helping the state to address its socio-economic challenges.

Keywords: Public Sector, NNPC, Development, Socio-economic Development

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1. Introduction

In every national political setting, especially in the context of development, two key sectors play a vitally significant role. These are the public (Service-led) and the private (Profit making-driven) sectors. The public sector belongs to the state and the public and it is

expected to ensure service delivery to the populace. On the other hand, the private sector belongs to private individuals and entities, although regulated by the government (Fox, Ward & Howard, 2002). The Nigerian National Petroleum Corporation (NNPC) is the state oil corporation through which the Federal Government of Nigeria regulates and participates in the country's oil and gas industry with the principal aim of ensuring sound and efficient management of the country's oil wealth for the nation's overall economic and human development.

The NNPC was established on the 1st of April 1977, as a merger of the Federal Ministry of Mines and Steel. The NNPC by law manages the joint venture between the Nigerian Federal Government and several foreign multinational corporations, which include Royal Dutch Shell, Agip, Exxon Mobil, Chevron, and Texaco (now merged with Chevron). The NNPC Group comprises the NNPC Board, the Group Managing Director's office, six (6) directorates and each directorate are headed by a Group Manager (GM), while its subsidiary companies are headed by Managing Directors (MD). The NNPC has several subsidiaries, two partly owned subsidiaries and sixteen (16) associated companies (NNPC, 2022).

The public sector in Nigeria is expected to ensure efficient and effective service delivery to Nigerians and other nationals that live in Nigeria. It is expected to create an enabling environment for the proper management of the Nigerian economy, where the private sector can perform its activities, which would lead to economic growth and development (Ijewereme & Olaniyi, 2014).

The public sector is set up to help the state perform certain functions that would lead to the management of a given national economy, in this context the Nigerian economy, with the aim of creating jobs and wealth, reducing poverty, and managing inequality. However, the public sector in Nigeria is not dynamic and efficient while performing the foregoing role, as it is found to be characterised by corruption, mismanagement, and poor service delivery. Deducing from the foregoing, the paper examines the role of the Nigerian National Petroleum Corporation (NNPC), being a vitally important public corporation, with the main aim of optimally managing Nigeria's naturally endowed oil resources with a view to contributing to its socioeconomic development, which is expected to have a positive bearing on the standard of living of Nigerians. The following questions and objectives are advanced:

To what extent has the public sector been performing in Nigeria?

What is the role of the Nigerian National Petroleum Corporation?

To examine the performance of the public sector in Nigeria.

To determine and analyse the role of the Nigerian National Petroleum Corporation.

2. Methodology

The paper utilised the qualitative research framework or method and through which, document analysis and thematic analysis were adopted in collecting the relevant secondary data. Qualitative research approach is a research approach that deals with exploration and

understanding of the meaning that individuals and groups attach to a social or human-inclined issue or problem. This approach leads to the emergence of questions and procedures, data collection from document analysis and the participants' setting, data analysis inductively building from specific to general themes, and the researcher interpreting the meaning of the data. The final qualitative written report is flexible in nature. Researchers who conduct this type of research adopt the inductive style, which centres on individual meaning, and the significance of rendering the complexity of the situation (Creswell, 2009).

Document analysis deals with systematic analysis of relevant documentary evidence or secondary data from academic works and other online materials that are relevant to a given research work, its set research questions and objectives. The paper utilised this method in obtaining secondary data.

Thematic analysis refers to a method or a tool for analysing qualitative data that involves searching across a dataset to identify, analyse and report repeated patterns (Braun & Clarke, 2006). It is a method for describing data, but it also entails interpretation in the process of coding and generating themes. The accepted framework for using thematic analysis consists of six (6) steps: familiarization with the data, generating initial codes, searching for themes, defining, and naming themes, and producing the report (Michelle & Varpio, 2020). In this paper therefore, six (6) themes were created from the data/literature and with reference to the problem statement, questions, and objectives, and under which the findings were analysed and discussed. The themes are State of Nigeria's Public Sector, Management of Nigeria's Oil and Gas Resources, Supervision of Oil Production and Operations in the Oil and Gas Industry, Supply and Distribution of Oil Products, Investment in Sectors that add Value to the Oil and Gas Industry and Remittance to the Federation Account for even National Development. Under these themes, the findings were analysed and discussed.

The selection and utilization of the above methods were informed by the nature of the topic, flexibility of the methods, relationship of the methods with the research philosophy, topic, problem statement, questions and objectives, and the availability of the data in secondary form.

3. Literature Review

The available literature on the role of the public sector in a mixed market economy such as Nigeria's economy indicates that on one hand, the public sector is still important and plays a significant role in management and regulation, but on the other hand, it is found to be lacking the efficiency to drive national development. It is argued that public sector institutions are bureaucratic, weak, ineffective, and inefficient; if compared with the private ones, which are flexible, effective, and productive (Gregersen, 2010). This is often the case in states in the developing world, where most of the public sector organisations are corrupt, rigid, and inefficient, thus undermining the key goals and objectives of establishing them. It is further argued that different instances of the systemic deficiencies of the public sector, which include the absence of free market forces, particularly demand and supply, which naturally regulate

and balance the market and prices (Murray, 1987). This is because actual demand is not known, which results in overproduction and scarcity, leading to rationing. There is also a lack of dynamic efficiency and a lack of innovative capacity.

It is also further argued that the significant role of the public sector in the national economic environment cannot be denied, because it is through it that a dynamic industrial environment is created, which paves the way for the private sector to function and thrive. This, therefore, underscores the need for the interdependence of the two sectors for national development (Esu & Inyang, 2009).

Performance management is needed in the public sector of Nigeria to address some of the major challenges facing the sector, because this is lacking to a considerable extent, thus the underperformance, inefficiency, and ineffectiveness of the sector (Esu & Inyang, 2009). The public sector is expected to promote the provision of the public good to the Nigerian citizens on behalf of the Nigerian state and government, and this is not done in a manner that is expected by the citizenry. This could lead to resentment, with the possibility of revolt or uprising against the government.

The Nigerian National Petroleum Corporation performs strategically essential functions, which add value to the Nigerian economy. These functions consist of supervision of oil production and operations, supply of oil products, management of Nigeria's oil and gas resources, investment in value-adding sectors, remittance to the coffers or treasury of the Nigerian state for national development, interventions in the national life of the Nigerian state and so on (Ifesinachi & Aniche, 2015). These functions go a long way in supporting the Nigerian state to perform its statutory duties, particularly in meeting the expectations of the Nigerian citizens.

The significance of the Nigerian National Petroleum Corporation (NNPC) in serving as the platform for Nigeria's participation in the domestic and international oil and gas industry, and for building up Nigeria's crude oil reserves with the target of 40 billion barrels at a given period of time; enhancing the productivity with the aim of attaining 4.5 million barrels per day; commercialising Nigeria's natural gas resources pegged at about 168 trillion cubic feet through the development of the domestic and global markets for such products; facilitating local content participation in the industry; ensuring institutional capacity building in the industry; maintaining domestic self-sufficiency in the supply and distribution of petroleum products through a market-driven downstream sector and lastly, helping Nigeria to transit from an oil dependent mono-cultural economy to an industrial poly-cultural economy, using the institutions in the industry as the basis for the industrial take-off. This, then, sheds light on the strategic role that is being played by the NNPC in Nigeria's national life (Ozigbo, 2008). However, it is argued that the NNPC is neither a genuine commercial entity nor a meaningful public oil operator because it does not have control over the revenue it gets, hence it lacks the capacity to have its own strategy, as it depends on other companies, especially the International Oil Companies (IOCs) to carry out most of the major operations, which are characteristic of oil companies (Thurber, Emelife & Heller, 2010). In this context, therefore, it can be safely argued that cases of mismanagement, corruption, inefficiency,

ineffectiveness, poor transparency are likely to feature and undermine the set goals and objectives of the NNPC, particularly as it relates to promoting national economic development.

Development entails the absence of unemployment, poverty, and inequality. It is argued that no human society can call itself developed unless it answers the following three (3) questions: What has been happening to unemployment? What has been happening to poverty? What has been happening to inequality? Provided the answers to the above three (3) questions show that the above major problems are increasing in intensity rather than decreasing, such a society or state is not developed, but if the reverse is the case, such a society or country could be either called developed or developing (Seers, 1969). Furthermore, economic development entails qualitative and quantitative changes or improvement in a country's economy, especially improvement in the development of human capital, critical infrastructure, regional competitiveness, environmental sustainability, social inclusion, health, safety, and literacy. The aim of economic development is to improve the material standard of living of the people by raising their absolute level of per capita income (Hirschman, 1961; Schumpeter & Backhaus, 2002).

The performance of the Nigerian National Petroleum Corporation is poor because of lack of a standard enabling act to enable it to perform better, although when the Petroleum Industry Bill is finally passed and the accompanying Petroleum Industry Act is fully implemented, the NNPC would become more productive, efficient, and effective (Onuorah & Appah, 2012).

4. Findings and Discussion

4.1 State of Nigeria's Public Sector

The Nigerian Public sector, which emerged fundamentally from the colonial period, in fact it is seen as one of the most classic vestiges of colonial rule, is found to be characterised by redtails or to bureaucratize in nature. This, therefore, undermines efficiency, effectiveness, and productivity necessary for the transformation and development of the Nigerian economy. Unlike the private sector, which is efficient, innovative, and flexible, the public sector is too rigid, especially around adaptation and adjustment to change and innovation (Ojogiwa, 2021).

4.2 Management of Nigeria's Oil and Gas Resources

The Nigerian National Petroleum Corporation performs the unique and strategically significant role of managing Nigeria's oil and gas resources for national economic development. This is done through collaboration with other relevant agencies and stakeholders. However, the NNPC has been found not to be an efficient and effective manager of the oil and gas resources of Nigeria, given allegations of official, endemic corruption at the NNPC, which has been depriving Nigeria and Nigerians the highly desired human and physical development they have been hankering after (Thurber, Emelife & Heller, 2010). In December 2011, the Federal Government permitted a forensic report conducted by KPMG to be published.

The audit, which was commissioned by the Federal Ministry of Finance following concerns over the NNPC's transparency, detailed the NNPC's sharp business practices, violation of regulations, illegal deductions of funds belonging to the Nigerian state and failure to account for several billions of naira that should go to the Federation Account (FA). Auditors found that between 2007 and 2009 alone, the NNPC over-deducted funds in subsidy claims to the tune of ₦28.5 billion. It has not been able to account for the sum ever since. This is despite the legal basis or premise upon which the NNPC was founded because according to the 1999 Constitution of the Federal Republic of Nigeria, as amended, all minerals, gas, and oil the country possesses are legally the property of the Nigerian Federal Government, meaning they are utilized for the common good of all Nigerians (Otalor & Eiya, 2013).

4.3 Supervision of Oil Production and Operations in the Oil and Gas Industry

The Nigerian National Petroleum Corporation supervises the oil production and operations in the oil and gas industry to ensure regulatory control, optimal utilisation, and maintenance of the facilities. This helps the corporation to generate revenue and foreign exchange earnings for the national economic development of Nigeria.

4.4 Supply and Distribution of Oil Products

The Nigerian National Petroleum Corporation supplies and distributes oil products to every nook and cranny of Nigeria with a view to meeting the domestic needs of Nigerians and nationals of other countries. This is done also through the private sector. The Nigerian National Petroleum Corporation maintains and operates the refineries of Nigeria and if they cannot refine crude to meet the needs of the domestic market, it imports refined products from the countries it sells or exports crude oil to. Efforts are being made to strengthen the domestic refineries and private individuals are given operational licences to set up and operate refineries. A good example in this regard is the Dangote Refinery in Lagos.

4.5 Investment in Sectors that add Value to the Oil and Gas Industry

The Nigerian National Petroleum Corporation invests in sectors, especially sub-sectors within the oil and gas industry, which add value to it to generate more revenue for Nigeria's national economic development. Investments generate dividends and profits, which enhance the savings of the corporation and its drive towards helping the Nigerian state to diversify its oil dependent economy to other viable sectors such as agriculture, manufacturing, Information and Communications Technology (ICT), services, transportation, aviation and so on. Through this, more funds could be generated to build and repair critical infrastructure and ensure regular power supply, which correlate significantly with industrial and economic development, hence achieving national transformation in all sectors of the Nigerian economy. This would help in addressing many of the national challenges, Nigeria faces, which include poverty, youth unemployment, inequality, insecurity, corruption and so on (Sayne, Gillies & Katsouris, 2015).

4.6 Remittance to the Federation Account for even National Development

Remittance of revenue to the Federation Account for even national development is one of the major statutory functions of the Nigerian National Petroleum Corporation. It does this

monthly through the Federation Account Allocation Committee, which sits at the end of every month to take inventory of revenue generated by the various revenue generating agencies of the Nigerian Federation and then applies the constitutional federal formula of revenue sharing among the three tiers of government: Federal, State and Local Governments and the Niger Delta (the oil region) based on the Derivation Principle. This enables the diverse levels of government and governance in Nigeria to meet their budgetary expenditure(s), both capital and recurrent, and this paves the way for the attainment of economic growth and development. This is important, especially in helping the country to address its myriad of challenges. However, this style of revenue sharing undermines strong national development and transformation, and it encourages corruption because there are no strong and effective monitoring mechanisms to track how the allocated funds are utilised (Ibrahim, Ibrahim & Din, 2018).

5. Conclusion

The public sector in Nigeria requires strong and effective regulatory frameworks to enable it to perform optimally. This is because it currently leaves much to be desired. However, the public sector still supports the Nigerian economy, even though far below expectations. The Nigerian National Petroleum Corporation, being a strategically important public sector-led corporation undertakes on behalf of the Nigerian state, management of Nigeria's oil and gas resources, supervision of oil production and operations in the oil and gas industry, supply and distribution of oil products, investment in sectors that add value to the oil and gas industry and remittance to the federation account for even national development. Oil politics played a role in the major political crises (Niger Delta) and civil war, the country experienced. Petroleum resources have been central to Nigeria's political economy. It is believed that over the years, earnings from petroleum have been on the increase. It was only in the mid 1980s and early 1990s that the country's oil revenue was low due to glut in the international oil market. Nonetheless, most of such earnings were embezzled and often stolen. The proceeds from such earnings should have been used to develop other sectors of the economy such as agriculture, social and economic infrastructural facilities.

A good and feasible dimension that future researchers could write on centres on the impact of the implementation of the Petroleum Industry Act on the Oil and Gas Industry and the future of the Nigerian National Petroleum Corporation (NNPC).

6. Recommendations

In the context of the findings, the paper recommends the following:

6.1 The paper recommends that the public sector should be strengthened so that it performs effectively and efficiently. This is achievable through enhancing the regulatory frameworks and encouraging PPP (Public Private Partnership).

6.2 The paper recommends that the Nigerian National Petroleum Corporation should continue to perform its functions and invest more in value-adding sectors and sustain its interventions

in the national life of the Nigerian state, hence helping the state to address its socio-economic challenges.

6.3 The paper also recommends that the monitoring mechanisms in the oil and gas industry should be strengthened and the fight against corruption be extended to the industry without fear or favour.

6.4 Implementation of the Petroleum Industry Act (PIA) should be ensured, given the sound regulatory legal framework it provides for the entire domestic and international operations of the Nigerian oil and gas industry.

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