

Rentier Fragility, Institutional Vulnerability and Underdevelopment: A Political Economy Analysis of Nigeria, 1986–2025

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Abstract- *This study interrogates the political economy dynamics shaping Nigeria's persistent underdevelopment from 1986 to 2025, focusing on how rentier fragility and institutional vulnerability combine to undermine structural transformation. Anchored in Political Settlement Theory (PST) and Neopatrimonial/Rentier Political Economy (NPE/RPE), the paper analyzes how elite bargains, distributive conflicts and rent-driven incentives have produced a governance equilibrium that sustains fragility rather than development. Using a qualitative design supported by high-impact scholarly analyses, institutional reports (World Bank, IMF, UNDP, NNPC, CBN, NEITI) and reputable media sources, the study finds that Nigeria's rent-dependent political economy generates weak institutions, fragmented accountability systems, prebendal politics and recurrent violent conflicts that reproduce cycles of underdevelopment. Since the adoption of the Structural Adjustment Programme in 1986, political and economic reforms have been repeatedly subverted by elite coalitions that benefit from extractive arrangements. The analysis shows that institutional vulnerability is not accidental but structurally embedded within Nigeria's rentier political settlement, where state capacity expands or contracts depending on elite interests rather than developmental objectives. The paper concludes that Nigeria's underdevelopment persists because reforms confront deeply entrenched incentive structures that reward fragility. It recommends building inclusive political settlements, insulating economic governance institutions from rent-seeking pressures, strengthening rule-enforcement mechanisms and reconfiguring fiscal federalism to incentivize productive investment and accountability.*

Keywords: *Rentier State, Political Economy, Institutional Vulnerability, Political Settlement, Nigeria, Underdevelopment, Elite Bargaining.*

I. INTRODUCTION

Nigeria stands as one of Africa's most resource-endowed states yet one of its most persistently

underdeveloped. Between 1986 and 2025, successive policy frameworks—from the Structural Adjustment Programme (SAP) to recent fiscal and institutional reforms—have sought to reposition the economy, diversify revenue, reduce rent dependence and strengthen governance structures. However, despite these efforts, Nigeria remains trapped in a cycle of low productivity, fragile institutions, recurrent insecurity, corruption and widening inequality (World Bank, 2024; UNDP, 2023). The paradox of vast natural wealth coexisting with entrenched underdevelopment demands a deeper political economy interrogation beyond conventional economic explanations.

Central to this paradox is Nigeria's rentier political economy—where oil rents dominate state revenues and shape elite incentives, institutional behaviour and distributive politics (Beblawi & Luciani, 1987; Mahdavy, 1970; Basedau & Lay, 2020). Since 1986, the structure of the economy has increasingly reflected the features of a rentier state: weak taxation, prebendal political practices, patron-client linkages, elite capture of public institutions and a governance system driven more by rent accumulation than productive transformation. As scholars have shown, Nigeria's institutions tend to function selectively, expanding in areas that protect elite interests while remaining weak where public welfare or accountability is concerned (Adebanwi, 2021; Campbell, 2022; Onya & Akpan, 2019).

Theoretically, Nigeria's persistent institutional vulnerability and underdevelopment cannot be fully understood without examining the political settlement that governs state behaviour and the neopatrimonial-rentier incentives that underpin elite decision-making. Political Settlement Theory (PST) offers a lens to understand how elite coalitions and power balances shape institutional performance, while

Neopatrimonial/Rentier Political Economy (NPE/RPE) explains how patronage, rent extraction and informal networks distort state capacity and development outcomes. Together, these frameworks illuminate why reforms repeatedly fail, why institutions remain weak and why underdevelopment persists despite decades of policy interventions.

This paper therefore asks:

1. How has Nigeria's rentier political economy shaped its institutional fragility from 1986 to 2025?
2. How do political settlements and rent-driven elite bargaining reproduce underdevelopment?
3. What structural transformations are required to break the cycle of fragility?

The paper contributes to the literature by demonstrating that Nigeria's underdevelopment is not merely an economic challenge but a politically structured equilibrium maintained through elite incentives, informal institutional logics and rent-dependent governance.

Analytical Persuasion of the Dual Theories

Political Settlement Theory (PST)

PST conceptualizes governance outcomes as products of the underlying distribution of power among elites and social factions (Khan, 2010; Hickey, 2019). It argues that institutions do not function based on design alone but on how they align with elite interests. In Nigeria, political settlements since 1986 have been characterized by unstable elite coalitions, intense competition for oil rents, prebendal arrangements and fragmented authority across state institutions. This has produced patterns of selective institutional enforcement—strong when enforcing elite interests and weak when promoting accountability or long-term development.

Neopatrimonial/Rentier Political Economy (NPE/RPE)

NPE/RPE argues that formal state institutions coexist with informal networks of patronage, loyalty and rent distribution (Bratton & van de Walle, 1997). In rentier states like Nigeria, where external rents dominate the

economy, political authority is maintained through distribution of rents rather than taxation or productivity (Beblawi & Luciani, 1987; Basedau & Lay, 2020). This fuels corruption, prebendalism, weak bureaucratic performance and the monetization of political power. Institutions evolve not to promote development but to sustain rent flows and preserve elite dominance (Onya, 2017; NEITI, 2023).

Why These Theories Fit the Nigerian Case

From 1986 to 2025, Nigeria's political economy demonstrates a clear intersection of power-based settlements and rent-driven governance:

- The adoption of SAP reconfigured elite bargains around rent allocation.
- Democratic transitions expanded the political marketplace, intensifying rent competition.
- Oil price shocks repeatedly destabilized settlements and governance outcomes.
- Insecurity and corruption deepened as rent distribution channels multiplied.

Thus, PST and NPE/RPE jointly offer the strongest explanatory foundation for this study.

Analytical Convergence

PST and NPE/RPE converge around three fundamental analytical pillars:

Elite Incentives and Institutional Selectivity

Both theories argue that institutions function according to elite incentives, not public interest. In Nigeria, reforms are implemented or sabotaged depending on whether they reinforce or threaten existing settlements.

Rent Extraction and Governance Distortion

NPE/RPE explains how rent extraction shapes political behaviour, while PST clarifies how settlement configurations determine who controls these rents. Together, they show that underdevelopment is not a failure of design but a strategic outcome of power relations.

Fragility as a Rational Outcome

Both theories reveal that institutional weakness, corruption and insecurity persist because they benefit certain factions of the elite. Fragility becomes a political and economic resource rather than an obstacle.

Integrating the Dual Theories for Analysis

Integrating PST and NPE/RPE allows this study to interpret Nigeria's political economy as a coherent set of incentives and power structures rather than isolated governance failures. The integration demonstrates that:

- Nigeria's institutions are shaped by the need to distribute rather than generate wealth.
- Political power is rooted in access to rents rather than performance legitimacy.
- Reform success depends on realignment of power among elite factions.
- Underdevelopment persists where political settlements incentivize fragility.

This dual-theory integration forms the backbone of the subsequent analysis.

Conceptual Explications

Key concepts clarified for analytical coherence include:

Rentier Fragility: Weak state structures resulting from dependence on external rents.

Institutional Vulnerability: Susceptibility of state institutions to manipulation, capture or collapse.

Underdevelopment: Persistent socioeconomic stagnation despite resource endowment.

Political Settlement: The distribution of power that shapes institutional behaviour.

Neopatrimonialism: Fusion of formal rules with informal patronage networks.

Elite Bargaining: Political competition and negotiation over rents and authority.

Methodology

The study adopts a qualitative design, using triangulated secondary data from:

Institutional Reports

World Bank (2024); IMF (2023); UNDP (2023); NEITI (2023); NNPC (2022); CBN (2023); Nigeria Police Force (2024).

Scholarly Works

Adebanwi (2021); Campbell (2022); Basedau & Lay (2020); Onapajo (2020); Onuoha (2022); Bratton & van de Walle (1997); Onya & Akpan (2019); Onya (2017).

Media and Policy Outlets

Premium Times (2024); Reuters (2024); Financial Times (2024).

Data were analyzed using thematic analysis, structured around PST and NPE/RPE.

Literature Review / Discussion

Rentier State Dynamics Since 1986

Scholars agree that Nigeria exhibits classic rentier characteristics: overdependence on oil, weak taxation, prebendalism and corruption (Beblawi & Luciani, 1987; Mahdavy, 1970; NEITI, 2023). SAP accelerated rent competition by liberalizing markets without strengthening institutions (World Bank, 2024).

Institutional Vulnerability and Elite Capture

Political elites manipulate institutions to sustain rent flows, resulting in weak enforcement, policy reversals and widespread corruption (Adebanwi, 2021; Campbell, 2022). Bureaucratic agencies often mirror the interests of dominant factions rather than public needs (CBN, 2023).

Insecurity and the Political Marketplace

Nigeria's security challenges since the 2000s—Boko Haram, banditry, militancy—are linked to weakened institutions, rent-driven conflicts and elite exploitation of violence (Onapajo, 2020; Onya & Akpan, 2019). Security has become commercialized, creating new rent opportunities (ICG, 2024).

Underdevelopment as an Institutional Outcome

Development stagnates because the political settlement rewards distribution, not production. Reforms falter because they threaten entrenched interests (UNDP, 2023; World Bank, 2024).

Findings

1. Nigeria's political economy is structured around rents, reinforcing elite dominance and institutional fragility.
2. Reforms since 1986 have been consistently undermined by power-based settlements.
3. Insecurity persists because violence is embedded within rent and patronage logics.
4. Institutional weakness is not accidental but a deliberate outcome of elite bargaining.
5. Underdevelopment is reproduced through systemic incentives that reward fragility.

Conclusion

Nigeria's persistent underdevelopment between 1986 and 2025 is best understood through the interaction of rentier fragility and political settlements. Despite reforms, the structure of elite incentives has remained unchanged, resulting in selective institutional enforcement, prebendal politics and chronic vulnerability. Until political settlements are reconstructed to reward productivity and accountability—not rent distribution—Nigeria's developmental trajectory will remain stalled.

Recommendations

- Build inclusive political settlements that balance power across regions and factions.
- Reduce rent dependence by diversifying revenue and strengthening taxation.
- Insulate economic institutions (CBN, NEITI, NNPC) from elite political interference.
- Reform fiscal federalism to incentivize productivity rather than rent sharing.
- Strengthen rule-enforcement institutions through autonomy and oversight.
- Address insecurity by dismantling rent circuits linked to armed violence.
- Promote transparency in public finance using digital audit and open-budget tools.

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